

uMNGENI MUNICIPALITY



BUDGET POLICY

2023-2024

DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

TABLE OF CONTENTS	Page No.
1. BACKGROUND	3
2. DEFINITIONS	4
3. OBJECTIVE	10
4. BUDGETING PRINCIPLES	10
5. BUDGET PREPARATION PROCESS	11
5.1 Formulation of the budget	11
5.2 Public participation process	12
5.3 Approval of the budget	12
5.4 Publication of the budget	13
Service Delivery and Budget Implementation Plan (SDBIP)	13
6. CAPITAL BUDGET	14
6.1 Revenue or Surplus	15
6.2 External Loans	15
6.3 Capital Replacement Reserve (CRR)	15
6.4 Grant Funding	16
7. OPERATING BUDGET	16
8. FUNDING OF CAPITAL AND OPERATING BUDGET	17
9. UNSPENT FUNDS / ROLL OVER OF BUDGET	17
10. BUDGET TRANSFERS AND VIREMENTS	18
11. ADJUSTMENT BUDGET	19
12. BUDGET IMPLEMENTATION	21
12.1 Monitoring	21
12.2.1 Monthly budget statements	21
12.2.2 Quarterly Reports	22
12.2.3 Mid-year budget and performance assessment	22
13. CONCLUSION	22

1. BACKGROUND

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16) states that the Council of a municipality must for each financial year, approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the draft annual budget at a Council meeting at least 90 days before the start of the budget year. This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to the formulation of a municipal budget, is that the governments macroeconomic and fiscal policy fundamentals must be taken into account. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

National Treasury issued Government Gazette No. 37577, Municipal Regulations on Standard Chart of Accounts, which is effective 01 July 2017. Application of Regulations is to all municipalities and municipal entities. No exemption or transitional provisions from the Regulation for the application of mSCOA to municipalities or municipal entities is allowed.

The policy must also indicate how the Virements process is to be managed within the municipality so as to enable the tracking and reporting of funding shifts.

This policy must also give guidance on the implementation of the mSCOA just for the compliance with the mSCOA Regulation and the Circulars.

2. DEFINITIONS

Accounting Officer	Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act
Allocation	Means a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution
Annual Division of Revenue Act	Means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution
Approved Budget	Means an annual budget is approved by a municipal council
Municipal Council	Means the council of a municipality referred to in section 18 of the structures Act
Basic Municipal Service	Means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment
Budget-related Policy	Means a policy of a municipality affecting or affected by the annual budget of the

	<p>municipality, including:</p> <ul style="list-style-type: none"> -the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act -the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates -the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act
Budget Transfer Means	transfer of funding within a function / vote
Budget Year	Means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA
Chief Financial Officer	Means a person designated in terms of section 80(2) (a) of the MFMA
Councilor	Means a member of a Municipal Council
Creditors	Means a person to whom money is owed by the municipality
Current Year	Means the financial year, which has already commenced, but not yet ended
Delegation	In relation to a duty includes an instruction or request to perform or to assist in performing the duty
Financial Recovery Plan	Means a plan prepared in terms of section 141 of the MFMA
Financial Statements	<p>Means statements consisting of at least:</p> <ul style="list-style-type: none"> -a statement of financial position -a statement of financial performance -a cash-flow statement -any other statements that may be prescribed -any notes to these statements
Financial Year	Means a twelve month period commencing on 1 July and ending on 30 June each year
Fruitless and Wasteful Expenditure	Means an expenditure that was made in vain and would have been avoided had reasonable care been exercised
Irregular Expenditure	Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act 170 MFMA.

" Investment, in relation to funds of a Municipality	The placing of Municipality deposit funds with a financial institution The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds
Lender Means	a person who provides debt finance to a municipality
Local Community	Has the meaning assigned to it in section 1 of the Municipal Systems Act
Municipal Structures Act Means	the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
Long-term Debt	Means debt repayable over a period exceeding one year
Mayor Means	the Councillor elected as the Mayor of the municipality in terms of section 55 of the Municipal Structures Act
Municipal Council	or Council Means the Council of a municipality referred to in section 18 of the Municipal Structures Act
Municipal Debt Instrument	Means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialized or electronic evidence of indebtedness intended to be used in trade;
Municipal entity	Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition)
Municipality	" When referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act When referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

Municipal Service	Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition)
Municipal Tariff	Means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff
Municipal Tax	Means property rates or other taxes, levies or duties that a municipality may impose
National Treasury	Means the National Treasury established by section 5 of the Public Finance Management Act
Official Means	<p>an employee of a municipality or municipal entity</p> <p>Means a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity</p> <p>Means a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee</p>
Overspending Means	In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure.
Past Financial Year	Means the financial year preceding the current year

Service Delivery and Budget Implementation Plan	Means a detailed plan approved by the Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate: - projections for each month of(i) revenue to be collected, by source; and (ii) operational and capital expenditure, by vote -service delivery targets and performance indicators for each quarter -any other matters that may be prescribed, and includes any revisions of such plan by -the Mayor in terms of section 54(l) (c) of the MFMA
Short-term Debt	" Means debt repayable over a period not exceeding one year
Standards of generally recognized Accounting Practice	Means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board
Unauthorized Expenditure	Means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes: - overspending of the total amount appropriated in the municipality's approved budget -overspending of the total amount appropriated for a vote in the approved budget - expenditure from a vote unrelated to the department or functional area covered by the vote -expenditure of money
Virement	Means transfer of funds between functions / votes Vote Means one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

Municipal Standard Chart of Accounts (mSCOA)	<p>The standard chart of accounts consists of the coding of items used for classification, budgeting, recording and reporting of revenue and expenditure within the local government sphere contributing to whole of government reporting.</p> <p>mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.</p>
Quarter	<p>Quarter Means any of the following periods in a financial year:</p> <ul style="list-style-type: none"> -1 July to 30 September -1 October to 31 December -1 January to 31 March -1 April to 30 June
Seven segments	<ol style="list-style-type: none"> 1. Project (allocates the expenditure to a project, capital and operating) 2. Function (similar to vote and sub vote, core vs non-core functions) 3. Item: Assets, Liabilities and Net assets; Expenditure; Revenue; Gains and Losses 4. Fund (which funding source is utilised for expenditure transactions) 5. Regional Indicator (which region is benefiting from the service) 6. Costing (secondary transaction – focus on services) 7. Municipal Standard Classification – No standardisation (address differentiation in function allocation)

3. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each Medium Term Revenue and Expenditure Framework budget;
- The responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer and other Senior Managers in compiling the budget;
- To establish and maintain procedures to ensure adherence to uMngeni Municipality's IDP review and budget processes.

- The introduction of any Adjustments Budgets;
- Unforeseen and unavoidable expenditure.

The objective of the mSCOA regulations is to:

Provide a National Standard for uniform recording and classification of municipal budget and financial information at a transactional level by providing a Standardized Chart of Accounts: - aligned to budget formats and accounting standards; - enable uniform information sets across the whole of government to better inform national policy coordination and reporting, benchmarking and performance measurement.

4. BUDGETING PRINCIPLES

- The municipality shall **not** budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- uMngeni Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF) and that will be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

5. BUDGET PREPARATION PROCESS

5.1 Formulation of the budget

- The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- The Mayor shall table the Budget and IDP process plan to Council by 31 August each year for approval (10 months before the start of the next budget year).
- IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- The Mayor shall table the draft IDP and MTREF budget to Council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

- The budget must be in the prescribed format, and must be divided into capital and operating budget.
- The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- The expenses reflected in the budget must be divided into terms.
- The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.
- The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes as income foregone and/or as per MFMA Circular requirements issued by National Treasury from time-to-time.

5.2 mSCOA Budget:

Comprises seven (7) segments that are to be complied with on a transaction (posting) level. No further breakdown is required subsequent to transaction posting. All these seven segments are IDP driven.

5.2.1 Project Segment

- The project segment is linked to the IDP of the municipality. Due to the IDP being a 5 year plan, the need for a project segment was identified.
- The accumulation of project-related transactions in a single posting-level account results in a classification not relating to “what is bought”.
- The Project Segment distinguishes projects according to the nature of the expense whether it is capital or an operational expense.

5.2.2 Function Segment

- The Function Segment is the location within the mSCOA for creating the “vote” structure standardized for all municipalities
- This does not replicate the current vote structure, but indicates what function is being performed

5.2.3 Item Segment

- The item segment relates to elements stemming from the Statement of Financial Performance and the Statement of Financial Position.
- For mSCOA purposes these comprise of 4 sub-categories i.e. Revenue, Expenditure; Gains and Losses and Assets, Liabilities and Net Assets.

5.3.4 Funding Segment

- The funding segment is applied to the different sources of funding relevant to the varying transaction types.
- It is broken into 6 sub-categories
 - Revenue
 - Commercial Services
 - Transfers and Subsidies
 - Borrowing
 - Cash Backed Reserves
 - Non-funding Transactions

5.2.5 Regional indicator

- The regional indicator is location driven.
- This is broken into 3 sub-categories:
 - Administrative or Head Office (incl. Satellite Offices)
 - Wards (specific to municipality)
 - Whole of the municipality

5.2.6 Costing Segment

- The Costing segment provides for the classification of indirect (secondary) costs that do not directly attribute to the output and are sometimes referred to as activity based recoveries, for example labour, vehicle, plant and equipment, internal service charges (internal billings), and departmental charges for example office rental, audit fees and procurement.
- Indirect cost (secondary cost) is initially recorded as primary cost within the "Item" segment and funded according to the indicator selected in the "Fund" segment. The costing indicator within the "costing" Segment provides for the re-distribution of these primary costs between functions (no change in the funding source), together with indicators provided in the "Cost" segment. The "Project" segment provides the classification link to these indicators and specific projects.

- The purpose for including this segment in SCOA is to provide for the recording of full cost reflection for at least the four core municipal functions being electricity, water, waste water and waste management services, as a minimum requirement (for now).

5.2.7 Municipal Standard Classification

- Non Standardized segment. “Against which organizational vote or sub-vote should the transaction be recorded”?
- This segment contains the “votes” set-up by the municipality based on the organizational structure in place for the municipality. The “vote” structure needs to be aligned to the municipality’s organizational structure.
- Municipal revenue, operating and capital expenditure are then classified in terms of each of these votes. This means it is possible to present the operating surplus or deficit for each vote, along with information on the proposed capital budget. If a municipality delivers services within a particular vote structure these tables enable, useful performance information based on the vote structure.

5.3 Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organizations, to make representation at the Council hearings and to submit comments in response to the draft budget.

5.4 Approval of the budget

The Municipality uses the Incremental Budgeting Method

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The Council resolution, must contain budget policies and performance measures be adopted.
- (c) Should the municipality fail to approve the budget before the start of the budget year, the Mayor must inform the MEC for Finance that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
 - draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - draft resolutions;
 - measurable performance objectives for each budget vote, taking into account the municipality’s IDP;

- the projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other Councilors, the accounting officer, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organizations such as Non-Governmental Organizations, welfare institutions and so on;
- particulars of the municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the municipality.

5.4 Publication of the budget

(a) Within 10 working days after the draft annual budget has been tabled, the BTO Manager must post the budget and other budget-related documentation on the municipal website, so that it is accessible to the public as well as send hard copies to National and Provincial Treasury.

(b) The Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

Service Delivery and Budget Implementation Plan (SDBIP)

- (a) The Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
 - Monthly projections of revenue to be collected for each source;
 - Monthly projections of expenditure (operating and capital) and revenue for each vote;
 - Quarterly projections of service delivery targets and performance indicators for each vote;
 - Ward information for expenditure and service delivery;
 - Detailed capital works plan broken down by ward over three years

6. CAPITAL BUDGET

- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.
- (b) Vehicle replacement must be accompanied by a Council Resolution. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- (c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this or her funding is available and has not been committed for other purposes.
- (e) Before approving a capital project, the Council must consider:
 - the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
 - the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - depreciation of fixed assets,
 - maintenance of fixed assets, and
 - any other ordinary operational expenses associated with any item on such capital budget.
 - Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
 - The capital expenditure shall be funded from the following sources:

6.1 Revenue or Surplus

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

6.2 External Loans

- External loans can be raised only if it is linked to the financing of an asset;

- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life Expectancy of the asset. If this or her happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

6.3 Capital Replacement Reserve (CRR)

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

- Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investments of the CRR, appropriated in terms of the investments policy;
- Additional amounts appropriated as contributions in each annual or adjustments budget; and sale of land and profit or loss on the sale of assets.

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

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

Transfers to the CRR must be budgeted for in the cash budget;

6.4 Grant Funding

(a) Non capital expenditure funded from grants

- must be budgeted for as part of the revenue budget;
- Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

(b) Capital expenditure must be budgeted for in the capital budget;

(c) Interest earned on investments of Conditional Grant

Funding shall be capitalized if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts.

(d) Grant funding does not need to be cash backed but cash should be secured before spending can take place.

7. OPERATING BUDGET

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
- (i) Entitlement of officials as at 30 June of each financial year,
- provision for bad debts in accordance with its rates and tariffs policies
 - Depreciation and finance charges shall be charged to or apportioned only between the departments or to which the projects relate.
 - At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- (b) When considering the draft annual budget, Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- (d) The operating budget shall reflect the impact of the capital component on:
- depreciation charges
 - repairs and maintenance expenses
 - interest payable on external borrowings
 - Other operating expenses.
- (e) The chief financial officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

8. FUNDING OF CAPITAL AND OPERATING BUDGET

The budget must be funded in terms of the Councils approved Funding and Reserves Policy.

- (a) The budget may be financed only from:
- Realistically expected revenues, based on current and previous collection levels;
 - cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
 - Borrowed funds in respect of the capital budget only.

9. UNSPENT FUNDS / ROLL OVER OF BUDGET

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- (d) Application for roll over of funds shall be submitted to National Treasury by 30 August and if approved it will be included in the adjustments budget.
- (e) Adjustments to the rolled over budget shall be done during the budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (f) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- (g) No unspent operating budget shall be rolled over to the next budget year.

10. BUDGET TRANSFERS AND VIREMENTS

- (a) Budget transfers within the same vote shall be recommended by the Manager of the department and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Department.
- (b) Virements should not be permitted in relation to the revenue side of the budget
- (c) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Manager Corporate Services. The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- (d) Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
- (e) In cases of emergency situations virements shall be submitted by the accounting officer to the Mayor for authorization and be reported by the Mayor to Council at its next meeting.
- (f) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of Council.
- (g) Virements from the capital budget to the operating budget should not be permitted; Virements should not result in adding 'new' projects to the Capital Budget department.

- (h) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category.
- (i) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and
- (j) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- (k) The entire Virement policy will be drafted in line with mSCOA when version 6.1 has been locked down by National Treasury.
- (l) There should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 25 per cent of the budget may be moved to or from a vote, programme, project etc.)
- (j) No virements will be processed in the within the first three month of the Financial Year.

11. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- (a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where;
- (b) Council may revise its annual budget by means of an adjustments budget at most three times a year or as regulated.
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for, or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- (f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

- (g) Only the Mayor shall table an adjustments budget. Adjustments budget shall be done at most three times a year after the end of each quarter and be submitted to Council taking the following into consideration:
- To adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
 - To take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget.
 - Final budget adjustment to adjust current year's budget in cases where there is a indication that there will be rolling over of funding to the next financial year.
- (h) An adjustments budget must contain all of the following: an explanation of how the adjustments affect the approved annual budget; appropriate motivations for material adjustments; and an explanation of the impact of any increased spending on the current and future annual budgets.
- (i) Any unappropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.
- (j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (k) Unauthorised expenses may be authorised in an adjustments budget.
- (l) In regard to unforeseen and unavoidable expenditure, the following apply: the Mayor may authorise such expenses in an emergency or other exceptional circumstances; the municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses; these expenses must be reported by the Mayor to the next Council meeting; the expenses must be appropriated in an adjustments budget; and Council must pass the adjustments budget within sixty days after the expenses were incurred.

12. BUDGET IMPLEMENTATION

12.1 Monitoring

- (a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
- funds are spent in accordance with the budget;
 - expenses are reduced if expected revenues are less than projected; and
 - revenues and expenses are properly monitored
- (b) The Accounting Officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

- (c) The Accounting Officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

12.2 Reporting

12.2.1 Monthly budget statements

- (a) The accounting officer with the assistance of the Chief Financial Officer must, no later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
 - actual expenses per vote, compared with budgeted expenses;
 - actual capital expenditure per vote, compared with budgeted expenses;
 - actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - the amount of allocations received, compared with the budgeted amount;
 - actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
 - the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- (b) The report to the National Treasury must be both in electronic format and in a signed written document.

12.2.2 Quarterly Reports

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

12.2.3 Mid-year budget and performance assessment

- (a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- (b) The Accounting officer must then submit a report on such assessment to the Mayor by 31 January each year and to Council, Provincial Treasury and National Treasury by 25 January each year.
- (c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

13. CONCLUSION

The BTO Manager must place on the municipality’s official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;
- all performance agreements;
- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

14. POLICY IMPLEMENTATION

This policy takes effect on the date on which it is adopted by the Council.

Policy adoption date	29 March 2023
Policy implementation date	01 July 2023
Next Review date	April 2024
Signed By..... Municipal Manager	Date.....

UMNGENI MUNICIPALITY INVESTMENT AND CASH MANAGEMENT POLICY



DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

Introduction

As trustees of public funds, councilors and officials have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

Council has a responsibility to invest public funds with great care and are accountable to the community in this regard.

Legislation must be adhered to at all times. Where this policy is contrary to legislation, legislation will override this policy. It is explicit responsibility of the Municipal Manager to bring such conflicts to the attention of the Council immediately he or she is aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

1. Definitions

Chief financial officer means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

Councilor means a member of a municipal council.

Current liabilities are –

- Creditors;
- Bank overdrafts and
- Short-term portion of long-term liabilities

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

Municipal manager means a person appointed in terms of section 82 of the Municipal Structures Act, 1998 (Act 117 of 1998) as the head of the municipality's administration;

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

Negotiable certificate means a loan certificate that is tradeable on the capital market.

Net current assets is the difference between current assets and current liabilities where current assets are-

- Debtors;
- Cash;
- Stock; and
- The short-term portion of long-term debtors.

Public funds mean all monies received by the municipality to perform the functions allocated to them.

Security means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor.

Short-term portion of long-term debtors refers to the capital installments of long-term debtors due and in arrears in the current financial year.

Short-term portion of long-term liabilities refers to the capital repayment of long-term loans due in the current financial year.

2. Objectives

The objectives of a cash and investment policy are:

- To manage the net current asset requirements of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens,
- To manage the financial affairs of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and
- To gain the highest possible return on investments without unnecessary risk, during periods when excess funds are not being used.

3. Scope of the policy

The policy deals with:

- Responsibility/accountability.
- Management of net current assets.
- Investment ethics.
- Investment principles.
- General investment practices.
- Call and fixed deposits.
- Other external deposits.
- Control over investments.

4. Responsibility/Accountability

4.1 The Municipal Manager is the Accounting Officer of the municipality. He/she may delegate certain duties/tasks to the Chief Financial Officer, who would be accountable to him/her. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

4.2 The Chief Financial Officer is responsible, in terms of his/her delegate authority, for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective management of net current assets banking and cash management. Sound management includes the following:

- Collecting revenue when it is due and banking it promptly;
- Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the creditor's normal terms for account payments;
- Avoiding pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;

- Accurately forecasting the institution's cash flow requirements;
- Timing the inflow and outflow of cash;
- Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash;
- Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets; and
- Avoiding bank overdrafts.

4.3 The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments may be delegated to the Head of Department responsible for finance.

5. Management of Net Current Assets

5.1 Debtor Collections:

5.1.1 The municipal council must set a target for debt collection based on the performance of the Municipal Manager during the last financial year. The target must be expressed as a percentage of potential income and/or the turn- over rate of debtors.

5.1.2 All funds due to the council must be collected timeously and banked on a daily basis. Large sums of money received must be deposited into the bank account on the same day that payments are received.

5.1.3 All monies owing to the council must be correctly reflected in the debtors system.

5.1.4 Extension for payment of rate and service charges must only be given in exceptional circumstances.

5.1.5 Moneys collected by some other agency on behalf of the council shall be paid over to the council or deposited in the bank account of the council in a manner prescribed by the Municipal Manager (Daily deposits are preferable).

5.1.6 The receipt of all monies collected by the council shall be acknowledged forthwith by the issue of a numbered official receipt.

5.2 Receipt of Payments

5.2.1 Receipt of money over the counter:

- Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and
- Every receipt form, which is cancelled, will be reattached, in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

5.2.2 Receipt of Money by Post:

- When money (including postal orders and cheques) is received with the council's mail, the Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness. Post-dated cheques received in the council's mail must also be recorded in the cheque register. The cheque register shall be regarded as the register of remittances received by post;
- The cheque register together with all remittances received must be sent to a designated official in the finance section;
- The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting;
- The cashier will receipt all remittances and issue official receipts to the designated official;
- The designated official will record all receipts in the cheque register and return same to registry. The Registry Clerk must ensure that all receipts are recorded in the cheque register;
- All documents relating to remittances received in the mail must be filed for audit purposes;
- A separate register for post-dated cheques will be maintained by the Cashier and all postdated cheques must be stored safely in the registry strongroom; and
- The Cashier will ensure that all postdated cheques, which become due, are promptly receipted and recorded in the postdated cheque register.

5.3 Management of Inventory (Stock)

5.3.1 Cash management must be improved by seeing that adequate stock control is

exerted over all goods kept in stock.

5.3.2 Minimum and maximum stock levels, reordering procedures, turnover rate of stock items must be reviewed quarterly to ensure that funds are not unnecessary tied up in stock.

5.3.3 A stock register, reflecting the under mentioned detail must be kept and updated daily;

- Item description;
- Stores code number;
- Transaction date;
- Goods received –
 - Goods delivery note number;
 - Number of items received; and
 - Value of items received.
- Goods issued
 - Requisition number; and
 - Number of items issued.
- Balance of items in stock.

5.3.4 Stock counts must be affected monthly and an annual report reflecting stock shortage and surpluses must be submitted to council on the 30 June of each financial year. All surpluses and shortages must be explained by the accountable head of departments.

5.4 Management of cash

5.4.1 The cash holding of the municipality must be kept at the minimum level required to finance the day to day operations of the municipality. For this purpose a daily, weekly, monthly and annual cashflow forecasts are required.

5.4.2 Sufficient provision must be made to the payment of:

- Salaries;
- Bulk purchases of water and electricity;
- General expenditure;
- Capital cost (Interest and redemption);
- Maintenance; and
- Payment to creditors involved in capital projects.

5.5 Payment of Creditors

5.5.1 Due to the high bank charges with regard to cheque payments, it is essential to limit the payment of creditors to one payment per creditor per month. Should the facility be available, payments should be done by electronic transfer - subject to strict control measures.

5.5.2 Proper consideration must be given to the conditions of credit terms of payment offered:

- If discounts are offered for early settlement they must be properly considered and utilised.

5.5.3 Credit statements must be reconciled monthly.

5.5.4 Payments must only occur on receipt of an official order, certified goods received note and official company invoice.

5.6 Management of bank overdraft

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

5.6.2 The bank overdraft must be repaid at the end of the financial year.

5.6.3 The council can only approve a bank overdraft on the submission of a cash flow statement indicating the anticipated income stream or a certificate stating the approved grant or long-term loan.

6. Investment Instruments

6.1 The Minister of Provincial and Local Government may with the concurrence of the Minister of Finance by notice in the Gazette determine instruments or investments other than those referred to below in which Municipality may invest:

- Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- Securities issued by the National Government;
- A municipality's own stock or similar type of debt;
- Internal funds of a municipality which have been established in terms of a law to pool money available to the municipality and to employ such money for the granting of loans or advances to departments within a municipality, to finance capital

expenditure;

- Bankers, acceptance certificates or negotiable certificates of deposits of banks;
- Long term securities offered by insurance companies in order to meet the redemption fund requirements of municipalities; and
- Any other instruments or investments in which a municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: Provided that such instruments shall not extend beyond the date of maturity or redemption thereof.

6.2 Cash Flow Estimates

6.2.1 Before money can be invested, the Chief Financial Officer or his/her delegate must determine whether there will be surplus funds available during the term of the investment. He/she must fix the term of the investment.

6.2.2 In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.

6.2.3 Provision must be made in the cash flow estimates for the operating and capital requirements of the municipalities.

6.2.4 The operating requirements must include provisions for:

- Monthly salary payments;
- Bulk purchases of electricity and water;
- Interest on long term loans;
- Maintenance of assets;
- General expenditure (payments to current creditors); and
- Expected daily and monthly incomes.

6.2.5 From time to time the council will have surplus funds available which are not needed immediately and which could be invested. Depending on circumstances some funds could be invested for a long term whilst others would only be short-term investments. Surplus funds in the current account may also be invested for short periods (days).

- Long term investments should be made with an institution of minimum BBB rating (where BBB refers to lower risk institutions);
- Short term investments should be made with an institution of minimum B rating (where B refers to higher risk institutions);

- Not more than 20% of available funds should be placed with a single institution; and
- The amount should not exceed 10% of the relevant institution's shareholder's funds (Capital and Reserves).

The most recent rating of the banking institutions be consulted prior to investments being made.

7. Investment Ethics

The following ethics must apply when dealing with financial institutions and other interested parties.

7.1 The Municipal Manager or his/her delegate will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual councilors, agents or any other institution.

7.2 Council may at its discretion employ the use of specialist advisors to provide advice on investments from time to time. Specialist advisors are not entitled to commission. Furthermore, specialist advisors may not directly invest funds on behalf of Council. All investments must be made by the Municipal Manager or the official to whom responsibility to made investments has been delegated.

7.3 Under no circumstances may he/she be forced or bribed into making an investment. No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill. A certificate in respect of the gift should be furnished to the council. The gift should not be in lieu of a commission.

The Chief Financial Officer or his/her delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the council. Excessive gifts and hospitality should however be avoided.

7.3 Interest rates offered should never be divulged to another institution.

8. Investment Principles

8.1 Exposure to a single institution:

Money, especially large sums of money, must be invested with more than one institution, in order to limit risk exposure of the council. Not more than 20% of the available funds should be placed with a single institution.

8.2 Risk and Return

It can be accepted as a general rule that the larger the return, the greater the risk.

8.3 Borrowing money for reinvestment

The council may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

8.4 Registered Financial Institutions

If the Chief Financial Officer or his/her delegate invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.

8.5 Growth-related Investments

When making investments, the Chief Financial Officer or his/her delegate must guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

9. General Investment Practice

9.1 General

After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer or his/her delegate must consider the way in which the investment is to be made. As rates can vary according to money market perceptions with regard to the terms of investment, quotations must be requested telephonically, within term limitations, and these must be set out on a schedule.

9.2 Commission Certificate

The Auditor-General requires the financial institution, where the investment is made, to issue a certificate for each investment made. This certificate must state that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.

9.3 Reports

9.3.1 The council must be given a monthly report on all investments.

9.3.2 A municipality must within 30 days after an investment with currency of 2 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

9.4 Cash in the Bank

Where money is kept in current accounts, it would be possible to bargain for more beneficial rates with regards to deposits, for instance call deposits. Fixed term deposits can increase these rates. The most important factor is that the cash in the current account must be kept to an absolute minimum.

9.5 Creditworthiness

When investments are placed with smaller registered institutions, the Chief Financial Officer or his/her delegate has to see to it that the municipality is not exposed to too much risk. He/she has to ensure that the creditworthiness and performance of the institution are to his/her satisfaction, before investing money in the institution. The Chief Financial Officer or his/her delegate is entitled to information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

10. Call and Fixed Deposits

10.1 Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term of which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.

10.2 It is acceptable to ask for quotations telephonically, as rates generally change on a regular basis and time is a determining factor when investments are made. The person responsible for requesting quotations from institutions must record the following:

10.2.1 Name of institution;

10.2.2 Name of person quoting rates;

10.2.3 Period of the investment;

10.2.4 Relevant terms; and

10.2.5 Other facts i.e. are interest payable monthly or on maturation date.

Once a quote has been accepted written confirmation of the details must be obtained from the financial institution.

10.3 Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

If institutions have been asked for a quotation with regard to a specific package, the institution must be requested to give the best rate in their quotation. They must also be informed that, once the quotation has been given, no further bargaining or discussions will be entered into in that regard.

10.4 The above procedure must be followed for all investments.

10.5 The Chief Financial Officer or his/her delegate must make sure that the investment document received is a genuine document, issued by an approved institution, and the investment capital must only be paid over to the institution with which it is to be invested and not to an agent.

11. Other External Deposits

Other investment possibilities, which are subject to the applicable legislation and are available to the council, include debentures and other securities of the state as well as other municipalities or

statutory bodies in the Republic, instituted under and in terms of any law. With regard to such investments, the principles and practices set out above must apply.

12. Control over Investments

12.1 An investment register should be kept of all investments made. The following facts must be indicated:

12.1.1 Name of institution,

12.1.2 Capital invested,

12.1.3 Date invested,

12.1.4 Interest rate,

12.1.5 Maturation date,

12.1.6 Interest received,

12.1.7 Capital repaid; and

12.1.8 Balance invested.

The investment register and accounting records must be reconciled on a monthly basis.

12.2 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds, bearing in mind the cash flow requirements.

12.3 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her delegate must check that the interest is calculated correctly.

12.4 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:

12.4.1 Fixed deposit letter or investment certificate,

12.4.2 Receipt for capital invested,

12.4.3 Copy of electronic transfer or cheque requisition,

12.4.4 Excel schedule of comparative investment figures,

12.4.5 Commission certificate indicating no commission was paid on the investment; and

12.4.6 Interest rate quoted.

12.5 The Chief Financial Officer or his/her delegate is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.

uMNGENI MUNICIPALITY

DEBT COLLECTION AND CREDIT CONTROL POLICY



DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

Objectives

The objectives of the policy are to:

- Provide a framework within which the municipality can exercise its executive and legislative authority with regards to credit control and debt collection;
- Ensure that all monies due and payable to the municipality are collected
- Set realistic targets for debt collection processes;
- Outline credit control and debt collection policy procedures and mechanisms; and
- Provide a framework to link the municipal budget to:
 - Indigent support; and
 - Tariff policies.

Principles

- The administrative integrity of the municipality must be maintained at all costs. The democratically elected (councilors) are responsible for policy-making, while it is the responsibility of the municipal manager to execute these policies.
- All customers must complete an official application form formally requesting the municipality to provide services.
- A copy of the application form, conditions of service provision and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer during application.
- Billing is to be accurate, timeous and understandable.
- The customer is entitled to reasonable access to pay-points and to a variety of reliable payment methods.
- The customer is entitled to an efficient, effective and reasonable response to queries / appeals, and should suffer no disadvantage during the processing of a reasonable query / appeal.
- Enforcement of payment must be prompt, consistent and effective.
- Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution.
- Incentives may be used in collection procedures.
- The collection process must be cost-effective.
- Collection "Best Practices" must be pursued.

- Results must be regularly and efficiently reported.
- Application forms will be used to categorise customers and to determine whether the customer qualifies for indigent support, pre-payment or credit meters.
- Customer care principles should be maintained and performed during the implementation of the Debt collection and Credit control policy.
- There must be legal cause between the municipality and its customer and customer debt must arise out of a legal framework and must be legally collectable.
- Indigent households will be identified and supported. Welfare is to be separated from tariff and credit control issues and will be supported by appropriate and affordable policies and practices. Indigent support will be introduced within council's financial ability.
- Targets for performance in both customer service and debt collection will be set up and pursued and remedies implemented for non-performance.

Duties and Functions of Council

- To approve a budget consistent with the needs of communities, ratepayers and residents.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- To provide sufficient funds to give access to basic services for the poor.¹
- To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.²
- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Municipal Manager.³
- To approve a reporting framework for credit control and debt collection.⁴
- To consider and approve by-laws to give effect to the Council's policy.
- To monitor the performance of the Executive Committee and Municipal Manager regarding debt collection and credit control.

¹ Preferably, the total equitable share should be set aside for this purpose. If this amount is not enough, an additional sustainable provision must be made, according to the municipality's financial ability.

² The bad debt provision should at least reflect the increase in debtors during the previous financial year. The amount provided for can only be reduced by the amount provided for working capital.

³ A realistic target would be to improve on the previous year's result by 5% - 10%. The target should be reviewed every year until the turnover rate of debtors is between 45-56 days.

⁴ See Section 3.4.

⁵ Including credit control and debt collection

- To revise the budget should Council's targets for debt collection and credit control not be met.
- To take disciplinary action against councilors, officials and agents who do not execute council policies and by-laws.⁵
- To delegate the required authorities to monitor and execute the debt collection and credit control policy to the Executive Committee and Municipal Manager respectively.
- To provide sufficient capacity in the Finance Department for debt collection and credit control.
- To ensure collective efforts to perform debt collection and credit control implemented by all councilors and administration.

3.1 Duties and functions of Executive Committee

- To ensure that Council's budget, cash flow and targets for the debt collection are met and executed in terms of the policy and relevant by-laws¹.
- To monitor the performance of the Municipal Manager in implementing the policy and by-laws².
- To review and evaluate the policy and by-laws in order to improve the efficiency of Council's debt collection and credit control procedures, mechanisms and processes³.
- To report to Council⁴ on implementation of debt collection and credit control policy.

3.2 Duties and functions of the Municipal Manager

- To implement good customer care management.
- To implement council's debt collection and credit control policy.
- To install and maintain an appropriate accounting system.

Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive committee must –

(a) Oversee and monitor -

¹ (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

² (ii) The performance of the municipal manager in implementing the policy and any by-laws.

³ (b) When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and

⁴ (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 paragraph (a) and (b).

- To bill customers properly.
- To demand payment on due dates.
- To raise penalties for defaults.
- To appropriate payments received.
- To collect outstanding debt.
- To implement “Best Practices”.
- To provide different payment methods.
- To determine debt collection and credit control measures.
- To determine work procedures for public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- To appoint firm/s of attorneys or debt collectors to complete the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- To set performance targets for staff.
- To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- To delegate certain functions to Heads' of Departments.
- To determine standard operating procedures (SOP) for debt collection and credit control.
- To report to the Executive Committee.

3.3 Duties and functions of Communities, ratepayers and residents

- To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- To observe the mechanisms and processes of the municipality in exercising their rights.
- To allow municipal officials reasonable access to their property to execute municipal functions.
- To comply with the by-laws and other legislation of the municipality.
- To refrain from tampering with municipal services and property.

3.4 Duties and functions of Ward Councillors and Political parties

- To hold regular ward meetings where debt collection and credit control will be standing item.
- To adhere to and convey council policies to residents and ratepayers.
- To adhere to council's code of conduct for councilors.

POLICY PRINCIPLES

Customer Care and Management Policy⁵

4.1 Communication and feedback

4.1.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling its budget which will include:

- a) A first budget meeting, during the budget process, wherein Council will consider budget priorities, principles and a budget framework.
- b) Public meetings will then be called, to invite at least the following: political parties; ratepayers and civic organisations; chambers of business and organised labour; the general public and other interested parties, at which the budget priorities, principles and framework will be outlined and debated.
- c) Needs identification workshops will be conducted in all wards as part of the IDP Review process, the objects of which will be:
 - i) To identify all the needs of the wards that are legitimately in the area of responsibility of the council.
 - ii) To involve the community in prioritising these needs.
 - iii) To involve the community in Council's planning, and to provide the community with much basic information as to what Council does and what other levels of government do.
 - iv) To inform the community of the levels of payment and non-payment in that ward, and to devise strategies in that regard.

¹ Section 95(a) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within its financial and administrative capacity, establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for payments and the municipality.

- d) A technical workshop, which will marry the results of the first budget meeting, the public meetings, and the need identification workshops with Council's Integrated Development Plan.
 - e) Thereafter Council's draft Capital and Operating budgets, informed by the above processes, will be tabled by the Mayor in no later than 31 March of every year.
 - f) Thereafter a final budget will be considered by Council for approval before or on 31 May of every year.
- 4.1.2 Council's Customer Care and Management, and Debt Collection Policy, will be made available to general publication and on specific request, and will also be available at Council's cash collection points.
- 4.1.3 Council will endeavor to distribute a regular newsletter, which will give prominence to customer care and debt issues.
- 4.1.4 Ward councilors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.
- 4.1.5 The press will be encouraged to give prominence to Council's Customer Care and Debt issues, and will be invited to Council meetings where these are discussed.
- 4.1.6 Council aims to establish:
- a) A central complaints/feedback office;
 - b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
 - c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - d) A communication mechanism to give council feedback on service, debt and other issues of concern.

4.2 Service application and agreements

- 4.2.1 All customers of services will be required to sign an agreement governing the supply of and cost of, municipal services. Owners may not allow a tenant to sign an agreement with the municipality. All applications for services to be done by the owner and held in the name of the owner.
- 4.2.2 Prior to signing this agreement, owners will be entitled to receive the policy document of the Council on request.
- 4.2.3 On the signing of the agreement, owners will receive a copy thereof.

4.2.4 Within a specified period (in the agreement) of change of ownership, meters will be read and an account posted.t

4.2.5 In the agreement, customers will acknowledge liability for costs of collection, and interest and penalties, in the event of delayed payment.

4.3 Customer screening and securities

4.3.1 All applicants for municipal services will be checked for credit-worthiness including checking information from banks, credit bureau, local authorities, trade creditors, and employers.

4.3.2 Security deposits either in cash or any other security acceptable to the municipality will be taken, and may vary according to the risk. A minimum deposit of the equivalent of three months average consumption will be taken.

4.3.3 Deposits can be increased by the municipality at any time at the sole discretion of the municipality to a maximum of three and a half months consumption, subject to 30 days' notice being given.

4.3.4 Deposits can vary according to the credit-worthiness or legal category of the applicant subject to paragraph 4.3.

4.3.5 The municipality will not pay any interest on deposits.

4.3.6 On the termination of the agreement the amount of the deposit less any outstanding amount due to the municipality will be refunded to the consumer.

4.4 Accounts and billing⁶

4.4.1 Customers will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.

4.4.2 Electricity Accounts will be produced in accordance with the meter reading cycle and due dates are linked to the statement date.

4.4.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.

4.4.4 It is the client's responsibility to ensure timeous payment in the event of accounts not received.

4.4.5 Settlement or due date is the last working day of each month in respect of services and rates accounts.

4.4.6 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in final settlement of such an account.

⁶ Section 95 (d) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within its financial and administrative capacity take reasonable steps to ensure that the consumption of services has to be measured through accurate and verifiable metering systems.

- 4.4.7 Where any payment made to the municipality or its authorised agent by negotiable instrument is later dishonored by the bank, the municipality or its authorised agent:
- (a) May recover the total bank charges incurred relating to dishonored negotiable instruments against the account of the customer.
 - (b) Shall regard such an event as default on payment.
- 4.4.8 The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request.

4.5 Metering⁷

- 4.5.1 The municipality will endeavor, within practical and financial limits, to provide meters to every paying client for all metered services.
- 4.5.2 Customers are allowed and encourage to take photos of their meter readings and send to the municipality on monthly basis.
- 4.5.3 All meters will be read monthly, if at all possible. If the meter is not read monthly the council will average the consumption for the preceding three months.
- 4.5.4 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 4.5.4 Customers will be informed of meter replacement.
- 4.5.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an average consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

4.6 Right of access to premises

- 4.6.1 The owner and or occupier of premises must give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter

⁷ Section 95 (e) provides that a municipality must ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amount due.

or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service⁸.

4.6.2 The owner accepts the cost of relocating a meter if satisfactory access is not possible.

4.6.3 If a person contravenes 4.6.1 the municipality or its authorised agent may:

(a) By written notice require such person to restore access at his/her own expense within a specified period.

(b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

4.7 Payment facilities / methods, stop orders and debit orders

4.7.1 The municipality will operate and maintain suitable banking and cash facilities which will be accessible to all users.

4.7.2 The municipality will, at its discretion allocate a payment between service debts – a debtor who has overdue debt may not specify that the payment is for a specific portion of the account.

4.7.3 The municipality may, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

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

4.8 Enquiries, appeals and service complaints

4.8.1 If a customer is convinced that his or her account is inaccurate, he or she can query an account the municipality shall be provide an opportunity to discuss and explain the query with the customer.

4.8.2 If the customer is still not satisfied after the query has been explained then the recalculation shall be performed on request⁹.

4.8.3 In the interim the debtor must pay the average of the last three months account where history of the account is available. Where no such history is available the debtor is to pay an estimate provided by the municipality before payment due date until the matter is resolved.

4.8.4 The relevant department will investigate and inform the debtor within one month.

⁸ Section 101 provides that the occupier of premises in a municipality must give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect stop or restrict the provision of any service.

⁹ Section 95 (f) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.

- 4.8.5 Failure to make such agreed interim payment or payments will make the customer liable for disconnection.
- 4.8.6 A customer may query against the finding of the municipality or its authorised agent in terms of 4.8.3. If the customer is still not satisfied may lodge an appeal to the municipality
- 4.8.7 An appeal and request in terms of 4.8.5 must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in 4.8.3 and must:
- (a) Set out the reasons for the appeal.
 - (b) Be accompanied by any security determined for the testing of a measuring device if applicable.

4.9 Business who tender to the Municipality

- 4.9.1 The Procurement Policy and Tender Conditions include the following:
- i. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
 - ii. A municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated account or overdue in terms of the contract or any other due date that has passed.
 - iii. Tender conditions contain a condition allowing the municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the debtor.

4.10 Incentives for prompt payment

- 4.10.1 The municipality may provide incentives to encourage early payments and reward good payers from time to time.
- 4.10.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

4.11 Customer assistance programmes

4.11.1 The customer has the responsibility to control and monitor his / her electricity consumption.

4.11.2 Rates rebates

4.11.2.1 Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council through its Rates Policy.

4.11.2.2 A rate rebate may be granted to social pensioners or the receiver of a State disability grant as determined by Council from time to time. To qualify for the concession the following criteria will apply: Application must be made each year and reach the Chief Financial Officer **on or before 31 July**. If the application is received after 31 July of the year the rebate will only be applicable from the month following the application. The applicant must be the registered owner of the property and should not sub-let any portion of the dwelling or take in boarders and used solely for residential purposes. The applicant should not own any other property. The property must be readily accessible to municipal staff for the purpose of carrying out of inspections.

4.11.3 Arrangements for settlements

4.11.3.1 If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer. He/she must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iv. Acknowledge that interest will be charged at the prescribed rate;
- v. Pay the current portion of the account in cash or other payment methods that should be cleared instantly; and
- vi. Sign an acknowledgement that, if the arrangements that are being negotiated later defaulted on, that no further arrangements will be possible and that the restriction of services as prescribed, that is provided by the uMngeni Municipality or by another municipality or organ of state through a service delivery agreement, will immediately follow, as will legal proceedings.

4.11.3.2 Customers with electricity arrears must agree to the conversion to a prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by

- i. adding it to the arrears bill and repaying it over the agreed period; or
- ii. adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

- 4.11.3.3 Council reserves the right to raise the deposit/security requirement in accordance with paragraph 4.3 of debtors who seek arrangements.
- 4.11.4 **Rates by instalments**
- 4.11.4.1 Customers will pay the property rates account monthly, over 12 months with the first payment due on or before 30 August of every year and the final instalment due on 31 July of every year.
- 4.11.5 **Indigent support**
- 4.11.5.1 Qualifying households: A household, which has a total income of all occupants over 18 years of age, two times of state pension income, qualifies as an indigent household in terms of this subsidy.
- 4.11.5.2 Funding of subsidy. The source of funding of the Indigent subsidy is that portion of the equitable share contribution to the municipality made from the national government's fiscus and as provided for in the budget. In exceptional circumstances this can be supplemented from other revenues.
- 4.11.5.3 Subsidy is to be refuse removal, electricity and assessment rates. A policy guideline is to attempt to get the subsidy to cover free refuse removal, free basic electricity and assessment rates with respect to Indigent Support.
- 4.11.5.5 Electricity will be subsidised, and households for indigent support must convert to prepayment electricity meters of not more than **20 Amp**. Free electricity of 100kwh per month will be supplied to these consumers.

Debt Collection Policy

5.1 *Enforcement Mechanisms*

5.1.1 Interruption of service¹⁰

- 5.1.1.1 Customers who are in arrears with their municipal account and who have not made arrangements with the council will have their supply of electricity and other municipal services, suspended or disconnected.
- 5.1.1.2 The disconnection of electricity services may happen when the municipal account is 7(seven) days overdue.
- 5.1.1.3 Council reserves the right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.

¹⁰ Section 97 (g) of the Local Government: Municipality Systems Act, 2000 provides that a credit control and debt collection policy must provide for termination of services or the restriction of the provision of services when payments are in arrears.

5.1.1.4 Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the service will be reconnected as soon as conveniently possible.

5.1.1.5 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the customer.

5.1.2 **Interest and penalties**

5.1.2.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.¹¹

5.1.3 **Personal contact**

5.1.3.1 Telephonic contact

5.1.3.2 Agents calling on clients

5.1.3.2.1 Council will endeavor, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigent subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

5.1.3.2.2 The municipality shall maintain a schedule of debtors with large amounts outstanding (the cut-off amount will be agreed by Council) and will maintain intensive contact with these debtors as in 4.11.3.1.

5.1.3.2.3 Such contact is not a right for debtors that debtors enjoy – disconnection of services and other collection proceedings will continue in the absence of such contact for whatever reason.

5.1.4 **Legal Process, use of Attorneys, Debt Collectors and use of credit bureaus**

5.1.4.1 Council may, when a debtor is in arrears, commence with a legal process against that debtor, which could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

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

5.1.4.3 Council will establish procedures and codes of conduct with these outside parties.

¹¹ Section 97 (e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.

- 5.1.4.4 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- 5.1.4.5 All steps in the debt collection procedure will be recorded for Council's records and for the information of the debtor.
- 5.1.4.6 All costs of this process are for the account of the debtor.
- 5.1.4.7 Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus. This release will be in writing and this situation will be included in Council's agreement with its customers.
- 5.1.4.8 Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.
- 5.1.4.9 Council may consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or product vendors; and will be closely monitored by Council
- 5.1.4.10 Customers will be informed of the powers and duties of such agents and their responsibilities including their responsibility to observe agreed codes of conduct.
- 5.1.4.11 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

5.2 Theft and Fraud

- 5.2.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time ¹².
- 5.2.2 Council will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.
- 5.2.3 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.
- 5.2.4 Council will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

¹² Section 97 (h) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for matters relating to unauthorised consumption of services theft and damages.

- 5.2.5 Council may distinguish in its penalties between cases of vandalism and cases of theft.
- 5.2.6 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 5.2.7 Council reserves the right to criminal charges and to take any other legal action against both vandals and thieves.
- 5.2.8 Any person failing to provide information or providing false information to the municipality may face immediate disconnection.

5.3 Cost of collection

- 5.3.1 All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with debt collection are for the account of the debtor and should reflect at least the cost of the particular action.

5.4 Abandonment

- 5.4.1 The Municipal Manager must ensure that all avenues are utilized to collect the municipality's debt.
- 5.4.2 There are some circumstances that allow for the valid termination of debt collection procedures:
 - i. The insolvency of the debtor, whose estate has insufficient funds.
 - ii. A balance being too small to recover, for economic reasons considering the cost of recovery.
- 5.4.3 The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the debt.

5.5 Rates clearance

- 5.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges are paid by withholding a rates clearance certificate¹.
- 5.5.2 The register owner of the property should they wish to transfer or sell their property they should make sure the building plans are up to date so that the transfer will not be delayed,
- 5.5.3 No rate clearance will be issued without building plans submitted to the Municipality.

¹ Section 118 of the Local Government: Municipal Systems Act, 2000 provides that a registrar of deeds or other registration officer of immovable property, may not register the transfer of property, except on production of a certificate by the municipality that all amounts due to the municipality during the two years preceding have been fully paid.

Performance Evaluation

6.1 Income Collection Targets

Council to create targets that include:

- i. Reduction in present monthly increase in debtors in line with performance agreements determined by council.

6.2 Customer Service Targets

Council to create targets that would include:

- i. Response time to customer queries i.e. within five days
- ii. Date of first account delivery to new customers.
- iii. Reconnection time lapse.
- iv. Meter reading cycle.

6.3 Administrative Performance

Council to create targets that will include:

- i. Cost efficiency of debt collection.
- ii. Enforcement mechanism ratios.

- 6.4 Council will create a mechanism wherein these targets are assessed; Council's performance is evaluated and remedial steps taken.

Reporting to Council

- 7.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council. The Chief Financial Officer report shall report on:

- i. Cash flow information for the capital and operating accounts, and combined situation, showing Council's actual performance against its cash flow budgets.
- ii. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into wards, business (commerce and industry) domestic, state, institutional and other such divisions.
- iii. Performance of all areas against targets agreed to in item 6 of this debt collection policy document.

iv. Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both the capital and operating accounts.

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

uMNGENI MUNICIPALITY

**HUMAN RESOURCE TRAINING AND
DEVELOPMENT POLICY**



DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

TABLE OF CONTENTS

Introduction
Definitions
Purpose of Policy

SECTION A

Workplace Skills Plan

- 4.1 Purpose of the Workplace Skills Plan
- 4.2. Implementation Strategy
- 4.3. Co-ordination
- 4.4. Human Resources Training and Development Role
- 4.5. Responsibilities
- 4.6 Establishment of Skills Development Forum
- 4.7 Functions of Skills Development Forum
- 4.8 Schedules for Skills Development Forum meetings
- 4.9 Monitoring and Evaluation

SECTION B

5. Bursary Policy

- 5.1 Purpose
- 5.2 Definitions
- 5.3 Criteria for awarding a bursary
- 5.4 Bursary Holders
- 5.5 Bursary Amount
- 5.6 Exemption from service obligation
- 5.7 Experiential/In-service training
- 5.8 General obligation
- 5.9 Monitoring and Support

SECTION C

6. Study Assistance Policy

- 6.1 Purpose
- 6.2 Definition
- 6.3 Monetary Assistance
- 6.4 Selection criteria
- 6.5 Status of the institution
- 6.6 Processes and Procedures
- 6.7 Monitoring and evaluation
- 6.8 Condition and terms of contract
- 6.9 Interpretation

SECTION D

7. Learnership Policy

7.1. Learnership beneficiaries

7.2 Roles and Responsibilities

7.3 Monitoring and Support

7.4 Conclusion

INTRODUCTION

The Human Resource Training and Development function is one of the most important tools of skill development in any organisation that strives for an efficient and effective workforce. The responsibility for training and development needs special attention within the municipality to ensure that employees and perspective employees are competent and motivated. Competent and motivated employees are an asset to any organisation, but this does not happen naturally. Effective training and development is necessary to achieve the level of skills and knowledge required to perform required tasks.

Training is not a separate activity that can be limited to the Human Resource Training and Development section only. To be more effective, it has to be connected to all role players in an attempt to achieve a well-trained and developed community.

This Human Resource Training and Development Policy should comply with provisions contained in the following Acts not limited to:

Skills Development Act, 1998

Skills Development Levy Act, 1999

Labour Relations Act, 1995

DEFINITIONS

Human Resource Training and Development (HRTD):	Process whereby people acquire the necessary knowledge and skills to perform delegated tasks.
Municipal Employee	An employee of the municipality. A person whom it is the intention of the municipality to appoint as its employee upon completion of training provided by, paid for or arranged by the municipality.
Training	All planned and intended activities which enable or assist an employee or prospective employee to improve their knowledge and skills in order to perform delegated tasks more effectively and efficiently.
Financial Assistance	Monetary support that is given to a prospective or municipal employee to undergo education, training or development in the form of bursaries, financial assistance and/or leave.

PURPOSE OF THE POLICIES

The purpose of the policy framework is to transform Human Resources Training and Development within uMngeni Municipality into a dynamic, need and out-come based proactive instrument. Through this policy, HRTD will be capable of playing a strategic role in transforming the municipality by providing effective, efficient and cost-effective service delivery that is essential to the well-being of the municipality and our customers. To ensure that the municipality is served by professional, competent, productive employees who will have, through continuous improvement in skills and attitude facilitated by the Training Division, distinguish themselves of being capable of delivering high quality services to all people in an endeavor to achieve the municipal strategic objectives. The policy seeks to develop a workplace skills plan that will serve as a guide to address Training and Development issues. It will have a link between employee needs, the municipality and environment in order for employees to reach their desired level of job satisfaction through performance and the municipal objectives. This policy will seek to allow everyone in the municipality access to learning (training) according to the Skills Development Act.

SECTION A

4. THE WORKPLACE SKILLS PLAN POLICY

The workplace skills plan should include the following information.

- Number of people employed by the municipality in terms of occupations and race.
- The strategic priorities for skills development
- The breakdown of the education and training needed to achieve the priorities identified which include proposed training interventions, estimated costs, and specified job types and whether interventions will be conducted by external training providers or mentorship.
- Training and education needed to ensure the development of business and employees.
- Information regarding employment equity.
- Criteria to determine the beneficiaries in all occupational categories for each financial year

4.1 PURPOSE OF THE WORKPLACE SKILLS PLAN

The construction of a workplace skill plan impacts on a number of vital areas, namely:

- Management and employees start to discuss skills in the workplace, in line with the strategic Plan of the municipality.
- Gaps and shortfalls in skills required are identified and discussed in a positive way.
- Management starts to share their departmental goals with their employees, who in turn start to understand and commit to the process of achieving them.
- The municipality will uncover talents and skills they did not know they had.
- The Identification of scarce skills resources e.g. Engineers, Technical and Financial staff.

4.2 IMPLEMENTATION STRATEGY

The strategy will include the following:

- Assessment of the skills required in delivering the strategic plan of the municipality.
- Assessment of the municipality's existing Training and Development capacity.
- Providing training and education for employees at all levels in the municipality.
- Developing a mentoring and coaching system to address skills shortages in the

municipality.

- Developing a plan for succession in key and strategic positions.
- Develop and facilitate career pathing in the municipality.
- Assessment of level of skills to all employees and preference be given to previously disadvantaged employees.

4.3 CO-ORDINATION

- The HR Training and Development section shall structure a Training program\ business plan according to the prioritized needs.
- HR Training and Development section shall coordinate the attendance of courses offered locally or in the province of KwaZulu/Natal
- The training program must be job related and aligned with the council objectives (IDP Strategy).
- HR Training and Development section shall coordinate and monitor attendance of courses and workshop and supervisors will send the nomination to the HRTD section.
- All General Managers will identify the incumbent to be sent for training as per the agreed criteria in their department and submit names to the General Manager: Corporate Services.

4.4 HRTD FACILITATOR'S ROLE

- To facilitate the formulation, development, implementation of the municipal Human Resource Training and Development Policy in line with the Provincial and National Training Policies on Training and Development.
- Conduct Training needs analysis, skills audit and research on training approaches
- Administer a bursary scheme for serving personnel and prospective employees,
- Provide information and advice to employees and managers on training and development matters.
- Co-ordinate and plan training and development activities in the municipality
- Co-ordinate the evaluation of training across the municipality to suit both our internal incumbents in the workplace and external target groups e.g. emerging contractors.

4.5. RESPONSIBILITIES

4.5.1. INDIVIDUAL:

Training is the responsibility of an individual. All officials in the municipality shall be made aware that they are responsible to make an effort for self-development and utilize the opportunity afforded to them.

4.5.2. GENERAL MANAGERS

All general managers and managers at all level shall provide training opportunities for the employees under their supervision. They shall also be responsible for encouraging and ensuring that training and development within their department is in accordance with the training plan of the municipality.

4.5.3. HUMAN RESOURCES TRAINING AND DEVELOPMENT FACILITATOR

- Identify competencies needed by staff members to perform their duties to the standard required.
- Conduct training needs analysis.
- Develop training programmes suitable for the identified needs.
- Co-ordination/Facilitation of the programmes.
- Ensuring that learning is readily transferred to the workforce.
- Ensuring that the outcomes of the training and development programmes are evaluated.
- Provide structured training processes that will ensure every staff member's work performance is maximized and potential is fully developed.
- Monitor bursary holders progress and report to the General Manager Corporate Services
- Facilitate the appointment of mentors who will communicate with the Institutions and assist the student with studies.

4.5.4 GENERAL MANAGER: CORPORATE SERVICES

- The General Manager: Corporate Services shall be responsible for the establishment of the Skills Development Forum.
- The General Manager: Corporate Services shall budget for Training in accordance with section 30 of the Skills Development Act, of 1999 (Act No 97 of 1998), thus ensuring that sufficient funds are available for the training of all employees at all grades.
- Facilitate the permanent appointment of a Skills Development Facilitator.

4.6 ESTABLISHMENT OF SKILLS DEVELOPMENT FORUM

The General Manager: Corporate Services shall be responsible for the establishment of the municipal Skills Development Forum.

- Each component of employment from all occupational categories/ levels shall be represented
- Organized labour shall be represented.
- Corporate Services Committee council representatives shall also be members of this Forum which includes the Mayor and the Speaker.

4.7. FUNCTION OF THE SKILLS DEVELOPMENT FORUM

The function of this Forum is to:

- ensure that training strategies at the operational level are designed, delivered and monitored in a consultative, participative, transparent and equitable way,
- communicate information about training policy and programmes to all staff members.
- help align training policy with the expressed needs of the municipality and employees.
- monitor the relevance and impact of Education and Training programmes to actual work situations and performance improvements.

4.8. SCHEDULE FOR SKILLS DEVELOPMENT FORUM MEETINGS

The Skills Development Forum shall meet quarterly to discuss the issues of concern.

4.9. MONITORING AND EVALUATION

Human Resource Training and Development section shall be the frontrunner in terms of monitoring and evaluation.

It shall be the policy of the municipality to continuously improve the mechanisms for monitoring and evaluation of training. General Managers, Managers and all staff members should play an important part in ensuring Value for Money in all training efforts.

For all courses / Workshops/ Conferences or Seminars, all attendees must give a report back to Municipal Management Committee (MANCO) when required to do so.

There should be no authorization of training in any department without the knowledge of the Training and Development section. This is done for monitoring and reporting purposes.



SECTION B

5. BURSARY: POLICY

5.1 PURPOSE

The aim of this policy is to provide monetary assistance with regards to study, training or research that will contribute to the work of the uMngeni municipality

To afford selected applicants the opportunity of equipping themselves in a formally structured way on the basis of identified requirements in the interest of the Council with knowledge and skills in order to cope with present and future allocated duties.

5.2. DEFINITIONS

Student: refers to a person who studies or who enrolled for a course / instruction in a college or university.

Institution: refers to any higher education or further education institution, deemed to be established or declared as such registered as a public Higher Education or Further Education Institution by the Director-General of the National Department of Education.

National Qualification Framework: means the National Qualifications Framework approved by the Minister for the registration of national standards and qualifications.

Qualification: means a the formal recognition of the achievement of the required number and range of credits and such other requirements at a specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualification Authority

5.3. CRITERIA FOR AWARDING A BURSARY

- Academic ability required for the proposed field of study [Minimum requirement for admission].
- Preference shall be given to those who have completed at least one year at tertiary level. (Full Time) and or those already admitted to enroll in to the recognised educational institution.
- Relevance of the course to the municipality.
- Preferably scarce skills. E.g. Engineers technical skills and financial especially post matriculant
- Preference should be given to previously disadvantaged who are residence within uMngeni Municipality.
- Bursary holders are expected to serve a particular period with the municipality after completion of their studies in terms of the pre-signed contract.

5.4. BURSARY HOLDERS

Successful applicants shall be required to enter into an agreement with the Council before any payment can be made to an institution.

A confirmation letter of payment shall be issued at the beginning of each year to progressing students.

The contents of a contract shall be strictly adhered to.

5.5. BURSARY AMOUNT

The Bursary amount will depend on the availability of funds in each financial year.

Full-Time Study

Tuition and registration fee	100%
Boarding & lodging	100%

Prescribed study material(s) will be purchased by the municipality of which it will remain as municipal property for future reference.

No provision for transport

5.6. EXEMPTION FROM SERVICE OBLIGATION

A bursary holder shall be appointed as an intern upon completion of studies when there is no vacancy in the municipality.

5.7. EXPERIENTIAL / IN SERVICE TRAINING

Student will be required to undertake practical on the field of study within any department of the municipality. *(sentence to be rephrased)*

5.8. GENERAL OBLIGATION

- Students shall only register for the course that the bursary was awarded for.
- No applicant /student shall be allowed to change institution without the prior approval of the municipality.
- Bursary holders are obliged to serve on completion of their studies for a period determined by the pre-signed contract. Failing which the bursary holder shall pay back all expenses incurred.
- Closing date of bursary applications will be the 31 of December every year.
- The municipality has no obligation to appoint a bursary holder whom has completed his/her studies; however the municipality will assist where possible in this regard.
- A student who has failed a particular course / courses shall repeat such course at his/her own expense.
- A student who discontinued or fails to complete his/her studies will have to make representation to Management Committee as to his/her failure or discontinuation with his/her studies of which decision will have to be taken regarding repayment of expenses incurred by the municipality.
- It is the responsibility of a student who de-register to inform the HRTD section within seven (7) days after de-registration. The bursary holder shall be liable for de-registration costs.
- No student shall be allowed to enter into another contract, which contradicts the contractual obligation of the existing one.

- Students shall apply through completing the application forms, which will be available in the Human Resource Development section, the forms must be submitted to the Human Resources Development upon completion.
- It is the duty of the applicant to gain admission at a recognized & accredited institution and an admission letter should accompany the application forms.
- If the applicant is already studying, the contract has to be renewed every year. When renewing the contract a progress report /statement of results issued by the institution in question must be attached and the form must be submitted in January of each year before the re-opening of an institution.
- The General Manager Corporate Services shall issue a confirmation letter if all requirements mentioned above are met.

5.9. MONITORING AND SUPPORT

- The General Manager Corporate Services shall establish links with the institution where students pursue their studies and make arrangement for support and guidance to be given to students in receipt of bursaries.
- Communication with the institution shall be on a regular and systematic basis.
- To set up monitoring, a procedure which ensures that the municipality become aware of problems encountered by the students and can address those problems where possible.
- The General Manager Corporate Services shall report to the Municipal Manager on the progress of a student in receipt of a bursary. The monitoring and support system will apply to all bursary holders.



SECTION C

6. STUDY ASSISTANCE SCHEME: POLICY

6.1. Purpose

The purpose of this policy is to promote the principle of life-long learning, by encouraging employees to take responsibility for their own education and skills development where this will add value to their performance towards the achievement of uMngeni Municipality's Integrated Development Plan.

6.2. Definition

Employee - refers to a person permanently employed by the Municipality excluding section 57 and contractual employees as per the Municipal Systems Act 32 of 2000, as amended.

Non permanent employee - refer to those workers who are employed to work for less than 24 hours per month, or those workers engaged to work for not more than 3 continuous months.

Institution - refers to any higher education or further education institution, deemed to be established or declared as such registered as a public Higher Education or Further Education Institution by the Director-General of the National Department of Education.

National Qualification Framework - means the National Qualifications Framework approved by the Minister for the registration of national standards and qualifications.

Qualification - means a the formal recognition of the achievement of the required number and range of credits and such other requirements at a specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualification Authority.

Tuition fee - means a payment for tutorials and /or instruction towards studies.

Official vehicle - means a vehicle that is administered and maintained by the Municipality.

6.3. Monetary Assistance

- Financial Assistance for studies undertaken by employee shall not exceed the amount of R 7 000.00 depending on the institutional fee.
- Study Material, re-writing examination and any charges in respect of penalties or additional amounts shall be borne by the employee.

6.4. Selection Criteria

The applicant must meet the following criteria:

- Be an employee with six (6) months minimum service period with the Municipality
- Must produce proof of acceptance from recognised institution or meet the course requirements.
- Employees studying towards a qualification (unit standard based) with minimum duration of 6 (six) months.

Financial assistance for study will be prioritized for approval if there is a legislative requirement for the applicant to possess the intended qualification in his/her current position or where the intended qualification will satisfy a critical skills shortage within the municipality or local government sector.

6.5. Status of the Institution

Educational institution must meet the following criteria:

- institution must be accredited in terms of the Council of Higher Education.
- cost, course content and location will be considered in determining the appropriate institution
- Municipal Manager, General Manager: Corporate Services, in consultation with Human Resources Development Section will have the final decision on the institution.

6.6. Processes and Procedures

The following principles will guide the Municipality in managing the programme:

- General Manager: Corporate Services in conjunction with Human Resources Development will advertise through notice boards for employees to apply during the first week of the year (January) and for the second semester it will be the last week of May.
- Application forms will be obtainable from Human Resources Development section.
- Applicants must submit their application forms together with all relevant information required to General Manager: Corporate Services or via the Human Resources Development Officer. Applications will be obtainable from General Managers of all Departments.
- Application forms shall be noted by the supervisor then referred to the Head of Department to comment and support.
- General Manager Corporate Services, Human Resources Development Officer may recommend to the Municipal Manager to approve the application.
- Human Resources Development Officer shall notify all applicants with regards to approval and non-approval applications
- Once the approval is obtained, the employee shall enter into written contract with municipality represented by the Municipal Manager.

6.7. Monitoring and Evaluation

Human Resources Development Officer will be responsible for ensuring that timeous payments are made directly to the institutions.

Employees shall be expected to submit relevant examination or assessment results to Human Resources Development Officer for each year or semester of study not later than 3 months after writing examinations.

Should the results be unavailable at that time, a letter from the institution to that effect should be submitted.

Employees receiving study assistance shall attend all required examinations/tests/assignments timeously as required by the institution.

Human Resources Development Officer must keep records of all results submitted by the employee.

6.8. Conditions and Terms of Contract

The employee shall be required to work for the period equivalent to the duration of the course as it will be covered in the contract agreement

Should an employee at any time before completing the work- back period referred to in clause 8 and for any reason leave the Municipality's service, he/she shall repay to the Municipality the whole amount paid by it in respect of the course.

The Council may at any time suspend/cancel any further payments if it is established or determined that the employee concerned has not made adequate progress towards his or her field of study or has abandoned his or her studies or has been guilty of misconduct in terms of the Council's relevant Conditions of Services.

In the event of an employee abandoning his or her studies at any time before completion of the course, the employee shall refund to the Municipality the whole amount in monthly installments. (referred to clause 5 of the agreement)

For the purpose of attending lectures at the institution, the employee shall be permitted to be absent from duty during working hours for not more than eight (8) hours per week.

Employees who are granted financial assistance in terms of this Scheme shall be entitled to one (1) day study leave for preparation per examination, and a further one (1) day for actual day of writing of an examination, subject to prior proof of the relevant examination time-table, being provided to the applicant's immediate supervisor, and proof of attendance at each examination being provided to the applicant's immediate supervisor the first working day following the examination.

There will be no financial recognition for passing or on completion of a course /qualification.

6.9. Interpretation

In the event that any differences may arise relative to the interpretation of this Policy and Agreement, no employees shall be precluded from referring such matter in terms of Grievance Procedures.

Any amendments to this Policy and Agreement, shall be binding upon any employee who has been or is to be granted financial assistance in terms of the agreement. This will apply from the effective date of such amendment, notwithstanding the date of signature by such employee on application.

No amendments to this Policy and Agreement shall be valid or binding until proposed amendments have been approved by Council. This policy is reviewable.

SECTION D

7. LEARNERSHIPS: POLICY

7.1. LEARNERSHIP LEARNERS

Successful applicants shall enter into an agreement with the municipality and the service provider before Learning can take place.

All parties shall strictly follow the content of the agreement.

7.2. ROLES AND RESPONSIBILITIES

The overall supervision of Learnership will be the responsibility of the General Manager of every department and shall include:

- Develop a project plan
- Develop learner recruitment and selection procedures.
- Conduct the recruitment and selection process.
- Induct learners on the Learnership.
- Identify learners and monitor their progress.
- Identify mentors and coaches.

7.3. MONITORING AND EVALUATION

- The municipality shall make the workplace learning available for learners.
- The municipality shall make accommodation and resources available for workplace learning.
- The Human Resource Training and Development section shall report to the General Manager and the HRD Committee on the progress of each learner.

7.4. CONCLUSION

The Objectives envisaged are all achievable and practical. This policy is subject to amendment from time to time.

uMNGENI MUNICIPALITY

INDIGENT POLICY



DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 01 JULY 2023

TABLE OF CONTENT

1	PURPOSE OF THE POLICY
2	BACKGROUND
3	DEFINITIONS
4	LEGISLATIVE FRAMEWORK
5	FINANCING THE PROGRAMME
6	REGISTRATION CRITERIA
7	APPLICATION AND REGISTRATION PROCESS FOR SERVICES EXCLUDING BURIAL / CREMATION
8	RESPONSIBILITIES OF REGISTERED INDIGENT HOUSEHOLDS
9	SOCIAL PACKAGE FOR REGISTERED INDIGENTS
10	AFFORDABILITY OF SERVICES
11	EXITING THE INDIGENT REGISTER
12	RE-REGISTRATION OF INDIGENT HOUSEHOLDS
13	REQUEST FOR INDIGENT BURIAL / CREMATION ASSISTANCE
14	INDIGENT BURIAL / CREMATION
15	PENALTY

1. PURPOSE

The purpose of this policy is to ensure that registered indigent households have access to a basket of basic municipal services.

2. BACKGROUND

The provision of free basic social services by local government is part of the broader social agenda and anti-poverty strategy of the South African government.

The government at all levels has a constitutional obligation to take measures towards the realization of the social and economic rights of all people as contained in the Bill of Rights. These rights include, inter alia health care, water, education, housing, food, social security and the environment.

Section 27 of the South African Constitution, 1996 (Act 108 of 1996) stipulates that:

2.1 Everyone has the right to have access to –

- a) Health care services, including reproductive health care*
- b) Sufficient food and water; and*
- c) Social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.*

The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights.

Local Government, as the third sphere of Government, therefore has a Constitutional duty to assist the National and Provincial spheres of Government in the realisation of the above mentioned rights.

3. DEFINITIONS

Basic Municipal Services

Basic Municipal Services means a municipal service that is necessary to ensure an acceptable and reasonable quality of life that is not provided, would endanger public health or safety or the environment. For the purposes of this policy “Basic Municipal Services” refers to the following services supplied and subsidised by uMngeni Municipality:

Electricity

Refuse Removal

Burials

uMngeni Municipality and Finance Department

Child headed households

Child headed households for the purposes of this policy refers to households headed by a person under the age of 21 years but with an income made provision for in Clause 6 of this policy

Child headed household under guardianship

Child headed household under guardianship for the purpose of this policy refers to those exceptional cases where a guardian is appointed for the household but who does not have to:

- reside on the property
- be a registered indigent
- reside in the boundaries of uMngeni

House owner

House owner for the purposes of this policy refers to:

- a) Registered owner or Title Deed holder
- b) A person appointed by a competent court of law as a responsible person to take care of all the affairs of the deceased.

Indigent Household

Any household of which the members are South African citizens / permanent resident and tenants who are also South African Citizens, who due to a number of economic or social factors are unable to pay for Municipal services.

Indigent Burial / Cremation

Indigent burial / cremation refers to any burial / cremation of an indigent (in terms of this policy), motivated by a ward councillor, excluding a pauper.

Minor

A person who has not attained the legal age of majority and, thus, has restricted or no legal capacity.

Registered Indigent Household

Registered Indigent household for purposes of this policy refers to those households who have met the indigent registration criteria.

Social Package

Social Package for the purposes of this policy will include basic municipal services (as defined in this policy) as well as rental and property rates

Suspended:

To stop or to cause to be active either temporarily or permanently

Tenant

Tenant in terms of this policy refers to a person residing in a property and who has a formal lease agreement with the uMngeni Municipality and the property is used for housing purposes.

Written off:

A cancellation of an item in account books

4. LEGISLATIVE FRAMEWORK

- 4.1 The provision of free basic social services by local government is part of the broader social agenda and anti-poverty strategy of government.
- 4.2 Government at all levels has a constitutional obligation to take measures towards the realisation of the social and economic rights of all people as contained in the Bill of Rights. These rights include, inter alia, health care, water, education, housing, food, social security and the environment.
- 4.3 In terms of section 27 of the **South African Constitution Act, 1996 (Act 108 of 1996)**
 - (1) Everyone has the right to have access to:
 - (a) Health care services, including reproductive health care
 - (b) Sufficient food and water; and
 - (c) Social security, including, if they are unable to support themselves and their dependents, appropriate social assistance.
 - (2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of these rights
- 4.4 The review, approval and application of the uMngeni Municipality's Indigent Policy is part of the reasonable measures, within available resources, taken by the Municipality in pursuance of the said constitutional obligations.
- 4.5 In terms of the provision in the **Municipal Systems Act, 2000 (Act 32 of 2000)** the Municipality must exercise its legislative or executive authority to provide municipal services and to act in the best interest of the local community within its available resources.
- 4.6 The aforementioned should therefore not be viewed in isolation of other measures, such as social grants, free primary health care, housing, promotion of small, micro and medium enterprises, etc. Taken by other spheres of government as part of an integrated national poverty alleviation strategy.
- 4.7 Section 97(1)(c) of the **Municipal Systems Act, 2000 (Act 32 of 2000)** states that a Municipality must provide in its debt collection and credit control policy for indigent debtors which provisions must be consistent with its rates and tariff policies and any national policy on indigents.
- 4.8 Indigent debtors or the poorest of the poor should have access to basic services in terms of the South African Constitution.
- 4.9 Indigent debtors are not able to fully meet their obligations for services consumed and property taxes on their monthly accounts.
- 4.10 The consumption of metered services by the indigent debtors must be maintained at manageable to increase affordability of services charges for them.
- 4.11 Tariffs for property tax and services must be made more affordable for the poor.

- 4.12 The poor are included in the household category of consumers, which category is responsible for the highest monthly escalation of arrear debt.
- 4.13 Applicants do not in all cases make full disclosure when application forms for indigent registration are completed and the collected information needs to be verified at all times.
- 4.14 Criteria for the identification of poor households must be clear and transparent.

5. FINANCING OF THE PROGRAMME

- 5.1 The Municipality must make provision on its annual Operating budget to subsidise the tariffs of registered indigent. Furthermore it must make provision in its annual budget for indigent burials/cremations.
- 5.2 Registered Indigent households will receive a pre-determined quantity of electricity, as well as refuse, free of charge on a monthly basis.
- 5.3 The arrears on services covered by the indigent programme may be written off against the provision of bad debt.

6. REGISTRATION CRITERIA

A residential household can only be registered as indigent if it meets all of the following criteria:

- 6.1 The gross monthly income of all the members of the household must be equal to R5000.00 as per the Credit control and Debt Collection policy clause 4.11.5.1
- 6.2 The applicant as well as any other members of the household does not own other fixed property than the one in which they reside,
- 6.3 The person / applicant applying on behalf of a household must be above the age of Twenty one (21) years, except if the child is appointed executorship by a court of law.
- 6.4 The person / applicant applying on behalf of a household must reside at that property except when applying on behalf of a child headed household.
- 6.5 The person / applicant applying should be the owner or tenant as defined in this policy except when applying on behalf of a child headed household
- 6.6 The person / applicant must be a South African Citizen.
- 6.7 A letter confirming the work status from Department of Labour must be accompany with the application
- 6.8 In the case of old age pensioner the latter from SASSA confirming that he/ she receive grant income must be accompany with the application

7. APPLICATION AND REGISTRATION PROCESS FOR SERVICES EXCLUDING BURIAL / CREMATION

- 7.1 Households who apply to be registered as indigent must complete an indigent application form at any designated uMngeni Municipality facility. Documentary proof as required in the application form will have to be submitted with the application form.

- 7.2 A database shall be kept by the uMngeni Municipality office of Chief Financial Officer which will be reviewed every six months.
- 7.3 The Finance department must explain the policy to applicants and ensure that they understand the content of the policy

8. RESPONSIBILITIES OF REGISTERED INDIGENT HOUSEHOLDS

- 8.1 The registered indigent must be willing to accept technical assistance offered by the Municipality to make her / his current monthly consumption of service more affordable through limiting services.
- 8.2 The applicant must be willing to accept the limited service.
- 8.3 The registered indigent must always ensure that her / his monthly consumption does not exceed the limited level of services in terms of this programme.
- 8.4 Should the situation of the registered indigent household change the onus is on the household to inform the uMngeni Municipality immediately.
- 8.5 The status as an indigent must annually be confirmed by the indigent.
- 8.6 Refusal of a device to control consumption – the suspended debt will be re-instated and the household will be de-registered.
- 8.7 Reasonable care of the device. The registered household has a responsibility to report any tampering / vandalism to the device to the SAPS or uMngeni Municipality. If the tampering / vandalism are not reported the beneficiary will be held responsible.
- 8.8 The registered indigent household is responsible for the current account.

9. SOCIAL PACKAGE FOR REGISTERED INDIGENTS

- 9.1 **100% rebate on the first R120 000.00 of the value of the property**
- 9.2 **Free basic services:** Registered indigent households will receive a pre-determined quantity of electricity of 50 kWh, free of charge on a monthly basis. These quantities and the concomitant cost, as well as any other free basic services, will be determined annually by Council.
- 9.3 **Service delivery benefits:** The municipality will take reasonable precaution within its means to ensure the minimization of loss or wastage of services at indigent households by installing a pre-payment type electricity meter free of charge. The Chief Financial Officer of the Municipality will initiate a program, whereby consumers whose monthly consumption of services increases above the average of the pre-determined quantity, will be notified of this fact in writing to enable the consumer to take the required steps to reduce the consumption either by repairing faulty internal systems or reducing wastage. This information will be forwarded to the Finance Department.
- 9.4 **Arrears of indigent households:** The credit control and debt collection actions will be suspended upon approval of a household as indigent, but current monthly accounts must be paid every month. Arrears of registered indigents will, upon recommendation

by the Chief financial Officer be **suspended**. Applications must be processed and finalized within 3 months from the date of application.

9.5 Rental arrears of Registered Indigent Households: When a tenant with a valid lease agreement with the uMngeni Municipality is registered on the indigent register, his / her rental arrears will be **suspended**. The monthly rent should then be calculated at 25% of the family income or the Full Cost Recovery rental of that specific Housing Scheme depending on which one is the lowest. The minimum rental that will be considered is 25% of one government pension. Where service accounts and assessment rates form part of rental accounts these tenants are also allowed to register on the Indigent Register to receive the above benefit.

9.6 Burial / Cremation Benefits:

9.6.1 The municipality will bear the costs of the funeral of indigent persons. No relative or friends of the deceased will have any claim whatsoever against the municipality for cost incurred by them. All applications for indigent burial are to be endorsed by the ward Councillor before the benefit can be extended to the family.

9.6.2 The family or relative of the deceased buried as an indigent will be allowed to erect a tombstone on the grave , at their own expense.

9.6.3 The next of kin will receive the reservation certificate and grave number upon request.

9.6.4 The deceased may be cremated upon request.

9.6.5 Family members can attend the burial according to their culture.

9.6.6 The family of the deceased can only arrange the funeral service with an undertaker designated by the municipality as tendered for in accordance with the provisions of the Supply Chain Management Policy.

10. AFFORDABILITY OF SERVICES

In an attempt to make services more affordable to indigent households, the following additional measures will be implemented:

10.1 Electricity

A 20 ampere circuit breaker will be installed to limit the usage of electricity and thereby lowering the levy of that service on the current account of those households who have not yet received a pre-payment meter. In order to recommend an ad hoc re-evaluation of the status of a registered household, a consistent consumption over any consecutive 3 months exceeding 300kwh of electricity per month will be used as a parameter to motivate such re-evaluation. Beneficiaries will receive 100kwh free per month for pre-paid only.

10.2 Refuse Removal Services

A free refuse removal service will be provided to all properties with a value of less than R120 000.00

10.3 Finance

No debt collection or credit control measures will be instituted against the indigent household for as long as consumption over and above the free use is paid in full.

10.3.1 Indigent consumers will not be exempt from interest and annual collection charges applicable to rates, based on the merits of each case and circumstance of the individual.

11. EXITING THE INDIGENT REGISTER

11.1 Registration as an indigent household is terminated under the following circumstances:

11.1.1 Upon the sale of the property.

11.1.2 If the registered indigent is no longer residing at the property and upon termination of the rental agreement.

11.1.3 When criteria for qualifying as indigent changes to the extent that approval no longer applies

11.1.4 If it is discovered, after approval, that the person / applicant applying on behalf of a household has supplied false information. This will also result in the household's municipal account being debited with all monies previously credited.

11.1.5 The re-evaluation of indigent status will be performed after 6 months and registration will be terminated if it is found that the financial status of the registered indigent household or family has changed to such an extent that it warrants such termination.

11.1.6 The re-evaluation of indigent status will be done every six months to determine if the household is still indigent.

11.1.7 When the registered indigent moves out of the property on which she / he is residing to another property within the boundary of the uMngeni Municipality.

11.2 Ad hoc Evaluation

Ad hoc evaluation will be undertaken on all registered indigent households exceeding the consumption levels.

11.3 Integrated Exit Programme

The Finance Department must develop and implement an Exit Programme for registered indigents.

12. Re-registration of Indigent Households

Households may apply and be considered for re-registration from the Finance Department.

13. REQUEST FOR INDIGENT BURIAL / CREMATION ASSISTANCE

Any member or family of a registered indigent who applies for indigent burial / cremation assistance will be required to submit the following documents as proof:

- 13.1 Applicant's Identity document SA green barcoded ID
- 13.2 Deceased's Identity document SA green barcoded ID
- 13.3 Deceased's birth certificate
- 13.4 Death certificate of the deceased
- 13.5 Affidavit by South African Police Services (SAPS) as proof by the family member or relative declaring that they cannot afford to bury / cremate the deceased due to a lack of income.
- 13.6 Confirmation letter from Ward Councillor
- 13.7 Applicants for indigent burial/cremation, do not have to be registered indigents at the time, but may register as indigents when the support is required.

14. INDIGENT BURIAL / CREMATION

- 14.1 All requests for indigent burial / cremation will be referred to and considered by the Finance Department.
- 14.2 Burial will be conducted as and when required.
- 14.3 Burial and cremation arrangements will be concluded according to specifications determined by the Council, who will appoint service providers.
- 14.4 The contracted funeral undertaker will bury the deceased closest to the area of residence of the deceased, but within the boundaries of the uMngeni Municipality.

15. PENALTY

The uMngeni Municipality has the right to claim back all benefits granted in terms of this policy, should it become apparent that registration was based on fraudulent conducts and false information by the applicant. This will still apply even after the indigent's status has been terminated.

Also attached is an Application Form for Indigent Support which will form part of the Indigent Policy.



**UMNGENI MUNICIPALITY
APPLICATION FOR INDIGENT SUPPORT
SWORN DECLARATION/AFFIRMATION**

To: uMngeni Municipality
Cnr Dick and Somme streets
Howick
3290

Attention: The Municipal Manager

I the undersigned (insert full name) _____
Do hereby in terms of the Council's Indigent Policy, make application for indigent support.

Only if you reply "YES" to each of the questions in A to G below, you need to complete the rest of these application forms.

Questions:

No:	Question	YES	NO
A	Is your property used predominately as a private residence?		
B	Are you the registered owner of the property or an occupant of a child headed household registered in the name of your deceased parent/s?		
C	The gross monthly income of all the members of the household must be equal to R 5000,00 as per the Credit control and Debt Collection policy clause 4.1.1.5.1		
D	Do you only own one (1) immovable property in the Republic of South Africa?		
E	Are you, the applicant, and a full-time occupant of the property?		
F	If you already have a pre paid installed, reply YES. If not, have you completed the application form for conversion to a PPM meter, attached hereto and must a 20amp Mcb		

The following information must be furnished:

Applicant's particulars:

Municipal Account No.					
Erf No.					
Address of Property					
Surname					
First Name(s)					
Date of Birth					
Residential Address					
Postal Address					
Identity Number		Home Tel No.		Cell	
Name of Employer					
Employer's Address					
Work Tel No		Total number of people living on the property *			

* Details of all occupants at the property, for which this application is being made:

Initials and surname	Relationship to account holder	I.D Number	Gross monthly income	Source of Income	Employed		Proof of income	
					Y	N	Y	N
Total gross monthly income R								

Copies of certified documentation required to register:

If employed:-

- RSA identity book;
- Latest salary/wage payslip or a letter from an employer confirming income;
- An affidavit of a person who is self employed, that indicates the income earned;
- Proof of receipt of disability grant, maintenance grant or pension.
- A bank statement for the last three(3) months;

If unemployed-

- RSA identity book;
- A sworn affidavit confirming unemployment and a declaration that there is no other source of income;

Occupants under eighteen (18)-

- RSA identity book , copy of a birth certificate or an affidavit

Declaration by applicant:

I, the undersigned,

(Insert all first names and surname) hereby certify that:

- a) I do not own any other immovable property in the Republic of South Africa;
- b) I will immediately inform the Municipal Manager, in writing, should there be any change in my status, that disqualifies me as an indigent;
- c) I agree that if I have misrepresented myself with the qualifying criteria, in order to benefit from Council's indigent relief. I would be committing an offence and all benefits that have been received in terms of the indigent relief, will be reversed. Any amounts due, will be for my account and I will be subject to normal debt collection procedures.
- d) All information furnished by me on this form, is to the best of my knowledge, true and correct;
- e) I agree that in order to qualify for the benefit as set out in the Indigent Policy, an electricity prepayment meter and must be installed.
- f) The Council may conduct any investigation to confirm any of the information provided by me and hereby agree to any on site visit, by any Municipal Official;
- g) I accept that this application, if successful, will only be valid for 12 months from date of approval and the onus will be on me to re-apply by the expiry date;
- h) I acknowledge that if my application is successful, the Council will suspend any debt collection action for 12 months from that date, or until I no longer qualify as an indigent, whichever date occurs first.

Signature of Applicant

Date

I CERTIFY THAT THE APPLICANT HAS ACKNOWLEDGED THAT HE/SHE KNOWS AND UNDERSTANDS THE CONTENTS OF THE ABOVE DECLARATION WHICH WAS SWORN TO/TRULY AFFIRMED BEFORE ME

Date - / /

COMMISSIONER OF OATH

(Official Stamp and Signature)

OFFICE RECEIVING THE APPLICATION:

	OFFICIAL'S FULL NAME (print)	DATE	SIGNATURE
All information and documentation supplied			
Please insert the Notification Number		DATE	

FOR OFFICE USE ONLY

	OFFICIAL'S FULL NAME (print)	DATE	SIGNATURE
All information and documentation supplied			
Recommended			
Approval by authorised official of Debt Management			
Not approved			

If not approved reasons to be supplied:			
	OFFICIAL'S FULL NAME (print)	DATE	SIGNATURE
Letter advising applicant of outcome: (Attach copy to application form)			

REASONS FOR WITHDRAWAL: FOR OFFICIAL USE ONLY

After approval and if withdrawn, then reasons for such withdrawal are to be supplied here:			
	OFFICIAL'S FULL NAME (print)	DATE	SIGNATURE
Recommend withdrawal			
Approval for withdrawal			
Letter advising applicant of withdrawal: (Attach copy to application form)			

POLICY - METHODOLOGY FOR THE IMPAIRMENT OF RECEIVABLES



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

1. PURPOSE

The purpose of this document is:

- To set out a methodology for the impairment of receivables in line with Generally Recognised Accounting Practice;
- To ensure that the estimated allowance provided for impairment of receivables in the financial statements, is adequate and appropriately supported; and
- Ensure that receivables disclosed in the financial statements are stated at amounts that are deemed collectable.

2. SCOPE

The methodology is applicable to all receivables measured at amortised cost, or cost, specifically receivables from exchange transactions as well as receivables from non-exchange transactions.

3. APPLICABLE ACCOUNTING STANDARDS

GRAP 104, Financial Instruments, indicates the requirements for subsequent measurement and impairment of financial assets carried at amortised cost.

In accordance with GRAP 104.46, *“all financial assets measured at amortised cost, or cost, are subject to an impairment review”*.

GRAP 104.57 further indicates that *“an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss”*.

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

GRAP 104.61 further indicates *“if there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying*

amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit”.

GRAP 104.62 states that *“an entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment”.*

GRAP 104.63 indicates *“If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognized in surplus or deficit”.*

4. METHODOLOGY

4.1 Timing of assessment

The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

4.2 Evidence of impairment

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable accounts where the total balance at reporting date is zero;
- Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly; and
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired:

- A debtor that has been placed under or applied for liquidation or sequestration;
- Debtors where the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;

- When a formal arrangement is made on arrears debt, and the debtor has defaulted on this arrangement for a period in excess of 30 days during the financial year;
- When accounts have been formally presented to the CFO for consideration for write off; and
- All accounts with balances outstanding for longer than ninety (90) days as these accounts are considered to be past due.

4.3 Calculation and recognition of impairment loss

4.3.1 Receivables from Exchange and Non-Exchange Transactions, excluding traffic fine receivables:

The municipality will assess all receivables from exchange and non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

STEP 1: Individual receivable impairment

Individual receivable impairment shall identify individual receivable accounts that meet any one of the following criteria:

- A debtor that has been placed under or applied for liquidation or sequestration;
- Debtors where the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt, and the debtor has defaulted on this arrangement for a period in excess of 30 days during the financial year; and
- When accounts have been formally presented to the CFO for consideration for write off

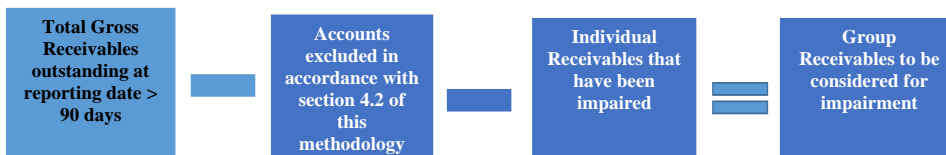
The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

STEP 2: Group receivable impairment

A group assessment of receivables shall further be conducted on the remaining receivables taking into account the following criteria:

- All accounts with balances outstanding for longer than ninety (90) days as these accounts are considered to be past due.

The remaining receivables considered for group impairment shall be:

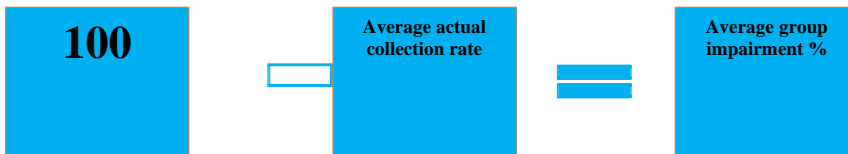


An **actual collection rate** for the financial year shall be calculated for **each group category and subcategory** of receivables as follows:



An **average actual collection rate** for **each group category and sub-group category** of receivables, taking into account the actual collection rates for the **previous five financial years**, as a minimum, shall be calculated.

The **group impairment rand value** for **each group category and sub-group category** of receivables shall be calculated as follows:



4.3.2. Receivables:

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

- (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Fines are recognised as revenue when the fine is issued. Revenue from fines shall be recognised when it is probable that economic benefits shall flow to the municipality and the amount can be reliably measured. Revenue is therefore recognized at the issued amount, less any discounts and withdrawals made during the financial year.

The municipality will assess traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Step 1: Individual impairment

Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain.

The National Prosecuting Authority (NPA) has issued a countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months if no summons has been issued.

Additionally, where a summons has been issued and the alleged transgressor fails to appear in court, resulting in a warrant of arrest, the warrant has a lifetime of two years from the date of issue. Should it not be executed within two years, it should also be cancelled.

Based on the above mentioned, individual traffic fines will be assessed to identify the following:

- Traffic fines issued in terms of the Criminal Procedure Act, that are outstanding for a period greater than or equal to 18 months, and no summons have been issued; and
- Traffic fines where warrants of arrest remain outstanding for greater than or equal to two years, from the date the warrant has been issued.

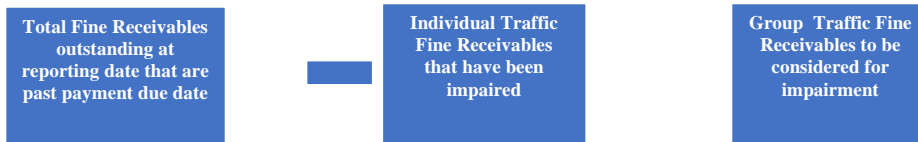
The above mentioned traffic fines will be considered for **100% of impairment** of the rand value outstanding, as it is probable that these traffic fines will be written off by the municipality.

Step 2: Group impairment

A group assessment of receivables shall further be conducted on the remaining traffic fine receivables taking into account the following criteria:

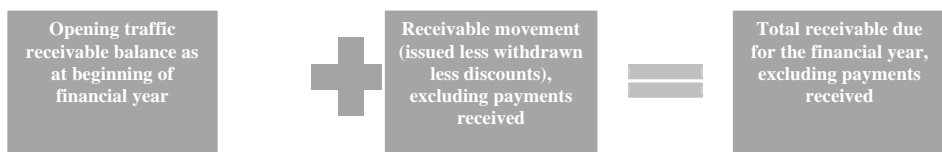
- All fines with balances outstanding beyond the due date for payment.

The remaining receivables considered for group impairment shall be:



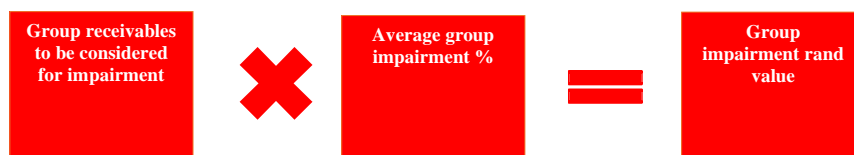
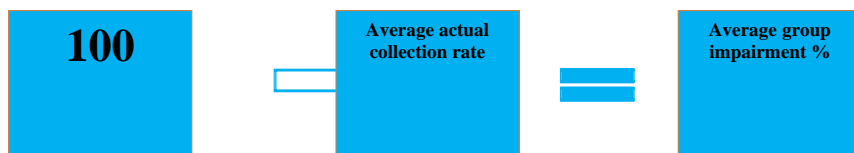
=

An **actual collection rate** for the financial year shall be calculated for traffic fine receivables as follows:



An **average actual collection rate** for traffic fine receivables, taking into account the actual collection rates for the **previous five financial years**, as a minimum, shall be calculated.

The **group impairment rand value** for traffic fine receivables shall be calculated as follows:



uMNGENI MUNICIPALITY

ORGANISATIONAL PERFORMANCE MANAGEMENT POLICY

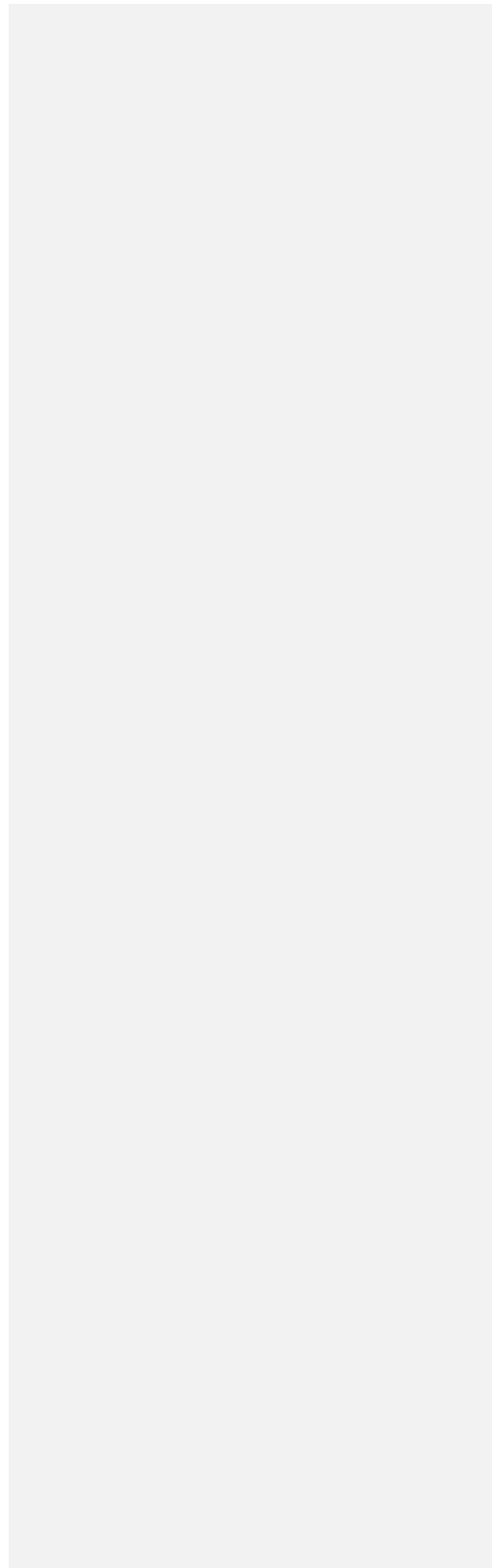


Date of Adoption: 29 MARCH 2023

Date of Implementation: 01 JULY 2023

TABLE OF CONTENTS

1. Introduction	94
2. Scope of application.....	94
3. Purpose	94
4. Policy principles	94
5. Legal Framework for Performance Management System.....	95
6. Definitions	95
7. Objectives of the policy	96
8. Application of the policy	96
9. Selection VIS A VIS PMS Dichotomy.....	96
10. Key policy guidelines	97
11. Guiding principles for setting staff performance indicators.....	97
12. Performance Management Strategy	97



Glossary of terms

KPA	-	Key Performance Area
KPI	-	Key Performance Indicator
PA	-	Performance Agreements
PMS	-	Performance Management System
PDA	-	Personal Development Plan

1. Introduction

1.1 A complete institutional performance management system must incorporate a comprehensive staff performance management system. The strategic objectives of the Institution are interpreted and delivered in concrete terms by the employees of the uMngeni Municipality.

2. Scope of application

This policy is applicable to all permanent employees of uMngeni Municipality, including fixed-term contract employees.

3. Purpose

The Performance Management System (PMS) policy is aimed at:

3.1 Providing guidelines on the effective implementation and maintenance of a single and uniform performance management process within uMngeni Municipality;

3.2 Ensuring that every employee's output is measured in terms of quality and quantity, thereby improving uMngeni Municipality's overall performance and service delivery;

3.3 Ensuring that individual employee performance is evaluated fairly and objectively;

3.4 Ensuring that categories of performance that exceed expectations are organised, and;

3.5 Also ensuring that categories of performance that does not meet expectations are managed.

4. Policy principles

The following fundamental principles form the basis for the understanding and successful implementation and management of the process:

4.1 The performance management process shall be directly linked to the organisation's strategic plan, and therefore provide for the translation of the strategic plan into focus areas;

4.2 Although performance is the responsibility of both the manager and the employee, it shall be driven from top leadership;

4.3 Recognition for excellent performance shall be made in both non-monetary forms and monetary forms. Non-financial rewards shall be as a principle be encouraged;

4.4 Individual performance shall be evaluated in the context of job profiles/performance agreements as signed;

4.5 Performance Management shall be managed in accordance with the Labour Relations Act and the relevant collective agreements;

4.6 The organisation shall manage performance in a consultative, supportive, non-discriminatory and non-punitive manner;

4.7 Employees who do not sign performance agreements will not qualify for the performance bonus; and

4.8 In order to qualify for granting of a performance bonus, an employee must complete a continuous period of at least twelve months on his/her salary level on 31 March of every year. Employees who are already six month in a position will qualify for a pro rata bonus.

5. Legal Framework for Performance Management System

- 5.1 Skills Development Act, 97 of 1998
- 5.2 The Labour Relations Act, 66 of 1995
- 5.3 Employment Equity Act, 55 of 1998
- 5.1 Chapter 6 of the MSA 32 of 2000
- 5.2 Chapter 8 Section 72 of the MFMA 56 of 2003
- 5.3 Municipal Performance Management Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers of 2006
- 5.4 MFMA Circular No. 13
- 5.5 Framework for Managing Programme Performance Information
- 5.6 Treasury Regulations, 2001

6. Definitions

6.1 Performance Management and Development System (PMDS):

An authoritative framework for managing employee performance, which includes the policy framework as well as the framework relating to all aspects and elements in the performance cycle, including performance planning, and agreement, individual development planning, performance monitoring, review and control; performance evaluation and moderation; and management of the outcomes of evaluation.

6.2 Performance Management: A process of agreeing on outputs (results), Key Performance Indicators (KPI)'s and performance measures that relate to uMngeni Municipality's business objectives. This process will also include regular reviews of performance, corrective action and a final evaluation.

6.3 Performance Agreement (PA): A document agreed upon and signed by the employee and supervisor, which reflects the outputs expected, the performance standards that will apply and measures to assess/evaluate performance.

6.4 Performance Cycle: A twelve (12) month period for which performance is planned, managed and evaluated. It is aligned to the same period as **seda's** business plan i.e. 1st April to 31st March of the following year.

6.5 Objectives: These are concise statements, which express the strategic intentions of the **seda**; shows the desired results that are planned to be achieved.

6.6 Key Performance Area (KPA) : These are the broad performance areas. They indicate what areas one should focus on in order to achieve outcomes and outputs; refers to an area of the job that is critical to making an effective contribution to the organizational goals.

6.7 Weighting: What is the importance/impact of the Key Performance Area (KPA) towards achieving the strategic objective of uMngeni Municipality.

6.8 Key Activities:

6.9 Outputs: The visible products of the effort that turn inputs into tangible results i.e. products and/or services).

6.10 Performance Standards/Measure: What is the mutually acceptable level of achievement (quality, quantity, cost, delivery on time, innovation, safety, speed, dependability) in each of the agreed outputs.

- 6.11 Key Performance Indicators (KPI's):** These spell out in clear, measurable language what will be used to measure success for each Key Performance Area (KPA).
- 6.12 Target:** A short term goal to be achieved.
- 6.13 Means of Verification (MoV):** The process of verifying that the performance provided substantiates achievement against the key performance indicators and targets.
- 6.14 Performance Review:** Regular (at least quarterly) formal discussions between supervisors and employees to monitor and report progress, to resolve problems and to adjust work plans/targets during the annual performance cycle.
- 6.15 Personal Development Plan:** A requirement of the performance agreement whereby the important competency and other developmental needs of the employee are documented, together with the means by which these needs are to be satisfied and which includes time lines and accountabilities.
- 6.16 Rating:** A score for the achievement of an objective or output or an attribute e.g. leadership.
- 6.17 Performance Bonus:** Financial reward granted to an employee in recognition of sustained performance that is significantly above expectations and is rated as in terms of the rating scale. In order to qualify for granting of a performance bonus, an employee must complete a continuous period of at least twelve months on his/her salary level on 30 June of every year. Employees who are already six months in a position will qualify for a pro rata bonus.

7. Objectives of the policy

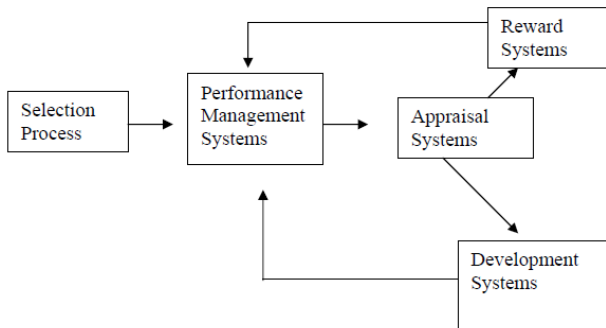
- 7.1 To establish a management tool which shall give direction regarding day to day Council operations in quantifiable and measurable terms;
- 7.2 To provide mechanisms by which employee performance shall be improved through a series of conventionally accepted remedial strategies; and
- 7.3 To put in place a comprehensive management procedure which shall provide a palatable route for the demotion, promotion, redeployment or even cancellation of the contract of employment of employees.

8. Application of the policy

- 8.1 To all managers as defined in Section 57 (2) (a) of the Municipal Systems Act, No. 32 of 2000 and Municipal Performance Management Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers of 2006;
- 8.2 To all employees of uMngeni Municipality who are in full time employment; and
- 8.3 To all fixed term contract employees of the uMngeni Municipality.

9. Selection VIS A VIS PMS Dichotomy

9.1 The Human Resources Cycle



9.2 **The important lesson from the above chart is that the selection function in Human Resources Management is about getting the right people and performance management is about getting the people right.**

10. Key policy guidelines

10.1 The uMngeni Local Municipality scorecard shall set out uMngeni wide objectives and performance indicators of the Municipality.

10.2 The Municipal Manager shall take overall accountability for the delivery of the agreed performance indicators and shall account to the Mayor at agreed intervals.

10.3 The Municipal Manager shall, in turn delegate responsibility and accountability to the:-

10.3.1 Heads of Departments/General Managers/Strategic Manager.

10.4 Heads of Departments/Strategic Manager/General Managers shall in turn, conclude accountability agreements with their respective subordinates and the delegation process shall be cascaded down to all levels within each Department.

11. Guiding principles for setting staff performance indicators

11.1 Indicators shall be clearly focused and stated unambiguously to ensure that employees know precisely what is expected of them;

11.2 Indicators shall by definition contain a unit of measurement. Indicators shall be valid and relevant and measure what is intended to be measured; and

11.3 Indicators shall be simple and easy to communicate to the relevant employee.

12. Performance Management Strategy

12.1 Council shall put in place systems, processes and methods of managing employee performance both at individual and at team levels.

12.2 Council's strategic goals and objectives shall be understood by all and translated into individual and group objectives and work plans. The process shall be as follows:-

12.2.1 Performance Planning;

- 12.2.1.1 Definition and delineation of duties and clarification of roles;
- 12.2.1.2 Setting of objectives and performance standards; and
- 12.2.1.3 Action plans for the achievement of targets and setting of dates for formal reviews.

12.2.2 Performance Monitoring and Support

- 12.2.2.1 Leadership.
 - 12.2.2.2.1 Every incumbent shall be accountable to someone and the latter shall have a duty to provide leadership and direction.
 - 12.2.2.2.2 Regular interaction, guidance and possible coaching in certain instances are some of the important elements which shall form part of the performance monitoring and support strategy.

12.2.3 Performance Evaluation

The following principles are important:-

- 12.2.3.1 Leadership shall share the vision, educate and train employees on the process;
- 12.2.3.2 Both leadership and employees shall understand, accept and own the system to ensure its success;
- 12.2.3.3 Central to the success of the system is a culture that accepts positive behaviour change and the philosophy of continuous improvement;
- 12.2.3.4 Employees shall be quite clear about their individual or team specific objectives and standards, and about how performance shall be evaluated and achievements measured and what rewards or sanctions shall be applied;

12.2.4 Council's performance evaluation modus operandi shall have, as its main objective, reinforcement and corrective action. It shall therefore provide an opportunity for the following aspects to be considered:-

- 12.2.4.1 Rewards (performance related increases, incentives, recognition and promotion);
- 12.2.4.2 Training and development;
- 12.2.4.3 Motivation;
- 12.2.4.4 Counselling;

12.2.4.5 Coaching; and

12.2.4.6 Discipline.

And, as the way forward:-

12.2.4.7 Set new goals and targets;

12.2.4.8 Set new milestones and reviews;

12.2.4.9 Discuss incentives; and

12.2.4.10 Decide on new training and development plans.

12.2.5 Performance Contracts

12.2.5.1 Council's performance contracts shall be concluded after careful study of job profiles and clear understanding of the key responsibilities for the individual incumbent. Departmental scorecards and accountability agreements shall form the basis of the contracts. Central to the contracts shall be four (4) elements listed hereunder:-

12.2.5.1.1 Performance Planning

Based on the job description there shall be:-

12.2.5.1.1 Agreed key performance areas (KPA's);

12.2.5.1.2 Agreed key performance indicators (KPI's);

12.2.5.1.3 A description of contracted standards of performance and relative weightings; and

12.2.5.1.3 Acceptance and signing of agreed KPA's and KPI'S.

12.2.5.1.2 Performance Review

Based on the contracted standards of performance and relative weightings performance review shall entail:-

12.2.5.1.2.1 A description of the contracted standard and an agreement on actual performance;

12.2.5.1.2.2 Rating of performance and allocation of measurements, e.g. points or symbols (ABC etc.);

12.2.5.1.2.3 Acceptance of evaluation and signature; and

12.2.5.1.2.4 Agreement on appropriate reward, recognition or remedial process.

12.2.5.1.3 Training and Development

Training and development needs emanating from the performance review process shall be determined;

12.2.5.1.1 Action plans aimed at re-enforcing appropriate behavior and/or discouraging inappropriate conduct shall be discussed and agreed upon; and

12.2.5.1.2 A new agreement shall be signed.

12.2.5.1.4 Exit/Termination/Cancellation clause

There are many reasons which may give rise to termination/cancellation of the employment relationship or contract as the case may be. But for purposes of this policy Council shall classify terminations/cancellation of contracts of employment under two (2) categories namely:-

12.2.5.1.4.1 Blameworthiness of the contracted employee;

12.2.5.1.4.2 Non-blameworthiness of the contracted employee;

12.2.5.1.4.3 In the case of the former the incumbent shall forfeit the balance of his/her term of office as a penalty this aspect shall be incorporated in the contract; and

12.2.5.1.4.4 In the case of the latter the incumbent shall have his/her contracted term fully paid out to him/her as a separation package (this aspect shall be incorporated in the contract).

uMNGENI MUNICIPALITY

OVERTIME POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

OVERTIME POLICY

1. Definitions

For the purpose of this policy unless the context otherwise indicates:-

- 1.1 **“uMngeni Municipality”** means a Municipal Council referred to in section 157 (1) of the Constitution.
- 1.2 **“Heads of Departments”** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 of 2000.
- 1.3 **“Supervisor”** means a person who supervises his/her subordinates in terms of the Task Job Evaluation System.
- 1.4 **“Employees”** means all persons in the employment of the Municipality.
- 1.5 **“Overtime”** means working outside of normal hours (8 hours) including Saturdays, Sundays and Public Holidays.
- 1.6 **“Essential Services”** means a service interruption of which endangers the life, personal safety or health of the whole or any part of the population

2. GOAL

- 2.1 To respond to community's urgent needs in an effective, efficient and sustainable manner.

3. OBJECTIVES

- 3.1 To ensure that overtime policy respond effectively to crisis and emergency situations with regard to the provision of services.
- 3.2 To ensure that departments do not overspend the allocation of overtime budget.
- 3.3 To define a clearly written procedure in performing of overtime.
- 3.4 To eliminate the abuse of overtime.

4. APPLICATION OF THE POLICY

- 4.1 This policy does not apply to:
 - 4.1.1 Workers in senior management.
 - 4.1.2 Workers who earn more than R 205 433 per annum.
 - 4.1.3 Workers who work less than 24 hours in a month.

5. REGULATION OF WORKING OVERTIME HOURS

- 5.1 An employer may not require or permit an employee:
 - 5.1.1 To work overtime except in accordance with an agreement, either on a day on which an employee would ordinary work, Saturdays, Sundays or Public holidays.
 - 5.1.2 To work more than three hours overtime a day.

- 5.1.3 To work more than ten hours overtime a week except the employees who perform / provide essential services e.g. electricity, water, health, environmental health, traffic, radio control, switchboard operator, cashiers, refuse removal and refuse disposal.
- 5.2 Employees earning more than R 205 433 per annum are required to receive paid time-off in lieu of overtime worked.
- 5.3 An employer must grant paid time-off within one month of the employee becoming entitled to it.
- 5.4 An agreement in writing may increase the period to twelve months.
- 5.5 An agreement concluded with an employee when the employee commences overtime lapses after one year.

6. PAY FOR OVERTIME (MONDAYS TO SATURDAYS)

- 6.1 An employer must pay an employee at least one and one-half times the employees wage for overtime worked.

7. PAY FOR WORK ON SUNDAYS

- 7.1 An employer must pay an employee who works on a Sunday a double of the employees wage for each hour worked, unless the employee ordinarily works on a Sunday, in which case the employer must pay the employee at one and one-half times the employees wage for each hour worked.

8. PAY FOR PUBLIC HOLIDAYS

- 8.1 An employer must pay an employee who does not work public holidays and employee who does work on the public holiday double the employees wage for each hour worked.

9. PROCEDURE

- 9.1 Before the employees perform overtime work, Supervisors / Section Heads must identify the need for a particular task to be performed as well as the volume of work in order to determine the number of hours, taking into account that employees do not deliberately leave the work incomplete for the sake of getting overtime.
- 9.2 After the identification of the need for a particular task to be performed, supervisors must fill-in a request for authority to work overtime form, indicating the name/s of employees to perform the task, nature of the job to be performed and a place.
- 9.3 Supervisors must make recommendation to the Section Heads/Managers for approval then to the Head of Department / General Managers for authorization.
- 9.4 No overtime may be worked without the express prior authorization of the Head of Department / General Managers concerned.

9.5 No claim for overtime pay may be made unless a copy of the permission or instruction authorizing that overtime to be worked accompanies it.

10. EMERGENCY

10.1 In case of emergency, filling a form in advance may be practically impossible, and Supervisors must immediately after the execution of a task/ (within 24 hours) ensure that the procedure in terms of overtime policy has been followed.

11. DETERMINATION OF EARNINGS TRESHOLD

11.1 The increase of earnings threshold will be determined by the Minister of Labor from time to time.

12. FORMULA OF CALCULATING OVERTIME.

12.1 Annual salary x 1.5 or x 2 divided by hours worked in a year = 2340=.....x hours worked =8 hours per day or 2080 x 8 hours worked depending on hours worked per day. Maximum 3 hours per day/maximum 10 hours per week.

13. FORMULA OF CALCULATING STANDBY

13.1 Annual salary divided by 250 days divided by 8.33=1..x5 which is weekly including Saturday at a rate of time and half 1.5, Sunday and public holidays at a rate of double time x2.

14. DISPUTES ABOUT THE APPICATION AND INTERPRETATION OF THIS POLICY

14.1 Any dispute in terms of this policy will be dealt with as per SALGBC Collective Agreement on Grievance Procedure.

15 IMPLEMENTATION OF THE POLICY

15.1.1 This policy will apply and be effective on the date to be determined and approved by the Council.

uMNGENI MUNICIPALITY

MUNICIPAL SOCIAL / RENTAL HOUSING POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

TABLE OF CONTENTS

BACKGROUND

Chapter One

Concept of Social Housing and Policy Objectives

1. Introduction
 - 1.1. Concept of Social Housing
 - 1.2. Policy Objectives

Chapter Two

2. Social Housing Environment
 - 2.1. Policy Context
 - 2.2. Legislation

Chapter Three

3. Current Situation

Chapter Four

4. Future Housing Demand

Chapter Five

5. Constraints on the way to Social Housing
 - 5.1. Constraints within the Housing Unit
 - 5.2. External constraints affecting the unit

Chapter Six

6. Housing delivery goals
 - 6.1. Vision
 - 6.2. Mission
 - 6.3. Objectives and goals

Chapter Seven

7. Housing delivery strategy
 - 7.1. Actions to be taken
 - 7.2. Financial implications

Chapter Eight

8. Responsibilities of other stakeholders
 - 8.1. Responsibilities of stakeholders
 - 8.2. Relationship between the Municipality and Social Housing Institution SHI/Social Housing Company (SHC)

Chapter Nine

- 9.1. Monthly Rental
- 9.2. Monitoring and Evaluation

- 10. Short title and commencement

BACKGROUND

uMngeni Municipality's Head Quarters/Office is located in the Midlands Region of the Province of KwaZulu-Natal, in the town of Howick, twenty six (26) kilometers from Pietermaritzburg and the Highway (N3) goes through uMngeni Municipal area in a South to North direction and vis-a-vis from the Capital City of KwaZulu-Natal, the City of Choice to Gauteng.

Social Housing Development has been identified by uMngeni Municipality as the type of Housing development that the Municipality needs to embark on with an intention of addressing among other challenges, the housing backlog, a rapidly increasing rental housing demand within uMngeni Municipal area. UMngeni Municipality is currently in ownership of two blocks of flats, i.e. Allemans and Grays Court which are right in the middle of the town of Howick and are being rented out to various people. The two blocks of flats consist of forty flats comprising of one, two and three bedroomed flats.

UMngeni Municipality established its Housing Component in 2003 and the component inherited a waiting list with approximately two hundred and thirty people who were patiently waiting for someone to vacate so that they could also get a chance of getting accommodation. This was a very hopeless situation, however, people had no choice as some of the people who were on the waiting list were working in Howick and they therefore had to get a place to rent in Howick.

There was also an inexplicable scarcity of private rental housing accommodation in Howick as a town and in the whole of uMngeni Municipal area. The situation briefly elucidated above highlights the fact that rental housing accommodation demand in uMngeni Municipal area has even increased beyond expectation thus putting a tremendous amount of pressure on the Municipality to expeditiously make the necessary arrangements and do preliminary work that has to be undertaken to address this need hence the Social Housing Policy is being developed by the Municipality as a starting point.

Three years ago the Municipality's Housing Section started to use a computer software program called **'The Housing Demand Data Base'** to capture the particulars for all the potential housing beneficiaries within uMngeni Municipal area with an intention of continuously updating records in respect of the housing demand within the Municipal area. The data base is increasing and growing every day as not a single day passes by without new applicants bringing in their application forms requesting to be added to the housing data base. The statistics show that two among ten people visiting the housing office every day are people that need rental accommodation.

The situation has apparently been exacerbated by the fact that uMngeni Municipality is experiencing an unprecedented rapid growth in respect of tourism, residential and industrial development. UMngeni Municipality has become a favorable tourism destination for various holiday makers from within the Province of KwaZulu-Natal and the whole of South Africa as well as internationally. This again is a contributing factor to an increased demand for Social Housing within uMngeni Municipal area.

The obvious reality in the realization and the demand for Social/Rental Housing Projects within uMngeni Municipal area and in the wider urban realm, is believed to be a defensible point of departure for directing and even creating Social housing policy. The fact of the matter is that, social housing is a critical

subject related to the reality of formal housing and the number of people that are to be accommodated therein which is alarmingly increasing and requiring urgent attention before it escalates further.

CHAPTER ONE

1. INTRODUCTION

1.1. Concept of Social Housing

For uMngeni Municipality, the social housing concept is not an entirely new concept. As highlighted above, uMngeni Municipality owns two blocks of rental housing accommodation in the form of flats. Nevertheless, it has been established that the rental accommodation that the Municipality has, is not sufficient to address the need for this kind of accommodation within uMngeni Municipality. The delivery of more rental housing units to accommodate the people who have been on the Municipality's rental housing waiting list will require the Municipality to consider public/private partnerships.

Public/private partnerships seem to be the only route that can fast-track the delivery of social/rental housing because neither public nor private sectors on their own are able to address, let alone resolve, the challenges and problems associated with the provision of social/rental housing.

UMngeni Municipality has identified certain restructuring zones within its area of jurisdiction as per the requirement by the Social Housing Policy, 2006. When these restructuring zones were identified, it was taken into cognizance that they also have to be close to job opportunities and various amenities that the people will require to ensure sustainability of the social housing projects to be undertaken on those zones.

1.2. Policy Objectives

The objectives of this Social Housing Policy for uMngeni Municipality are as follows;

- 1.2.1. To address the housing backlog in the uMngeni municipal area
- 1.2.2. To ensure that housing beneficiaries are given a choice in respect of the housing types that will suite their life styles and requirements
- 1.2.3. To facilitate the development and rejuvenation of the town of Howick through social housing development
- 1.2.4. uMngeni Municipality also intends to facilitate the institution of a Social Housing Company that will be responsible for driving and championing social housing projects within the Municipal area through the social housing policy
- 1.2.5. This policy seeks to address the imbalances of the past which were a result of the promulgation of policies under the apartheid regime that granted specifically located land for racial segregation as such policies were also determining the urban landscape.
- 1.2.6. The acceptance of this policy by uMngeni Municipality's EXCO will enable the Municipality and other role-players in the social housing sector to work co-operatively towards improving and upgrading the municipal infrastructure in the identified restructuring zones so that new social housing projects have easy access to services as per Chapter 2, section 5 (iii) of the Social Housing Policy,2006.
- 1.2.7. To ensure access to funding for social housing development is not interrupted by a lack of policy framework within the municipal structure/municipality

- 1.2.8. The policy is intended to create an enabling environment for the Municipality to enter into performance agreements with social housing institutions that will be responsible for the overall management of social housing stock within uMngeni Municipality.

CHAPTER TWO

2. SOCIAL HOUSING ENVIRONMENT

2.1. POLICY CONTEXT

After an analysis of the Housing situation and demand undertaken by uMngeni Municipality's Housing Unit it became apparent that the Municipality's Social Housing Policy will have to be aligned to the National social Housing Policy as the objectives of these two spheres of government i.e. National and Local, in respect of social housing are similar. In accordance with the National Social Housing Policy the main objective for the promulgation of the social housing policy include inter-alia the;

Identification of restructuring zones by the Municipality, chapter 2 (3) (f) of the Social Housing Bill. After having identified the need for the construction of more rental/social housing stock within uMngeni Municipal area, uMngeni Municipality identified a number of restructuring zones to accommodate the demand referred to in this paragraph.

- (i) Facilitation of the institution of a Social Housing Company/institution to operate within uMngeni Municipality's area is being investigated and the Municipality through its Housing component and other relevant Departments within the Municipality are gathering data in preparation for the establishment of such a company.

2.2. Legislation

- 2.2.1. uMngeni Municipality has scrutinized almost all relevant pieces of legislation and strategic plans applicable in housing development in general and ultimately concluded that some sort of contextualized policy intervention at a Municipal level is a necessity as that will ensure proper implementation of social housing projects within uMngeni Municipal area.

The relevant pieces of legislation referred to herein above include;

- (i) Housing Policy, Act 107 of 1997 which vividly outlines responsibilities of various government spheres in relation to housing delivery and it also spells out the qualification criteria that is applicable across the board.
- (ii) The National Social Housing Policy clarifies the general principles, roles and responsibilities for various government spheres and social housing institutions involved in social housing development in Chapter 2 (2) (3) (4) (5) and (6) respectively. Therefore, in respect of the roles and responsibilities as well as the general principles as alluded to above in (iii) hereof, the Municipality has a responsibility to ensure the creation of an enabling environment within which social housing is to be undertaken to ensure

sustainability of all social housing projects that the Municipality plans to implement in accordance with its IDP.

- (iii) The KwaZulu-Natal Provincial Housing Policy of 1998 highlights the commitment of the Provincial Department of Housing to render financial and other forms of support to Municipalities that want to implement projects as identified in their IDP's
- (iv) uMngeni Municipality's Integrated Development Plan has identified a number of housing development projects which have to be undertaken to eradicate slums and provide more reliable and safe houses to its residents. Among those projects are the social/rental housing projects some of which have to be delivered before the year 2015.
- (v) uMngeni Municipality's Spatial Development Framework as well as the Municipality's Land Use Management System have also been utilized by the Municipality as the correct tools for the identification of more expedient and well located pieces of land where social housing's projects sustainability can be ensured.
- (vi) uMngeni Municipality's Housing Development Sector Plan clearly identifies and gives detailed information pertaining to possible, potential and active housing projects within the Municipal area. This kind of information available in the Municipal Housing Sector Plan can assist in establishing the real housing needs for the potential beneficiaries identified in each of the projects referred to herein.
- (vii) The Rental Housing Act, Act 50 of 1999 defines the responsibility of all three spheres of government pertaining to the Rental/Social Housing sector to ensure that proper regulatory mechanisms are in place for compliance therewith by all role-players involved in social housing. uMngeni Municipality must therefore ensure adherence thereto by social housing companies operating within its area of jurisdiction.
- (viii) The KwaZulu-Natal Provincial Housing Development Plan gives an indication of the budget allocated/required in respect of each housing development programme, e.g. Project Linked Subsidy, Individual Subsidy, Institutional Subsidy, Consolidation Subsidy, etc. for the whole province.

uMngeni Municipality has a responsibility to peruse the Provincial Housing Development Plan to ensure timeous prioritization and the alignment of all its housing projects therewith, thereby avoiding a situation where some of the projects can't acquire funding as a result of a lack of relevant information and poor planning.

The Municipal Social Housing Policy is therefore legislatively aligned to the above pieces of legislation to ensure uninterrupted housing development within uMngeni Municipality.

CHAPTER THREE

3. CURRENT SITUATION

3.1. The current social/rental housing situation within uMngeni municipal area is as follows;

- (i) uMngeni Municipality has two blocks of flats i.e. Allemans Court and Greys Court. Refer to the 2nd paragraph hereof under the caption, **BACKGROUND** for information about the flats referred to herein.
- (ii) The two blocks of flats are apparently not sufficient to satisfy and meet the demand for the rental housing accommodation within uMngeni Municipal area at the present moment.
- (iii) The current social housing situation and the shortage of social/rental housing accommodation is compelling uMngeni Municipality to hasten the process of gathering information pertaining to the packaging of the social housing project for the initial 100 units.
- (iv) The current demographical situation reveals that the population of uMngeni Municipality is standing at approximately 78 000 people and this number is rapidly increasing. The number of people requiring rental / social housing accommodation is alarmingly increasing due to an inexplicable tourism and industrial developments taking place within uMngeni Municipal area as highlighted herein earlier on.
- (v) This social/rental housing policy is applicable and relevant to the current housing situation in the uMngeni municipal area and it will be subjected to changes and amendments on an ongoing basis as and when the situation changes.
- (vi) uMngeni Municipality must have a Rental Housing Information office which will operate independently from the social housing company/institution as it will be dealing mostly with disagreements, misunderstanding and disputes among the SHC/I and tenants.
- (vii) People from farms and rural communities next to Howick are migrating to Howick in numbers to be closer to job opportunities. The migration **patterns** within uMngeni Municipal area will drastically influence and consequently increase the social housing demand.
- (viii) The Municipality will apparently have to be ready for this and put measures in place to deal with it timeously before the situation gets out of control.
- (ix) The Municipality is currently working tirelessly to eradicate two major slum settlements which are in the two industrial nodes of Howick. The owners of the factories next to the two informal settlements are planning to extend their operations and this will apparently lead to the creation of more employment opportunities thereby increasing the number of people who will need rental housing accommodation.
- (x) The current housing situation in uMngeni Municipality is unique as there are many people falling within the income group/category from R8 000.00 to R30 000.00 who also need rental housing accommodation. This group is not accommodated in both the current National and Provincial Social Housing Policies and this poses a major problem for uMngeni Municipality as many of these people normally come to the Municipality for assistance as there is scarcity of

private rental housing accommodation in Howick and in the whole of uMngeni Municipality.

- (xi) uMngeni Municipality has therefore resolved to accommodate those people who need rental accommodation but cannot qualify for the government subsidy due to their income that falls outside of the income levels and categories accommodated by the current national housing subsidy system and policies.
- (xii) uMngeni Municipality's Housing Component shall consolidate the old rental housing waiting list which consisted of approximately five hundred (500) applicants with the current housing demand data base which has about two hundred rental/social housing applicants excluding other housing programmes under various housing subsidy mechanisms. This indicates that the total social/rental housing demand is currently standing at approximately **700** people still to be housed and the same number of social housing units to be constructed.
- (xiii) The total low income housing backlog within uMngeni Municipality is estimated at approximately **8 600** housing units. This figure is again exclusive of the figure estimated under social housing. Both figures are increasing on a daily basis.
- (xiv) The capturing of new applications to the municipality's housing demand data base system is an ongoing process as there are wards within the municipal area that have not yet been satisfactorily attended to in respect of the delivery of low income housing yet the need thereof has already been identified and confirmed.

uMngeni Municipality is therefore, through its computerized housing demand data base system operated and managed by the Housing Component aiming at collecting data to get at least a 98% accurate information in respect of the actual housing backlog within its area of jurisdiction.

uMngeni Municipality will, within the next ten years endeavor to reach out and deliver low income housing projects to all municipal wards where the need has been identified as highlighted in (xiv) above. The availability of this information will enable uMngeni Municipality to plan and budget properly for all its housing projects.

CHAPTER FOUR

4. FUTURE HOUSING DEMAND

- 4.1. In the previous chapter it has been indicated that there is a potential for rapid economic growth within uMngeni Municipality due to the industrial and tourism development taking place and this is going to impact on the local demographics and ultimately to the social housing demand within the municipal area.
- 4.2. The rate at which the local economy grows will undoubtedly result in more job opportunities being created and the number of people who will migrate to town will also increase.

- 4.3. It is anticipated that by the year twenty twelve (2012), the number of social housing demand will have increased by **68,6%** which is equivalent to approximately **480** people compared to the current situation.
- 4.4. There is a possibility for the above percentage and number to double what is being prognosticated it will be in the next five years and this will very much be influenced by local economic development trends within uMngeni municipal area during the same period.
- 4.5. uMngeni Municipality must therefore ensure that the current social housing demand is addressed within the next five years, i.e. between the years **2008 & 2012**.
- 4.6. A demand for various housing development typologies within uMngeni municipal area is very high with social/rental housing topping the list followed by the gap/affordable housing market. The gap market refers to the income group between **R3 501.00 - R12 500**. The low income housing development within uMngeni Municipal area is well on track even though there is a backlog. The backlog referred to herein in respect of low income housing development is gratfactorily dealt with as there is currently three major low income housing projects that are being packaged with one of them nearing approval stage. These projects will go a long way in addressing the backlog and in hastening a complete eradication of slums within uMngeni Municipal area.
- 4.7. Nevertheless, there is very little happening to address the backlog in the gap/affordable housing market. This market is unable to access government's low income housing grants and they also cannot afford to buy properties in areas where upmarket residential properties' development is undertaken as their income is less than the minimum salary required to qualify to purchase properties in such developments. Furthermore, there is a serious shortage of social/rental housing accommodation within uMngeni Municipal area where some of the people from this group could be temporarily accommodated.
- 4.8. Therefore, the Municipality must identify more restructuring zones in Howick itself as there are pieces of land that have been identified in the Municipality's IDP for the financial year 2007/2008, **page 102, item 16.3** under the topic "**Possible Future Residential**", paragraph 3 which can be used to deal with the disjointed development in Howick and simultaneously deal with the densification of certain areas within the town of Howick.
- 4.9. Social/Rental Housing development can be undertaken as part of the densification programme of the inner city of Howick.
- 4.10. The Municipality must also consider the affordable housing development in the area of Hilton on the pieces of land identified through the IDP planning processes, page 102, item 16.3 (**2007/2008 IDP**).

CHAPTER FIVE

5. CONSTRAINTS ON THE WAY TO SOCIAL HOUSING

5.1. CONSTRAINTS WITHIN THE UMNGENI MUNICIPALITY AND ITS HOUSING UNIT

- (i) There is no sufficient staff that have knowledge and vivid comprehension of the social housing concept within the Housing Unit and in the Municipality as a whole.
- (ii) Lack of capacity within the housing unit, number of staff in particular.
- (iii) Delays on the timeous delivery of social housing units to address the current social housing backlog due to financial constraints within the Municipality.
- (iv) Compilation of the terms of reference for the establishment of uMngeni Housing Company.

5.2. EXTERNAL CONSTRAINTS AFFECTING THE HOUSING UNIT

5.2.1. External constraints affecting the operation of uMngeni Municipality's Housing Component are as follows;

- (i) Establishment of uMngeni Housing Company/Association and the procedure to be followed.
- (ii) Funding for the implementation of the proposed social housing project within uMngeni Municipal area.
- (iii) uMngeni Municipality is a Medium Capacity Municipality and a Metro/Unicity and in accordance with the Social Housing Policy, uMngeni does not qualify for the social housing capital grant which is the most significant grant funding to implement a successful social housing project.
- (iv) Necessity to capacitate the available Municipal Housing staff on various aspects of social housing vs time constraints.
- (v) Unavailability of relevant skills training programmes to capacitate potential social housing employees in preparation for the operation phase on completion of the first social housing project.
- (vi) Payment of salaries for the staff employed by the SHC during its infant phase.
- (vii) Teething problems of the SHC that could eventually affect the tenants.
- (viii) Temporary secondment of Housing personnel to the new SHC to get the ball rolling will be impossible due to the shortage of staff and the lack of relevant skills and knowledge among staff.
- (ix) The funding that can be acquired from the Department of Housing (DoH) through the institutional subsidy mechanism does not even make up 40% of the total funding required to finance a green field social housing project.
There is of course a big difference if the project to be undertaken is a brown field type of social housing development as the DoH funding can almost finish such a project depending on the size of a project and the extent of the remedial work to be undertaken.
- (x) Building the capacity of the social housing company after its institution is not a simple task as it requires financial stability which the newly instituted SHC might not have.

CHAPTER SIX

6. HOUSING DELIVERY GOALS

6.1. Vision

The Vision of uMngeni Municipality's Housing Component in respect of Social and other Housing development programmes is:

Co-operatively delivering good quality housing to the people thereby ensuring happy housing consumers through participatory, educative, empowering and transparent housing delivery processes and programmes.

6.2. Mission

The mission statement that uMngeni Municipality's Housing Section has created for housing delivery programmes within the municipal area is:

uMngeni Municipality's Housing Section will strive for and ensure both qualitative and quantitative housing delivery through community inclusion during all housing projects' implementation, capacitate and empower housing consumers through housing consumer education various skills development programmes to ensure sustainable human settlements within uMngeni Municipal area.

6.2. Objectives and Goals

The objectives and goals of uMngeni Municipality's Housing Section in respect of social housing and other types of housing development are:

6.2.1. Objectives

The main housing delivery objectives for uMngeni Municipality are as follows;

- (i) Encouragement of the adoption of inclusionary housing development strategy within uMngeni Municipality to ensure an acceptable standard of services for all residents of uMngeni Municipality more especially in social and in affordable housing projects.
- (ii) Creation of an enabling environment for willing housing role-players to emancipatively participate in formulating strategies that will ensure speedy social housing delivery within uMngeni Municipal area.
- (iii) Clear identification and reservation of land expedient for social housing development in Howick for restructuring and densification of the Howick inner city.
- (iv) Devise strategies to boost evidity shown by uMngeni Municipality's small business entrepreneurs in developing their businesses to encourage various economic activities in Howick and other urban areas surrounding Howick.
- (v) Provision of safe, secured and habitable social housing units to the housing consumers within uMngeni Municipal area.
- (vi) Encourage cross-sectoral theme/inter-sectoral and inter-departmental co-operation within the Municipality and with other role-players outside of the Municipality i.e. at a District, Provincial and National government levels including with non-governmental organizations to ensure a holistic approach towards housing development.

6.2.2. Goals

The following goals will be instrumental in realizing the objectives set out in 6.2.1 above;

- (i) uMngeni Municipality will put out an advertisement and invite proposals for the initiation of the social housing development process including but not limited to the formation of a SHC.

- (ii) To package a first social housing project of **200 units** and secure funding for the implementation thereof through an inclusionary housing delivery system for various income categories to cross-subsidize each other within the next five years to ensure development sustainability.
- (iii) To start the necessary land preparatory and land assemble processes on the identified restructuring zones in preparation for the implementation of social housing projects with immediate effect.
- (iv) To align the delivery of housing with the development of other community amenities and facilities

CHAPTER SEVEN

7. HOUSING DELIVERY STRATEGY

7.1. Actions to be taken

- (i) uMngeni Municipality will formally establish uMngeni Social Housing Company and ensure that it gets all the resources that it requires to function properly.
- (ii) The SHC will forward funding applications to various funding organizations and financial institutions as well as to the DoH to secure development funds for the project.
- (iii) The Municipality will provide the SHC with the information in respect of the existing services where social housing is to be undertaken to know what services are available and whether they will need to be upgraded.
- (iv) Collect data pertaining to the available community facilities and establish if it will be necessary to build more or only rehabilitation and the upgrading of some of them will be required.
- (v) Establish the proximity of such amenities to the project to ensure easy accessibility thereof by the project beneficiaries.
- (vi) Investigate the possibility and feasibility of transferring the existing housing stock to the SHC and look at the possible hindrances.
- (vii) uMngeni Municipality will provide land for the implementation of the proposed social housing development.

7.2. FINANCIAL IMPLICATIONS

7.2.1. For the SHC to properly manage the institution and operate successfully, the Municipality will have to financially support the SHC for at least two consecutive years for operational costs not less than R150 000.00 per annum.

7.2.2. The Municipality might also have to pay the staff working for the SHC.

7.2.3. The Municipality must also assist the SHC to upgrade and install or gain access to municipal bulk infrastructure in the designated restructuring zone, and to the extent permitted under the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003), and the Local Government's Municipal Systems Act, 2000.

7.2.4. It has been highlighted earlier on in this policy that uMngeni Municipality is a Medium Capacity Municipality and will therefore encounter some difficulties to access and acquire

the government social housing capital grant under the current policy arrangements as this grant is currently rendered to Metropolitan Councils as part of the roll-out strategy or pilot project.

7.2.5. Therefore this means that uMngeni municipality will have to contribute immensely towards funding the activities of the SHC to be instituted during its infant stages until this institution acquires financial stability.

CHAPTER EIGHT

8. RESPONSIBILITIES OF OTHER STAKEHOLDERS

8.1. Responsibilities of Stakeholders

As contemplated in the National Social Housing Act of 2006, the responsibilities of other stakeholders which involve among others,

- 8.1.1. The Social Housing Regulatory Authority,
- 8.1.2. National Housing Finance Corporation and
- 8.1.3. Financial Institutions (Banks)

8.1.1. THE SOCIAL HOUSING REGULATORY COUNCIL

The Social Housing Regulatory Authority is established in terms of Chapter 3, Section (7), (8) and (9) of the Social Housing Policy of 2006 as a juristic person. The responsibilities of the Social Housing Regulatory Authority in respect of social housing are as follows;

- (i) Provision of advisory services to the Minister on new developments in the social housing sector.
- (ii) Render assistance in the process of the designation of restructuring zones
- (iii) Facilitation and promotion of social housing programmes.
- (iv) Maintenance of a register of social housing companies/institutions with the prescribed details which is open for inspection by the public at the premises of the regulatory Authority during normal business hours against payment of the prescribed fee and annually provide a copy thereof to Treasury and the Department of Housing.

8.1.2. THE NATIONAL HOUSING FINANCE CORPORATION

The National Housing Finance Corporation is an organization that was established in terms of the National Housing Act of 1997, Act 107 of 1997 and its responsibilities are as follows;

- (i) Facilitation of the provision of access to guarantees for loan funding from financial institutions
- (ii) Provision of access to loan funding
- (iii) Making available to the Regulatory Authority when requested any financial information to enable it to assess the institutional health and financial sustainability of social housing institutions/companies.
- (iv) Exploration and supporting of mechanisms aimed at facilitating public funding for social housing.

8.1.3. FINANCIAL INSTITUTION(S) BANKS

The main responsibility of financial institutions pertaining to social housing is;

- (l) To render financial assistance in the form of loans to various housing companies/institutions for the implementation of social housing projects.

8.2. RELATIONSHIP BETWEEN THE MUNICIPALITY AND SHC/I(s)

- 8.2.1. After the institution of a Social Housing Company/Institution, uMngeni municipality must establish and strengthen its relationship with the SHC/I by formally entering into a performance agreement with the SHC/I.
- 8.2.2. The SHC/I must deliver as per the performance agreement entered into between the two parties, i.e. the Municipality and the SHI/C.
- 8.2.3. The Municipality must assist the SHC/I during its inception by providing it with funds for operation.
- 8.2.4. The Municipality must provide the SHC/I with data collected by the Municipality prior to the institution of the SHC/I in respect of the demand for social housing and all applications captured in the Municipal Housing Demand Data Base.
- 8.2.5. The Social Housing Company must provide the Municipality with quarterly reports pertaining to all its activities, problems and challenges encountered during the execution of its functions.

CHAPTER NINE

9. MONTHLY RENTALS, MONITORING AND EVALUATION

9.1. Monthly Rentals

- 9.1.1. The monthly rentals in respect of uMngeni Municipality's employees earning between R3 501 and R19 000 00 shall be 8.5% of their monthly gross income. However, if the rental exceeds the amount(s) specified in clause/item 9.1.4. hereof, rental will then be charged as per item/clause 9.1.4 i.e. on a per bedroom basis.
- 9.1.2. uMngeni Municipal employees earning more than R20 000 per month shall pay a market related rental or alternatively clause 9.1.4 hereof will also be applied where necessary.
- 9.1.3. Members of the public not in the employ of uMngeni Municipality earning between R3 5001 and R R10 000 per month applying for rental housing accommodation shall pay 22% of their monthly gross income as their monthly rent. However, if the rental exceeds the amount(s) specified in clause/item 9.1.4. hereof, rental will then be charged as per item/clause 9.1.4 i.e. on a per bedroom basis.
- 9.1.4. Members of the public not employed by uMngeni Municipality earning over R10 000 per month shall pay a market related rental or will be charged rental based on the number of bed/rooms the apartment/flat has starting from a minimum amount of R1 200 for a one bedroomed flat, R1 600.00 for a two bedroomed flat and R2 000.00 for a three bedroomed apartment. The rate payable for each apartment will be determined by the level at which the apartment is, eg. Ground/1st level, 2nd level and 3rd level respectively depending on the number of levels that the block of flats has.
- 9.1.5. The above rates do not include water and electricity payments.
- 9.1.6. It must be noted that the above rates shall only apply on the existing municipal housing stock, i.e. Allemans and Greys Court.
- 9.1.7. In the case of social/rental housing stock still to be built, rentals to be charged therein can only be decided after gathering all information pertaining to the total costs incurred for the entire project. Various National Government policies will also have an impact on the determination of rental to be paid in the new social housing projects. The policies referred to above include;

- (i) The National Housing Policy, Act 107 of 1997,
- (ii) The Rental Housing Act, Act 50 of 1999 and
- (iii) The Social Housing Policy of 1996

9.1.8. The Social Housing Company/Institution (SHC/I) will also play a pivotal role in working out/coming up with the formula to be utilized in calculating rentals to be charged in respect of new social housing projects.

9.2. Monitoring and Evaluation

9.2.1. Monitoring

- (i) The Social Housing Policy itself needs to be integrated into the IDP of uMngeni Municipality immediately after it has been approved and adopted by Council.
- (ii) A final confirmation of all the identified restructuring zones within uMngeni municipal area where the Municipality plans to undertake social housing projects will now have to be done as all identified social housing projects will also have to be incorporated into the Municipality's IDP to make it easy for the Municipality to access funding from various funding sources.
- (iii) UMngeni Municipality must devise specific implementation and monitoring plans to be utilized during the implementation of social housing projects and such plans must be structured in such a way that they facilitate and simplify the monitoring process for social housing projects. Putting monitoring plans in place is of utmost significance as it is the only way with which the municipality and the SHC/I can control delivery of social housing projects within its area of jurisdiction.
- (iv) To ensure proper monitoring and implementation of social housing, a social housing champion must be identified within the Municipality's Housing Component or any other Department which may have officials with a vivid comprehension of the housing processes with specific emphasis and reference on social housing processes.
- (v) The Housing Champion will assist to timeously identify and detect various hindrances that could interfere with the development programme and intervene before the occurrence of any damage that could jeopardize the entire project's activities more especially those that could be on the critical path at that time.
- (vi) A Project Steering Committee (PSC) must also be formed immediately after the approval of the first project to take the responsibility of driving that particular social housing development to ensure that the project is not derailed as a consequence of a lack of proper structures that should steer the project towards the right direction to achieve the intended goals and objectives.
- (vii) Ongoing/continuous monitoring of social housing projects will be done through the On-Site Project Steering Committee's monthly meetings, quarterly project progress report to be submitted to the Municipality by the SHC/I and Annual Project reports to be submitted by the SHC/I.

9.2.2. Evaluation

- 9.2.2.1. The effectiveness of the Municipal Social Housing Policy and the success of social housing projects implemented within uMngeni Municipal area will be evaluated and assessed in the following manner;
 - (i) Information pertaining to the number of social housing units delivered in a five year period will be collected and measured against and compared to the original number

- of units that had to be delivered in accordance with the Municipality's housing delivery plan.
- (ii) The success of the SHC/I in effectively managing the delivered social housing stock will be measured by asking the tenants questions relating to the quality of the units, the overall management of the complex by the SHC/I to the gratification of the tenants.
 - (iii) Half Yearly audits in respect of the payment of rentals will be undertaken to establish if all the tenants are timeously paying their rent and whether those that are in arrears have made the necessary arrangements to repay their debts.
 - (iv) Corrective measures and actions to be taken will be deliberated at the annual general meeting of the SHC/I and its partners in respect of the identified necessity to amend this policy or to introduce certain controls in the implementation of social housing projects to ensure sustainability of this kind of housing development.
 - (v) This policy will be amended as and when required to be expedient to the current housing needs of uMngeni Municipality's residents.

10. SHORT TITLE AND COMMENCEMENT

This Policy is called uMngeni Municipal Social Housing Policy of 2007 and it will be effective immediately on the date of its adoption by uMngeni Municipality's Full Council.

Date of Adoption by Council:

MUNICIPAL MANAGER'S SIGNATURE:.....

MUNICIPAL MANAGER'S FULL NAME:

CHAIRPERSON OF THE COUNCIL: SIGNATURE:.....

CHAIRPERSON'S FULL NAME :.....

uMNGENI MUNICIPALITY

TARIFF POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INDEX

1. DEFINITIONS
2. INTRODUCTION
3. PRINCIPLES
4. CALCULATION OF TARIFFS FOR MAJOR SERVICES
5. ELECTRICITY
6. REFUSE REMOVAL
7. OTHER TARIFFS, LEVIES & CHARGES

TARIFFS POLICY

1. DEFINITIONS

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

2. INTRODUCTION

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the 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.

“The Tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74”

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.

3. PRINCIPLES

Service tariffs imposed by the local municipality 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 indigency relief measures approved by the municipality from time to time).

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

Tariffs for the two major services rendered by the municipality, namely:

- Electricity
- Refuse removal

shall as far as possible recover the expenses associated with the rendering of each service concerned. 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 particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services ensure self-sustainability.

The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area.

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.

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

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

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

In the case of the directly measurable service, namely electricity, the consumption of such service shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy monthly availability charges for the service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the municipality shall take due cognizance of the high capital cost of establishing and expanding such service, and of the resultant high fixed costs, as opposed to variable costs of operating the service. The municipality therefore undertakes to plan the management and expansion of the service carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

4. CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

- Cost of bulk purchases in the case of electricity.
- Distribution costs, including distribution losses in the case of electricity.
- Depreciation and finance charges.
- 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 including, in the case of the electricity service, the cost of providing street lighting in the municipal area (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 municipality shall provide the first 100kWh (one hundred) of electricity per month free of charge to consumers who are on a 20amp pre-paid meter.

5. ELECTRICITY

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year. All accounts rendered from 1 July each year shall be calculated on the applicable tariff as at 1 July irrespective of the meter reading date.

Categories of consumption and charges shall be as follows:-

- With the single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- ***The tariff for domestic consumption of electricity shall not exceed 100 per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh.***
- All pre-paid consumers of the municipality who are registered as indigents with the municipality and are on a prepaid meter shall receive free the first 50kWh (one hundred) of electricity consumed per month.
- Domestic consumers will be limited to a 60 amp MCB to qualify for the reduced basic charge. If a higher MCB is requested these consumers will be charged the same basic charge as commercial and industrial consumers.
- All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
- All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charged at cost.

6. REFUSE REMOVAL

All residential properties with a maximum valuation of R 120 000 will receive free refuse removal services whilst all other residential properties will be charged a basic fee to be reviewed annually during the budget process.

All other properties will be charged a monthly fee determined annually during the budget process.

The monthly refuse removal charge will be charged against the owner's account. All future applications must be from the owner.

7. OTHER TARIFFS, LEVIES AND CHARGES

All other tariffs shall be standardized within the municipal region.

All other tariffs shall be approved by the council in each annual budget, and may, when deemed appropriate by the council, be subsidized by property rates and general revenues *inter alia*, 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.

All other tariffs over which the municipality has full control 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.

Other tariffs shall include inter-alia the following:-

- ❖ Cemetery fees
- ❖ Housing rentals
- ❖ Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- ❖ Rentals for the use of municipal premises
- ❖ Rentals for the use of municipal sports grounds
- ❖ Rentals for the lease of municipal property
- ❖ Building plan fees
- ❖ Advertising sign fees
- ❖ Plastic bag sales
- ❖ Refuse bin sales
- ❖ Cleaning of stands
- ❖ Photostat copies and faxes
- ❖ Clearance certificates
- ❖ Electricity: disconnection and reconnection fees
- ❖ Electricity: new connection fees
- ❖ Penalty and other charges in terms of the Credit Control and Debt Collection Policy
- ❖ Supply of information
- ❖ Garden refuse removal
- ❖ Licence fees (drivers, learner licence and roadworthy).
- ❖ Valuation certificates
- ❖ Pound fees
- ❖ Taxi Rank and Rank Permit
- ❖ Or any other tariff charges as detailed on Tariff register

uMNGENI MUNICIPALITY

FUNDING & RESERVES POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INDEX

1.	INTRODUCTION AND OBJECTIVE	3
2.	SECTION A: FUNDING POLICY	3
2.1	LEGISLATIVE REQUIREMENTS	3
2.2	STANDARD OF CARE	3
2.3	STATEMENT OF INTENT	4
2.4	CASH MANAGEMENT	4
2.5	DEBT MANAGEMENT	4
2.6	FUNDING THE OPERATING BUDGET	4
2.7	FUNDING THE CAPITAL BUDGET	6
2.8	FUNDING COMPLIANCE MEASUREMENT	7
3.	SECTION B: RESERVES POLICY	12
3.1	INTRODUCTION	12
3.2	LEGAL REQUIREMENTS	12
3.3	TYPES OF RESERVES	12
3.4	ACCOUNTING FOR RESERVES	14
4.	SECTION C: REVIEW OF THE POLICY	15
	APPENDIX A	15

Version: Final

Date: 29 MARCH 2023

Summary: This document describes the Funding and Reserves Policy that will be applicable to the municipality, detailed.

Approved: This policy was approved by the Municipal Council on 29 MARCH 2023.

Date of Implementation: 1 JULY 2023

FUNDING AND RESERVE POLICY

1. INTRODUCTION AND OBJECTIVE

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

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

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

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

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

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

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

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

2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

2.3 STATEMENT OF INTENT

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

2.4 CASH MANAGEMENT

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

2.5 DEBT MANAGEMENT

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

2.6 FUNDING THE OPERATING BUDGET

2.6.1 INTRODUCTION

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight of the poor, and in line with national and provincial objectives, the municipality commits itself to subsidised services to the poor. This will necessitate cross subsidisation in tariffs to be calculated in the budget process.

2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

- a) The budget must be cash — funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;

Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total

expected expenditure from grants, inclusive of capital expenditure and VAT as per directive given in MFMA circular 48.

- d) Projected revenue from services charges must be reflected as net (all billing less revenue foregone, which is free basic services, discounts and rebates).
- e) Projected revenue from property rates must include all rates to be levied, but rebates and discounts must be budgeted for as either revenue foregone or a grant, as per directive in MFMA Budget Circular 51, depending on the conditions of the exemption, rebate or reduction.

For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.

- f) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash flow budget.
- g) Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an operating surplus calculated at 5% of the prior year balance of the long—term benefits, be included in the operating budget, in order to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".
- h) Depreciation must be fully budgeted for in the operating budget. In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.
- i) Contributions to provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non-current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

2.7 FUNDING THE CAPITAL BUDGET

2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non-existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of own contributions, grants, public contributions as well as external loans.

Own Contributions

The capital budget financed from own contributions must primarily be funded from the Capital Replacement Reserve.

Notwithstanding the above the capital budget or portions thereof may also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

Grants (Including Public Contributions)

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

It is therefore determined that the accounting officer must evaluate the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council.

It is furthermore determined that the depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer must put such accounting measures in place to comply with this requirement, to a reasonable extent.

External Loans

The municipality may only raise loans in accordance with its Debt Management Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

The municipality wants to ensure that the budget or adjustments budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget.

These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position throughout the year is crucial. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- vat due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")

This indicator shows the level of risk should the municipality experience financial stress.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS

It is almost certain that the operating budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a "balanced" budget but excluding such depreciation charges, the depreciation charges may be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro-economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	Revenue of budget year	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	=Revenue increase/decrease	R XX	R XX	R XX
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper limit of macro Inflation target	%	%	%
F	=Growth in excess of inflation target	%	%	%
G	Less: Expected growth %	%	%	%
H	=Increase attributed to tariff Increase above macro inflation target	%	%	%

In the event that the percentage in (h) above is greater than zero, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the rate currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the

difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

2.8.9 CAPITAL PAYMENTS AS A PERCENTAGE OF CAPITAL EXPENDITURE

This indicator provides information as to the timing for payments on capital projects and utilising allowed payment terms.

2.8.10 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's Debt Management Policy.

2.8.11 GRANTS REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE

The percentage should never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.12 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

An unacceptable high increase in either current or non-current debtors' balances should be investigated and acted upon.

2.8.13 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the maintenance budget should be between 4% and 8% of the value of assets.

2.8.14 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

2.8.15 FINANCIAL PERFORMANCE BUDGET

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

A number of line-items influence the net result of the financial performance budget.

It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

2.8.16 FINANCIAL POSITION BUDGET

This indicator provides an overall view of the projected financial position over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

2.8.17 CASH FLOW BUDGET

A positive cash flow is a good indicator of a balanced budget, as well as the ability of the municipality to meet its future commitments.

The cash flow budget, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a projected positive cash inflow lead to additional expenditure requests, without taking the requirements of those items into consideration.

3. SECTION B: RESERVES POLICY

3.1 INTRODUCTION

Fund accounting historically formed a huge part of municipal finance in the IMFO standards.

Since the municipality changed to General Recognised Accounting Practices (GRAP), fund accounting is no more allowed.

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

This policy aims to provide for such measure of protection by creating certain reserves.

3.2 LEGAL REQUIREMENTS

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards itself also do not provide for reserves.

However, the GRAP “Framework for the Preparation and Presentation of Financial Statements” states in paragraph 91 that such reserves may be created, but “Fund Accounting” is not allowed and any such reserves must be a “legal” reserve, i.e. created by law or Council Resolution.

3.3 TYPES OF RESERVES

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

3.3.1 CASH FUNDED RESERVES

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

(a) **Capital Replacement Reserve (CRR)**

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance- or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the annual financial statements.

(a) **Employee benefits reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

(c) **Non-current provisions reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non-current provisions. The contributions to the reserve must be made in accordance with the directives set in the Funding Policy.

(d) **Valuation reserve**

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act. The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation and the Accounting Officer is hereby delegated to determine this amount annually during the compilation of the Annual Financial Statements.

(e) **Other statutory reserves**

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

3.3.2 NON-CASH FUNDED RESERVES

It might be necessary to create non - cash funded reserves for a variety of reasons, including GRAP requirements. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

The Accounting Officer is hereby delegated and may also in the discretion of the Accounting Officer, create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

3.4 ACCOUNTING FOR RESERVES

3.4.1 REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

3.4.2 OTHER RESERVES

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus. It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

4. SECTION C: REVIEW OF THE POLICY

This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

Whenever the Minister of Finance or the National Treasury or the Auditor - General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A

RECONCILIATION OF CASH REQUIREMENTS

Cash flow from operating activities	R XX	
Add: Depreciation from own funds	R XX	
Add: Contribution to current provisions		R XX
Add: 20% of prior year non — current provisions balance		R XX
Add: 5% of prior year non — current employee benefits balance	R XX	
Add: Contribution to Valuation reserve		R XX
Add: Unspent conditional grants		R XX
Add: Unspent public contributions	R XX	
Add: Unspent borrowings	R XX	
Add: VAT due to SARS		R XX
Add: Secured investments	R XX	
Add: Cash portion of Statutory Reserves		R XX
Add: Working Capital Requirements	R XX	
= Minimum Cash Surplus Requirements for the year		R XX

uMNGENI MUNICIPALITY RATES POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INDEX

1. DEFINITIONS
2. PREAMBLE - NATIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT
3. OBJECTIVE
4. IMPOSITION OF RATES
5. CATEGORIES OF PROPERTIES FOR DIFFERENTIAL RATING
5. DEFERMENT OF RATES
6. RELIEF MEASURES FOR RATEPAYERS
7. ANNUAL REVIEW OF RATES POLICY (SECTION 5 OF THE MPRA)
8. EXEMPTIONS, REDUCTIONS AND REBATES
9. AMOUNT DUE FOR RATES (SECTION 11 OF THE MPRA)
10. ADDITIONAL RELIEF MEASURES FOR RATEPAYERS (for Owners within Property Categories)
11. PROMULGATION OF RESOLUTIONS LEVYING RATES
12. DEFERRMENT OF RATES
13. INVESTMENT ATTRACTION AND INCENTIVES POLICY
14. LAND TRANSFORMATION
15. FREQUENCY OF VALUATIONS
16. LEGAL REQUIREMENTS
17. COMMUNITY PARTICIPATION
18. CONSTITUTIONALLY IMPERMISSIBLE RATES
19. OTHER IMPERMISSIBLE RATES
20. EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 13
21. IMPERMISSIBLE DIFFERENTIATION
22. LIMITS ON ANNUAL INCREASES OF RATES
23. COMPULSORY PHASING IN OF CERTAIN RATES
24. PROPERTY RATES PAYABLE BY OWNERS
25. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES
26. METHOD AND TIME OF PAYMENT
27. ACCOUNTS TO BE FURNISHED
28. RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS
29. RECOVERY OF RATES FROM AGENTS
30. GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS
31. GENERAL BASIS OF VALUATION
32. OBJECTIONS
33. DATE OF VALUATION
34. VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES
35. RIGHT OF APPEAL
36. UPDATING OF VALUATION ROLLS
37. REGISTER OF PROPERTIES
38. RATES CLEARANCE CERTIFICATES
39. EQUITABLE TREATMENT OF RATEPAYERS
40. URBAN IMPROVEMENT PROJECTS POLICY (UIP)
(Referred, to in section 22 of the MPRA, as a special rating area)

uMNGENI LOCAL MUNICIPALITY

RATES POLICY

Date Approved:	29 MARCH 2023
Date Implemented:	01 JULY 2023

1. DEFINITIONS

“**Category**” means in relation to property, means a category of property determined in terms of section 8 of the Act; and in relation to owner of property, means a category of owner determined in terms of section 15 (2) of the Act and this Property Rates policy.

“**Effective date**” In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Act; or on 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 Act.

“**Equitable**” means the fair, just and impartial treatment of all citizens and or ratepayers.

“**Exemption**” in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Act.

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

“**Indigent owner**” means a person recorded and listed on the indigent register of the municipality and who qualifies for property rates relief in terms of the municipality’s adopted rates policy.

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

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

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

“**Owner**”

- In relation to a property referred to bullet point 1 of the definition of property, means a person in whose name ownership of the property is registered;
- In relation to a right referred to in bullet point 2 of the definition of property, means a person in whose name the right is registered;
 - in relation to a timesharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

- in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);
- in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f) of the Act, means the holder of the mining right or the mining permit,
- In relation to a land tenure right referred to in bullet point 3 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
- In relation to public service infrastructure referred to in bullet point 4 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 the Act be regarded by a municipality as the owner of a property in the following cases:
 - a trustee, in the case of a property in a trust excluding state trust land;
 - an executor or administrator, in the case of a property in a deceased estate;
 - a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - a judicial manager, in the case of a property in the estate of a person under judicial management;
 - a curator, in the case of a property in the estate of a person under curatorship;
 - 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;
 - a lessee, in the case of property that is registered in the name of the municipality and is leased by it; or
 - a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or;
 - 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.

“Pensioner” (Category of Owner of Property) Means a person that:

- must be 60 years of age;
- who is the sole owner of the property, or owner jointly with his/her spouse;
- does not own another property within the municipality;
- Refer to qualifying application criteria

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

- Any restrictions imposed by:
 - a condition of title;
 - a provision of a town planning or land use scheme; or
 - any legislation applicable to any specific property or properties; or
- Any alleviation of any such restrictions.

“Property” means:

- 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/legal entity;
- a right registered against immovable property in the name of a person/legal entity, excluding a mortgage bond registered against the property;
- a land tenure right registered in the name of a person/legal entity or granted to a person/legal entity in terms of legislation; or
- public service infrastructure.

“Publicly controlled” Means owned by or otherwise under the control of an organ of state, including:

- a public entity listed in the Public Finance Management Act, 1999 (Act No.1 of 1999);
- a municipality; or

- a municipal entity as defined in the Municipal Systems Act.

“Spatial Planning & Land Use Management Act” (SPLUMA) – means the Local Government Spatial Planning Land Use Management Act, 2013 (Act 16 of 2013),

2. PREAMBLE

The **National Framework for Sustainable Development** (The Framework) is to enunciate South Africa’s national vision for sustainable development and indicate strategic interventions to re-orientate South Africa’s development path in a more sustainable direction. It does not present detailed strategies or actions, but rather proposes a national vision, principles, trends, strategic priority areas and a set of implementation measures that will enable and guide the development of the national strategy and action plan.

It describes in broad terms how the existing activities of government and its social partners will be strengthened, refined and realigned in a phased manner to achieve inter-related sustainable development goals relating to the economy, society and the environment, and how governance systems will be capacitated to facilitate this process.

The Framework will be used by all social partners and all organs of state within the national, provincial and municipal spheres to progressively refine and realign their policies and decision -making systems in order to establish a coherent and mutually consistent national system aimed at promoting sustainable development.

The notion of “sustainable development” is often used in policy and strategy documents to refer to many different things, but it is rarely defined to mean anything specific. We are now obliged by our international commitments, constitutional principles and statutory laws to justify our national policies and development strategies in terms of sustainable development.

Our vision gives effect to the notion that sustainable development should be “an integration of governance, multiple voices, processes and action in decision-making towards a common goal within set parameters and a common definition of policy choices for promoting a sustainable development agenda.

The national vision for sustainable development is as follows:

Vision: South Africa aspires to be a sustainable, economically prosperous and self-reliant nation state that safeguards its democracy by meeting the fundamental human needs of its people, by managing its limited ecological resources responsibly for current and future generations, and by advancing efficient and effective integrated planning and governance through national, regional and global collaboration.

Our vision is informed by the environmental, social and economic and other fundamental human rights enshrined in our Constitution, and the global and national priorities captured in the MDG, JPOI and the government’s macro socio-economic policies. It is a projection of our nation’s aspirations of achieving a better quality of life for all now and in future, through equitable access to resources and shared prosperity.

It places the nation on a developmental trajectory which of necessity must move society towards greater efficiency and innovation in resource use, and the integration of social, economic, ecological and governance systems. The national vision is underpinned by a set of principles that must guide all of us in all decisions and actions taken to achieve the vision. These principles are captured as:

The “first order” or fundamental principles relate to those fundamental human rights that are guaranteed in the Constitution, and underpin the very nature of our society and system of governance. These principles affirm the democratic values of:

- Human dignity and social equity
- Justice and fairness
- Democratic governance

The “substantive principles” address the content or conditions that must be met in order to have a sustainable society and are based on principles already enshrined in legislation and policies. The principles underscore a cyclical and systems approach to achieving sustainable development and are as follows:

- Efficient and sustainable use of natural resources
- Socio-economic systems are embedded within, and dependent upon, eco-systems
- Basic human needs must be met to ensure resources necessary for long-term survival are not destroyed for short term gain

The “process principles” establish a few clear principles that apply specifically to the implementation of the national strategic framework for sustainable development. The most important in this regard are:

- Integration and innovation
- Consultation and participation
- Implementation in a phased manner

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 and aligned to the National Framework for Sustainable Development namely that:

- 3.1.1. the Constitution enjoins 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;
- 3.1.2. there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;
- 3.1.3. 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
- 3.1.4. 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. IMPOSITION OF RATES

4.1. 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 rolls. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.

4.2. The Council pledges itself to limit as far as possible each annual increase over the period preceding 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.

5. CATEGORIES OF PROPERTIES FOR DIFFERENTIAL RATING PURPOSES

5.1. In terms of Section 8(1) of the Municipal Property Rates Act 6 of 2004, a Municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, which may include categories determined according to the:

- 5.1.1. use of the property
- 5.1.2. permitted use of the property, or
- 5.1.3. geographical area in which the property is situated

5.2. Property Categories

Categories of rateable property that may be determined include the following:

5.2.1. Residential

Urban (Use Code - A01) - Residential properties are improved properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area. Its primary use is to provide residential accommodation and is improved with dwellings. They are therefore categorised in terms of Section 8(2) (a) of the Municipal Property Rates Act 6 of 2004. Included in this category are real rights with in sectional title development that have been improved with buildings.

Rural (Use Code A02) properties, are properties made up of Freehold or Sectional Title Properties located generally outside of, but may fall within a municipal town planning scheme, (e.g the village of Nottingham Road), improved with dwellings and primarily used for residential purposes and would include properties within approved rural residential development estates and which are administered by a recognised Homeowners Association. These properties, due to their location, are currently not provided with any/limited municipal services/infrastructure on the estate and or property and within the immediate surrounding precinct. Included in this category are real rights with in sectional title development that have been improved with buildings.

Bona Fide Retirement Estates (Use code A03) - Owners of a Sectional Titles Act Zoned (Town Planning Scheme) Retirement Village unit with Older Persons Act, registered Care Services compliant with the Housing Development Schemes for Retired Persons Act, as reflected in the General Valuation Roll.

Old Age Homes/Nursing Home (Use Code A04) with the Category of Property Code as reflected in the General Valuation Roll.

Typical properties included under the residential category, are as follows, and exclude informal settlements (informal structures):

- Single family, Two family and greater family homes
- Residential & Business (mostly residential-51% and more residential)
- Block of flats
- Retirement Village
- Old age home/Nursing home
- Terraced/Mult dwelling (3+units)
- ST Parent Property
- ST-Dwellings
- ST-Flats
- SB-Dwellings
- SB-Flats
- ST-Residential Garage
- ST-Residential Granny Flat
- ST-Residential Storage

Communal Property (Use Code A05) means the ownership of land or other property by a community and or community trust, inclusive of the Ingonyama Trust, so that each member has a right to use the property or a portion of it, in terms of any permission to occupy arrangements. The community entity and or trust will be obliged to pay property rates, (as required) for and on behalf of the community.

Unless the context indicates otherwise, "communal property" include;

- Ingonyama Trust land as contemplated in the Ingonyama Trust Act, 1994 (Act No 3 of 1994), excluding:-

- Any land or real right in land contemplated in section (4) of the Ingonyama Trust Act, 1994;
 - Any land that is subject to an agreement of lease registered with the Registrar of Deeds;
 - Any land that is subject to an agreement of lease for a period in excess of 10 years, which is registered with the Ingonyama Trust Board;
 - Any State or municipal owned land rights which includes property categorised as public service purpose and public service infrastructure; and
 - any land tenure rights as contemplated in Schedule 1 and Schedule 2 of the Upgrading of Land Tenure Rights Act, 1991 (Act No 112 of 1991).
- State Trust Land as defined in section 1 of the MPRA, excluding:
 - Any land or real right in land for which a certificate has been issued in terms of section 239 of the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993), as contemplated in item 28 of Schedule 6 to the Constitution of the Republic of South Africa, 1996;
 - Any land that is subject to an agreement of lease registered with the Registrar of Deeds; and
 - Any land tenure rights as contemplated in Schedule 1 and Schedule 2 of the Upgrading of Land Tenure Rights Act, 1991 (Act No 112 of 1991);
 - Land registered in the name of a Communal Property Association, as contemplated in the Communal Property Association Act, 1996 (Act No 28 of 1996), excluding any land that is subject to an agreement of lease registered with the Registrar of Deeds; and
 - Any other property, regardless of the owner of the property, which;
 - Is a single piece of land;
 - Has more than one residential and non-residential top structures occupied by unrelated occupiers with insecure tenure; and
 - Used for communal purposes,

excluding, any land tenure rights as contemplated in Schedule 1 and Schedule 2 of the Upgrading of Land Tenure Rights Act, 1991 (Act No 112 of 1991).

The levying of rates on communal property will where applicable be subject to the provisions of sections 8 (2) (i) multiple purposes and 9 (2) by value apportionment, determined according to each apportioned use and category of property.

***Note:** Informal Settlement properties are residential properties improved with informal structures such as wattle and daub shacks or other rudimentary shelters. These properties are generally not provided with municipal services/infrastructure. They are generally located on a separate residential subdivision. They can be located either on formal township properties or farm properties.*

5.2.2. Business and Commercial

Urban (Use code B1) - are properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area, and they are improved with buildings suitable for conducting a business and / or commercial enterprise, and used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity, inclusive of property on which the administration of the business of private or public entities takes place, such as retail shops, offices, workshops and garages. They are therefore categorised in terms of Section 8(2) (c) of the Municipal Property Rates Act 6 of 2004.

Rural (Use Code B2) - are properties located outside of a formal township/urban area (outside of the municipal urban town planning scheme) and are improved with buildings suitable for conducting a business and / or commercial enterprise (excluding agricultural and / or farming enterprises) such as retail shops and offices, restaurants, hotels, garages and hospitality and tourism related businesses including, but not limited to, Midlands Meander type businesses etc. These properties, due to their location, are generally not provided with municipal services/infrastructure.

The typical types of business properties would include the following, and differentiated between urban & rural location;

- Bank
- Bar/Lounge
- Car sales/Showroom
- Car wash
- Club (sports club)
- Commercial & Residential (mostly commercial)
- Convenience store
- Creche
- Funeral parlour/Undertaker
- Health club
- Medical centre (Office)
- Medical clinic
- Office
- Office-dwelling conversion
- Office and retail
- Petrol station/Convenience store
- Restaurant
- Retail-dwelling conversion
- Retail shop
- Shopping centre-neighbourhood
- Shopping centre- regional
- Supermarket
- ST Offices and/or Retail
- Exhibition / Conference Centre
- Private Hospital / Private Medical Clinic
- Golf Course / Sports / Country Club
- Stadium / Sports Facility

Urban and Rural Tourism & Hospitality – urban (Use Code B3) and rural (Use Code B4) -means lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, Inn, guesthouse, Bed & Breakfast, boarding house, holiday accommodation, unit, chalet, tent, caravan, camping site or similar establishment which is regularly or systematically supplied but excludes a dwelling supplied in terms of an agreement for letting and hiring thereof.

The following typical properties would be included;

- Hotels
- Lodges
- Guest Houses - means a commercial accommodation establishment with between 5 and 10 bedrooms available to guests
- Bed & Breakfast Establishments - have 4 or more guest bedrooms
- Backpackers Accommodation
- **Note:** In order for a property to qualify for the rebates under Urban & Rural Tourism & Hospitality, all such properties must be compliant in terms of local tourism (uMngeni

Tourism Association) & business registrations (uMngeni Municipality – Planning & Development Department).

5.2.3. Vacant Land

Comprising vacant sites that may be developed for **residential (Use Code V03), commercial & business (Use Code V05) or industrial (Use Code V06)** purposes, and includes bulk development sites on which substantial sectional title developments and townships are to be established. Included in this category are real rights with in sectional title development that have not been improved with buildings.

Residential Vacant Land – Rural (Use Code V04), are vacant properties located generally outside of, but may fall within a municipal town planning scheme, (e.g the village of Nottingham Road), vacant/unimproved and would include properties within approved rural residential development estates and which are administered by a recognised Homeowners Association. These properties, due to their location, are currently not provided with any/limited municipal services/infrastructure on the estate and or property and within the immediate surrounding precinct. Included in this category are real rights with in sectional title development that have not been improved with buildings.

Bulk Development Land (Urban – Use Code V01 / Rural – Use Code V02) is land that either has development rights for future development or which may be the remaining development opportunities of a development in the process of being constructed. Included in this category are real rights to extend a sectional title scheme in terms of Sectional Titles Act 1986. Categories and definitions noted above will be taken into consideration when determining which properties fall within this category (e.g. developments in rural areas of the municipality).

Vacant land will also be inclusive of the following;

- Roads
- Open Space
- Common Property

5.2.4. Industrial

Industrial properties – urban (Use Code C01) and rural (Use code C02) are properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area, and they are improved with buildings suitable for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw material or fabricated parts in respect of which capital and labour are involved, and includes, the production of raw products on the property and the storage and warehousing of products; and any office or other accommodation on the same property the use of which is incidental to such activity. Such properties are categorised in terms of Section 8(2) (b) of the Municipal Property Rates Act 6 of 2004.

Typical properties included under industrial property category, are as follows;

- Container storage
- Heavy industrial
- Light Industrial
- Storage
- Warehouse
- Workshop

- ST-Industrial

5.2.5. Mining and Quarries (Use Code M01)

A property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002) and include any quarry properties which are primarily used for the extraction of stone and or sand.

5.2.6. Agricultural (Use Code G01)

Agricultural properties are agricultural land properties located in a rural location outside of a formal township (and or outside of the municipal urban town planning scheme), zoned for agricultural use and or the bona fide dominant use is that of farming relative to the agricultural carrying capacity of the property. Properties where limited farming is taking place relative to the properties agricultural carrying capacity and where the property's dominant and most likely use is that of a residence, business, hospitality establishment or lifestyle property may not be included under this category. These properties, due to their location, are not provided with municipal services/infrastructure. It should further be noted that the Act stipulates that property's used for eco-tourism or for the trading in or hunting of game are not to be categorised as agriculture. They are therefore categorised in terms of Section 8(2) (d) (i) of the Municipal Property Rates Act 6 of 2004. Documentary proof of registration as a farming entity with SARS may be called for to qualify for inclusion in this category. Reference to agricultural land is made below.

“agricultural land” means any land which is or may be used for the production of biomass that provides food, fodder, fibre, fuel, timber and other biotic material for human use, either directly or through animal husbandry including aquaculture and inland and coastal fisheries or any other agricultural purpose, excluding land which the Minister, after consultation with other relevant Ministers and MEC's concerned, excludes by means of a notice in the Gazette.

Agricultural “smallholdings” are properties which fall outside of the municipalities urban SPLUMA, are five hectares or greater and have a secondary use of small scale bona fide agricultural activities. These properties, due to their location, are currently not provided with any municipal services/infrastructure. Should bona fide agricultural activity take place on a property smaller than five hectares, formal written application, on the prescribed form, and based on specified qualifying criteria, can be submitted to the Municipality, to have the property category changed to Agriculture.

5.2.7. Public Benefit Organisations (Use Code L01)

These properties are owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act. They may education and development, health care, welfare and humanitarian clinics. They are therefore categorised in terms of Section 8(2)(q) of the Municipal Property Rates Act 6 of 2004.

It is noted that this category includes all properties utilised for educational purposes which may include both, public and private schools, pre-schools and tertiary education facilities. This category is intended for educational facilities that are registered with SARS as Public Benefit Organisation (PBO) in terms of section 18A of the income tax act and the written proof of registration must be provided.

5.2.8. Protected Areas

Use Code H01 - These properties are within an area that is or has been listed in the register referred to in Section 10 of the Protected Areas Act (National Environmental Management: Protected Areas Act), such as nature reserves. They are therefore categorised in terms of Section 8(2) (p) of the Municipal Property Rates Act 6 of 2004.

Use Code H02 - National Heritage properties.

5.2.9. Place of Worship (Use Code F01)

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

5.2.10. Public Service Infrastructure (Use Code I01)

Public Service Infrastructure (PSI) means publicly controlled infrastructure such as roads, railway lines etc. PSI properties are divided into “Linear PSI” and “Individual PSI” properties.

Linear PSI properties include road, railway lines, power lines and pipelines. These are fictitious properties created along the length of the services, and with standard widths according to typical specifications for each type of service. Where they overlap a longitudinal PSI subdivision created for a linear servitude, they surface / override the longitudinal PSI servitude. Individual PSI properties comprise “regular” subdivisions for sub-stations, pump stations, utility buildings, etc. They are therefore categorised in terms of Section 8(2) (i) of the Municipal Property Rates Act 6 of 2004.

Properties falling within this category, typically include;

- National, provincial roads
- Water, sewer, dams, reservoirs, treatment plants
- Power stations, substations, power lines
- Gas / liquid fuel plants, refineries, pipelines
- Railway lines
- Communication towers, masts, exchanges, lines
- National / Provincial airports
- Ports infrastructure and navigational aids

5.2.11. Public Service Purposes (Use Code E01)

State owned properties categorised in terms of Section 8(2) (f) of the Municipal Property Rates Act 6 of 2004. are properties registered in the name of the state and are used for a variety of purposes, including but not limited to;

- Clinics, hospitals, health care, etc
- Schools, creches, universities, colleges, etc
- Public libraries, museums, courts, etc
- Police, correctional, etc

5.2.12. Municipal (Use Code E01)

Municipal owned properties are properties registered in the name of a local municipality and are used for a variety of purposes, including but not limited to;

- Police, fire ambulance, traffic, correctional, etc
- Public libraries, museums, courts, etc
- Residential
- Vacant land

Municipal properties shall include properties owned by municipal entities. They are therefore categorised in terms of Section 8(2) (h) of the Municipal Property Rates Act 6 of 2004.

5.2.13. Multiple Purpose (Use Codes – as identified per Category and Use Code above)

Multiple Purpose properties are properties that are used for more than one purpose. However, in determining whether a property forms part of this particular category, the municipality shall have regard to the dominant use to which the property is put.

All rates raised on the parent property must be paid in full before the rates clearance of the real rights is issued.

5.3. Note on Dominant use:

- 3.3.1. Dominant use is the most likely use of the property and for which the property can be utilised;
 - 3.3.1.1. for in terms of its current zoning and or any other permit, licence or development approval
 - 3.3.1.2. status that may be attached to the property, by the municipality or other relevant authority.

6. RELIEF MEASURES FOR RATEPAYERS

- 6.1. 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.
- 6.2. 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.
- 6.3. No municipality may grant relief in respect of the payment of rates to;
 - 6.3.1.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, 2004, or the owners of properties on an individual basis.
- 6.4. In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the dominant 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.
- 6.5. Relief measures by way of exemptions and rebates afforded to ratepayers are detailed, hereunder;

7. ANNUAL REVIEW OF RATES POLICY (SECTION 5 OF THE MPRA)

- 7.1. The Council must annually review, and – if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality’s annual budget when it is tabled in the Council in terms of the Municipal Finance Management Act, 56 of 2003.

8. EXEMPTIONS, REDUCTIONS AND REBATES

8.1. The municipality may;

- 8.1.1. 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
- 8.1.2. 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.

8.2. In terms of section 8 of the Municipal Property Rates Act, 2004 (as amended), exemptions, reductions or rebates are determined per Council resolution in respect of owners of properties of the following categories:

- 8.2.1. indigent owners;
- 8.2.2. owner's dependent on pensions or social grants for their livelihood;
- 8.2.3. owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;
- 8.2.4. owners of residential properties with a market value lower than an amount determined by the municipality; and
- 8.2.5. owners of agricultural properties who are bona fide farmers.

8.3. The Municipal Manager must annually table in the Council:

- 8.3.1. a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
- 8.3.2. 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.

5.3.3. 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.

9. AMOUNT DUE FOR RATES (SECTION 11 OF THE MPRA)

9.1 A rate levied by a municipality on property must be stated as an amount in the rand:

9.2 on the market value on the property;

9.3 in the case of public service infrastructure, on the market value of the public service infrastructure less
30% of that value;

9.4 in the case of property to which Section 17(1)(h) applies, i.e. on the first R15 000, per the Act and an additional R15 000-00, a further discretionary exemption offered by the uMngeni Municipality on the market value of property assigned to a category determined for:

- 9.4.1 residential purposes; or
- 9.4.2 Properties used for multiple purposes, provided one or more components of the property are used for residential purposes.

9.5 (It is noted that the market value of a property is determined as of 1 July 2022 (for the 1 July 2022 – 30 June 2027 valuation roll))

9.6 Council reserves the right to grant property owners a further exemption on the market value of their properties over and above the amount as stated as impermissible in section 17(1)(h) which will be determined annually during the budget process.

10 ADDITIONAL RELIEF MEASURES FOR RATEPAYERS (for Owners within Property Categories)

The municipality has considered the need and desire to grant relief to specific categories of owners of properties and owners of specific categories of properties with a view to providing appropriate measures to alleviate the rates burden on them.

The municipality will not grant relief to the owners of property on an ad hoc or individual basis. For the purposes of rates policy, the Municipality has determined the following categories of owners (of property) with criteria for relief measures;

- Retirement Estates
- Pensioners
- Indigents
- Families led by children

The Council grants, having given consideration to the National Framework, such relief, in recognition of the following factors:

- 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.
- The need to accommodate indigents and less affluent pensioners
- The services provided to the community by public service organizations.
- The value of agricultural activities to the local economy coupled with the limited municipal services and infrastructure extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.
- The need to preserve the cultural heritage of the local community
- The need to encourage the expansion of public service infrastructure.
- The Municipal Manager shall ensure that the revenues forgone in respect of the foregoing relief 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.

10.1. **Lump sum annual payment** of property rates - Ratepayers wishing to pay rates on an annual basis will be offered the following discounts, and on submission of the prescribed form;
Paid in full by no later than 31 August: 5% discount on the annual rates.

10.2. **Pensioners** within the following categories of owners of residential properties, within use code A01 and A02, shall additionally receive the following relief (on application), calculated as a percentage discount, on the rates due in respect of such properties after deducting the rebate applicable to residential properties.

10.2.1. Individual property owners who are 60 years of age and above, who are both the permanent occupants and sole owner/owners of the property concerned
Discount:10%

10.2.2. Individual property owners who are over 60 years of age, who are both the permanent occupants and sole owner/owners of the property concerned, and whose aggregate household income does not exceed R13000.00 per month (which should be proved to the satisfaction of the Chief Financial Officer)..
Discount:20%

10.2.3. Applications will be considered for implementation with effect from the next practical billing cycle following the date of application.

10.2.4. **Pensioners within registered Retirement Estates (Use Code A03)**- In terms of property use code A03, the following categories of owners of residential properties shall additionally receive the following relief, calculated as a percentage discount, on the rates due in respect of such properties after deducting the rebate applicable to residential properties,

10.2.4.1 Individual property owners [A03 properties] who are over 60 years of age, and are the permanent occupants of the property concerned, and whose aggregate household income does not exceed R13000.00 per month (which should be approved to the satisfaction of the Chief Financial Officer) Discount:20%

Pensioners as owners of Agricultural property (use code G01) and who qualify as a **pensioner** as above

Additional discount on rates payable: 2.5%

10.2.4.1. **Disabled** (means a person who qualifies to receive relief in terms of the Social Services Act, 1992 (Act No. 59 of 1992) Individual property owners who are both the permanent occupants and sole Owner/owners of the property concerned, and whose aggregate household income does not exceed R13000.00 per month (which should be proved to the satisfaction of the chief Financial Officer). Discount: 20%

Requirements – as per the council approved policy

Note: If a property owner receives a pensioner discount, inclusive of property owners within bona fide retirement villages, per above, the additional rebate for disablement will not apply.

10.3. When a property is occupied by **families led by children** (i.e a household recognized as such in terms of section 137 of the Children's Amendment Act, 41 of 2007) and the children are unable to afford payment of property rates, all such category of owners must be submitted in writing on the prescribed form, which shall be accompanied by a letter from SASSA, the death certificate of the property owner, a certified copy of the RSA ID of appointed beneficiary, and an affidavit confirming status of unemployment and all of such will be certified by the Chief Financial Officer, for submission and final approval by Council.

Additional Relief - Rates Exemption: 100%

10.4. **Indigents** – where a landowner aggregate household income does not exceed R5000-00 (five thousand rand) and where such landowner fulfils all criteria in terms of the Indigent Policy and is formally registered on the uMngeni Municipal Indigent Register.

Additional Relief - Rates Exemption: 100%

10.5. A landowner making application for additional relief in terms of clauses 9.2. to 9.5, will only qualify for one of the said discount categories.

If a residential property is not used exclusively for residential purposes although categorized as such i.e. Bed & Breakfast, such property is not entitled to any exemptions and/or rebates applicable to that category, however application can be made for special rebates in terms of the uMngeni Municipality Investment Attraction and Incentives Policy

11. PROMULGATION OF RESOLUTIONS LEVYING RATES

11.1 A rate is levied by a municipality by a resolution passed by the Council with a supporting vote of a majority of its members. The resolution levying the rates must be promulgated by publishing the resolution in the Provincial Gazette. Whenever a 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 if the municipality has an official website or a website is available to it, on that website as well; 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.

uMngeni Municipality: General Valuation Roll (GVR) Property Categories & Rate Randaage: 2022/23								Guidelines / Period of Implementation	
PROPERTY CATEGORIES	Rating Use Code	Exemption	Primary Rebate	Additional Discount	Net Rebate	Current Rate Randaage 2021/21 (Cents in R1-00)	Proposed Rate Randaage 2022/23 (Cents in R1-00)		
Category 1: Residential									
Rating Use Code									
Urban	A01	R 130 000,00	30%	3%	30%	0,0017	0,0128	Pensioner Discount applies on application for free standing properties and for ratepayers whom are pensioners - refer to additional rebates / discounts in policy	
Rural	A02	R 130 000,00	30%	20%	51%	0,0171	0,0128	Rural residential receive only 10% pensioner discount and applies on application	
Retirement Estates	A03	R 130 000,00	30%	20%	44%	0,0171	0,0128	Registered retirement estates, Pensioner discount automatically form part of billing invoice, and further discount on application	
Old Age Homes	A04	R 130 000,00	30%	20%	44%	0,0171	0,0128	Registered old age homes, Pensioner discount automatically form part of billing invoice, and further discount on application	
Communal Property	A05	R 130 000,00	50%	0%	50%	0,0171	0,0128	Refer to Rates Policy in terms of what is Communal Property	
Category 2: Business & Commercial									
Rating Use Code									
Urban	B1	R -	20%	0%	20%	0,0171	0,0128	Rebate applies for 2022/23 Financial year only - Covid Relief for 2022/23, relative to 2020/21 and 2021/22 financial years when no relief was granted, to be reviewed 2023/24.	
Rural	B2	R -	30%	0%	40%	0,0171	0,0128	Rebate applies for 2022/23 Financial year only - Covid Relief for 2022/23, relative to 2020/21 and 2021/22 financial years when no relief was granted, to be reviewed 2023/24.	
Urban Tourism & Hospitality - Hotels, Lodges, Guest Houses, B & B's	B4	R -	20%	0%	30%	0,0171	0,0128	Rebate applies for 2022/23 Financial year only - Covid Relief for 2022/23, relative to 2020/21 and 2021/22 financial years when no relief was granted, to be reviewed 2023/24.	
Rural Tourism & Hospitality - Hotels, Lodges, Guest Houses, B & B's	B5	R -	40%	0%	50%	0,0171	0,0128	Rebate applies for 2022/23 Financial year only - Covid Relief for 2022/23, relative to 2020/21 and 2021/22 financial years when no relief was granted, to be reviewed 2023/24.	
Category 3: Vacant Land									
Rating Use Code									
Bulk Development Land - Urban	V01	R -	25%	0%	25%	0,0171	0,0128		
Bulk Development Land - Rural	V02	R -	25%	0%	30%	0,0171	0,0128		
Vacant Land - Residential - Urban	V03	R -	0%	0%	0%	0,0171	0,0128		
Vacant Land - Residential - Rural	V04	R -	30%	0%	30%	0,0171	0,0128		
Vacant Land - Business	V05	R -	10%	0%	0%	0,0171	0,0128		
Vacant land - Industrial	V06	R -	10%	0%	0%	0,0171	0,0128		
Category 4: Industrial									
Rating Use Code									
Urban	C01		10%	0%	10%	0,0171	0,0128	Rebate applies for 2022/23 Financial year only - Covid Relief for 2022/23, relative to 2020/21 and 2021/22 financial years	
Rural	C02		10%	0%	25%	0,0171	0,0128	when no relief was granted, to be reviewed 2023/24.	
Category 5: Mining									
	M01		10%	0%	25%	0,0171	0,0128		
Category 6: Agriculture									
	G01		82,5%	0%	82,50%	0,0171	0,0128	Rebate determined by prescribed ratio	
Category 7: Public Benefit Organisations									
	L01		82,5%	0%	82,50%	0,0171	0,0128	Rebate determined by prescribed ratio	
Category 8: Protected Areas									
	H01		100%	0%	100%	0,0171	0,0128	All protected areas and or heritage properties must be proclaimed & registered by the relevant authorities	
Category 9: Places of Worship									
	F01		100%	0%	100%	0,0171	0,0128		
Category 10: Public Service Infrastructure (PSI)									
	I01		0%	0%	0%	0,0171	0,0128		
Category 11: Public Service Purpose Properties									
	E01		0%	0%	0%	0,0171	0,0128		
Category 12: Municipal Properties									
	K01		100%	0%	100%	0,0171	0,0128		
Category 13: Multi-Purpose - two or more land uses - refer categories									
						0,0171	0,0128	Properties may be rated per use code, and billed accordingly.	
IMPORTANT NOTE: IT IS IMPORTANT TO THE REFER TO THE UMNGENI MUNICIPALITY RATES POLICY WHICH LISTS TYPICAL TYPES OF PROPERTIES INCLUDED UNDER EACH OF THE ABOVE PROPERTY CATEGORY AND OR USE CODE.									

12. DEFERMENT OF RATES

12.1 The following special circumstances qualify persons to apply for deferment of the payment of rates in terms of section 26(3) of the Municipal Property Rates Act;

12.1.1 property owners who are over sixty (60) years of age; or

12.1.2 Property owners who are not over sixty (60) years of age, but have retired from employment by reason of illness or disability certified by a medical practitioner, and are in necessitous circumstances.

12.1.3 Such deferment may either be indefinitely, or for such period as the Municipality may decide.

12.1.4 Such deferment may be for the whole or any portion of such rates.

12.2 Interest

12.2.1 The accumulated amount of the deferred rates shall bear interest compounded monthly at a rate determined from time to time and the Chief Financial Officer may also approve the waiver of such interest, in part or in whole.

12.3 Liability

12.3.1 Refer to clause 5.1.4 above.

12.4 Termination

12.4.1 Any deferment granted shall terminate;

12.4.1.1 upon the death of the registered owner; provided that the Council may continue such deferment, in any case where it is established that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;

12.4.1.2 upon expropriation, sale or other disposal of the property;

12.4.1.3 upon the owner ceasing to reside permanently on the property;

12.4.1.4 if the owner fails by the final date for the payment thereof, to pay rates or any part thereof owing in respect of the property, after allowing for the amount of the deferment;

12.4.1.5 on expiry of the period of deferment

12.5 Application for deferment

12.5.1 Should an applicant wish to apply for a rebate/deferment of rates, he/she may apply before the 31st of July in any year.

13 INVESTMENT ATTRACTION AND INCENTIVES POLICY

Business, Commercial, Industrial and Agri-Business properties can also apply for special incentives in terms of uMngeni Municipality's Investment and Incentives Policy.

14 LAND TRANSFORMATION

Properties in respect of land which is applied to the implementation of the land reform programme and landowners which can demonstrate their agricultural empowerment partnerships, can apply for exemption from the payment of rates and Council will consider such partnership agreements and business plans lodged with the required application, on an individual basis.

15. FREQUENCY OF VALUATIONS

- 15.1. The municipality shall prepare a new general valuation roll every 5 (five) years and supplementary valuation rolls once a year in around June each year and general valuation roll review assessments are issued monthly.

16. LEGAL REQUIREMENTS

- 16.1. This policy is subject to the requirements of the Municipal Property Rates Act, 2004 (as amended) and the Municipal Systems Act, 2000, and other relevant legislation.

17. COMMUNITY PARTICIPATION

- 17.1 Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act, 2000; and comply with the following requirements, as set out below.
- 17.2 The Municipal Manager of the municipality must:
 - 17.2.1 conspicuously display the draft rates policy for a period of at least 30 (thirty) days at the municipality's head and satellite offices and libraries, and, if the municipality has an official website or a website available to it, on that website as well; and
 - 17.2.2 advertise in the media a notice stating that a draft rates policy has been prepared for submission to the Council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 (thirty) days.
- 17.3 The Council must take all comments and representations made to it into account when it considers the draft rates policy.

18. CONSTITUTIONALLY IMPERMISSIBLE RATES

- 18.1. 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.

19. OTHER IMPERMISSIBLE RATES

- 19.1 A municipality may not levy a rate on:

- 19.1.1 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, agricultural or residential purposes;
- 19.1.2 mineral rights;
- 19.1.3 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;
- 19.1.4 the first R15 000-00, plus R115 000-00 (total R130 000-00) 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;
- 19.1.5 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 workshop.

20. EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 13

- 20.1 A 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 exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the R130 000-00 capital exemption per clause 10.4, 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.

21 IMPERMISSIBLE DIFFERENTIATION

- 21.1 A municipality may not levy:
 - 21.1.1 different rates (rate randage) on residential properties (except where transitional arrangements apply or where some of the properties are newly ratable);
 - 21.1.2 a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
 - 21.1.3 rates which unreasonably discriminate between categories of non-residential properties; and
 - 21.1.4 additional rates, except as provided for in Section 18.

22 LIMITS ON ANNUAL INCREASES OF RATES RANDAGE (and collective rates income)

- 22.1 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.

23 COMPULSORY PHASING IN OF CERTAIN RATES

- 23.1 A rate levied on newly ratable property must be phased in over a period of three financial years. Similarly, a rate levied on property owned by a land reform

beneficiary must, after the exclusion period has lapsed, be phased in over a period of three financial years.

23.2 A rate levied on a newly ratable property owned and used by organisations conducting specified public benefit activities must be phased in over a period of four financial years.

23.3 The phasing in discount on a property must:

23.3.1 The prohibition on the levying of rates on public service infrastructure referred in section 17(1)(a) must be phased in over a period of five municipal financial years, with effect from the date of commencement of the Act.

23.3.2 The rates levied on property referred to 18.3.1 must

23.3.2.1 In the first year, be no more than 80 per cent of the rate for the rate for that year otherwise applicable to that property

23.3.2.2 In the second year, be no more than 60 per cent of the rate for that year otherwise applicable to that property

23.3.2.3 In the third year, be no more than 40 per cent of the rate for that year otherwise applicable to that property

23.3.2.4 In the fourth year, be no more than 20 per cent of the rate for that year otherwise applicable to that property; and

23.3.2.5 In the fifth year, be no more than 10 per cent of the rate for that year otherwise applicable to that property

24 PROPERTY RATES PAYABLE BY OWNERS

24.1 A rate levied by a municipality on property must be paid by the owner of the property. The onus for payment of rates, rests with the property owner, at all times.

24.2 Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

24.3 In the case of agricultural property owned by more than one owner in undivided shares, the municipality must 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.

25 PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

25.1.1 The rate levied by a municipality on a sectional title unit is payable by the owner of the unit.

25.2 The municipality may 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.

26 METHOD AND TIME OF PAYMENT

- 26.1 The uMngeni municipality will recover a rate on a monthly basis in twelve equal installments.
- 26.2 The Municipality shall recover rates on a monthly basis, together with any supplementary rates.
- 26.3 The Municipality may recover a rate annually, as agreed with the landowner.
- 26.4 Such annual amount to be paid by 31 August of each year.
- 26.5 The Municipality may recover a rate annually for National, Provincial Government and Ingonyama Trust owned property.
- 26.6 The payment of rates shall not be affected by reason of objections, an appeal or non-compliance with the rates policy.
- 26.7 The Municipality may publish a number of Supplementary Valuation Rolls during the year, in accordance with Section 78 of the MPRA. The rates, as adjusted by the Supplementary Valuation Roll, will be levied accordingly

27 ACCOUNTS TO BE FURNISHED

- 27.1 A municipality must furnish each person liable for the payment of a rate with a written account specifying;
 - 27.1.1. amount due for rates payable;
 - 27.1.2. the date on or before which the amount is payable;
 - 27.1.3. how the amount was calculated;
 - 27.1.4. the market value of the property;
 - 27.1.5. if the property is subject to any compulsory phasing-in discount in terms of Section 18 of this policy, the amount of the discount, and if the property is subject to any additional rate in terms of Section 35 of this policy, the amount due for additional rates.
- 27.2 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.

28. RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS in TERM OF SECTION 28 OF THE MPRA ACT

- 28.1 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 written notice on such tenant or occupier.

- 28.2 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.

29. RECOVERY OF RATES FROM AGENTS IN TERMS OF SECTION 29 OF THE MPRA

- 29.1 A 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 written notice on the agent in this regard.
- 29.2 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.

30. GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS IN TERMS OF SECTION 30 OF THE MPRA AND CHAPTER 4

- 30.1 A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.
- 30.2 All ratable properties in a municipal area must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of the MPRA. 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.
- 30.3 A 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 MPRA if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.
- 30.4 Properties which have not been valued, because of any of the foregoing considerations, must nevertheless be included in the valuation roll.

31. GENERAL BASIS OF VALUATION

- 31.1 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 buyer.
- 31.2 In determining the market value of a property, the following must be considered for purposes of valuing the property:
- 31.2.1. the value of any license, permission or other privilege granted in terms of legislation in relation to the property;
 - 31.2.2. 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
- 31.2.3. 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.
- 31.2.4. In determining the market value of a property, the following must be disregarded for the purposes of valuing the property;
- 31.2.4.1. 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
- 31.2.4.2. the value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding:
- 31.2.4.2.1. a lift
 - 31.2.4.2.2. an escalator
 - 31.2.4.2.3. an air conditioning plant
 - 31.2.4.2.4. fire extinguishers
 - 31.2.4.2.5. a water pump installation for a swimming pool or for irrigations on domestic purposes; and
 - 31.2.4.2.6. any other equipment or machinery that may be prescribed;
 - 31.2.4.2.7. any unregistered lease in respect of the property.

31.3 In determining the market value of a property used for agricultural purposes, the value of any annual of 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.

31.4 Where the available market related data is insufficient to determine the market value of public service infrastructure, such public service infrastructure may be valued in accordance with any other method of valuation as may be prescribed.

32. OBJECTIONS

- 32.1. Any person who objects to the valuation of a property which is found to be vexatious shall be liable for the cost of dealing with that objection by the municipal valuer.

33. DATE OF VALUATION

- 33.1. For the purposes of a general valuation a 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. The date of valuation in respect of uMngeni Municipality is 1 July 2022.
- 33.2. The general valuation and supplementary valuation entries must reflect the market values of properties in accordance with market conditions which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

34. VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES

- 34.1. 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.

35. RIGHT OF APPEAL

- 35.1. An appeal to an Appeal Board against a decision of the municipal value in terms of the Act, may be lodged in the prescribed manner and upon payment of the approved fee with the municipal manager.

36. UPDATING OF VALUATION ROLLS

- 36.1. The municipality must regularly, but at least once a year, update the valuation roll by causing a supplementary valuation roll to be prepared in terms of Section 78 of the Municipal Property Rates Act; or the valuation roll is to be amended in terms of Section 79 of the Municipal Property Rates Act.
- 36.2. Rates payable on the values included in a supplementary roll will be determined in accordance with Section 78 (4) of the MPRA.

37. REGISTER OF PROPERTIES

- 37.1. 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.
- 37.2. 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.
- 37.3. Part B of the register must specify which properties are subject to,
- 37.3.1. an exemption;
 - 37.3.2. a rebate on or reduction in the rate;
 - 37.3.3. a phasing-in of the rate;
 - 37.3.4. an exclusion referred to in section 17.

38 RATES CLEARANCE CERTIFICATES

- 38.1 The following policy shall apply to the issue of a municipal clearance certificate for the purpose of effecting transfer of a property to a new owner;
- 38.2 Assessments
- 38.3 Application shall be made in the prescribed format, providing the following information in respect of the property in question:
- 38.3.1 present owner of the property
 - 38.3.2 property description
 - 38.3.3 physical address
 - 38.3.4 rates account numbers
 - 38.3.5 electricity account numbers (or electricity meter numbers)
 - 38.3.6 water account numbers (or water meter numbers)

- 38.4 Preferably copies of all the accounts must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.
- 38.5 Every effort will be made to issue an assessment within five (5) days of receipt of application. Certain delays may be experienced in respect of:
- 38.5.1 new sub-divisions
pending building plans (this needs to be linked to a date, agricultural properties were not required to have building plans and submission of plans for such properties only became applicable as from DD/MM/YR – in addition, requirements for “as built plans” seem to change annually which adds to further delays in the issuing of rates clearance – this point also contravenes the MPRA in terms of the issuing of rates clearance certificates.
 - 38.5.2 special investigations
 - 38.5.3 Conveyances will be notified of possible delays.
- 38.6 The assessment shall include the following:
- 38.6.1 Rates for the balance of the year (30 June) still outstanding
 - 38.6.2 Where application is made after 31 March, the assessment shall include an estimate for the three months of the new financial year to 30 September.
- 38.7 Water and electricity
- 38.7.1 Actual balance outstanding at date of application together with an estimate for three months following.
- 38.8 Other
- 38.8.1 Actual balance outstanding at date of application.
- 38.9 Assessment fee – rates clearance application
- 38.9.1 Manual application: Tariff fee of R623.48 per certificate (excluding VAT).
 - 38.9.2 Electronic application: Tariff fee of R453.83 per certificate (excluding VAT)
- 38.10 Period of validity
- The assessment shall remain valid for a period of one (1) month. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.
- 38.11 The onus rests with the seller to ensure:
- 38.11.1 that all buildings on the property are in accordance with the building plans approved by the Council;

- 38.11.2 the premises in question are being utilized in accordance with its zoning and or per SPLUMA;
- 38.11.3 that all outstanding debts accruing to Council in respect of the property is fully paid.
- 38.11.4 Any discrepancies in respect of the above may result in delays in issuing of a clearance certificate, and in addition may result in levying of additional backdated rates and/or penalties.

38.12 Clearance certificates

- 38.12.1 Every effort will be made to issue a municipal clearance certificate within five (5) days of receiving payment.

38.13 Only in exceptional circumstances, which must be fully motivated, will an unconditional guarantee be accepted in lieu of a cash payment. The guarantee must be:

- 38.13.1 issued by a recognized bank
- 38.13.2 unconditional
- 38.13.3 for the full amount outstanding
- 38.13.4 for a specified period of time acceptable to Council.
- 38.13.5 An attorney trust cheque may also be accepted in lieu of cash payment.
- 38.13.6 There shall be no refunds on the cancellation of a sale.
- 38.13.7 Valuation Certificates
- 38.13.7.1 For the issuing of a valuation certificate a fee of R158.85, per certificate, excl. vat is payable by the applicant

38.14 Lodging of objections and appeals

- 38.14.1 For the lodging of objections, a fee of R386.48 per objection for Residential and non-residential properties, R772.98 per objection for Agricultural properties and refundable if objection is upheld, fees are vat exclusive.
- 38.14.2 Lodging of appeals R996.23 per appeal for all property valuation objections. Refundable if the appeal is upheld by the Valuation Appeals Board, fees are vat exclusive

39. EQUITABLE TREATMENT OF RATEPAYERS

- 39.1. The municipality is committed to treating all ratepayers on an equitable basis. The circumstances of each category of owner or category of property will be considered in a fair manner and within the limitations set out in the Act. The municipality must adopt measures to ensure equitable and fair treatment of ratepayers.
- 39.2. Any differentiation in the levying of rates must not constitute unfair discrimination

40. URBAN IMPROVEMENT PROJECTS (UIP) (referred to in section 22 of the MPRA, as a special rating area)

- 40.1. The uMngeni Municipality recognises urban improvement projects as a potential tool for assisting it to fulfill its constitutional and statutory obligations to allow property owners within a geographical area to improve and upgrade their area by means of a property rate in addition to the standard property rate.
- 40.2. The urban improvement project model is based on international best practice, and is aimed at preventing the degeneration of towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.
- 40.3. The purpose of an urban improvement project is to;
 - 40.3.1. enhance and supplement the municipal services provided
 - 40.3.2. facilitate investment in the urban improvement project;
 - 40.3.3. facilitate a co-operative approach between the Municipality and the private sector in the provision of municipal services;
 - 40.3.4. halt the degeneration and facilitate the upliftment of distressed business and mixed- use areas; and
 - 40.3.5. promote economic growth. local tourism and sustainable development and in this way assist the Council in the fulfilment of its objectives and developmental duties as set out in its Integrated Development Plan.
- 40.4. The uMngeni Municipality does not see its role as advocating or initiating the establishment of urban improvement projects, but rather facilitating the process with guidance and advice and assisting and helping to capacitate management bodies.
- 40.5. The municipality may by a resolution of its Council determine an area (node/category) within that municipality as an urban improvement project, levy an additional rate, per the urban improvement project policy, on property in that area for the purpose of raising funds for improving or upgrading specific to that area, and differentiate between categories of properties when levying such additional rate, for so long as such differentiation is not unreasonable.
- 40.6. The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality, and any determination of an urban improvement project must be consistent with the objectives of the municipality's Integrated Development Plan.
- 40.7. Applicability of the Rates Policy and other Policies;
 - 40.7.1. The Rates Policy of the uMngeni Municipality applies with the necessary changes to the UIP Policy, in particular, and without limiting the generality of the foregoing, the exemptions, rebates and reductions set out in the uMngeni Municipal Rates Policy in relation to the levying of an additional rate on the

market value of a property or an agreed set rate per property, for urban improvement project purposes.

40.7.2. Notwithstanding the provisions of sub-clause (a) above, when the 'Municipality grants

discretionary relief to a category of property owners as set out in the Rates Policy, property

owners contemplated in the UIP Policy will be granted such discretionary relief.

40.7.3. Other policies approved by the Council apply with the necessary changes to the collection of

additional rates in terms of the Policy, and section 22 of the Property Rates Act, including, but not limited to, the uMngeni Municipality Credit Control and Debt Collection Policy.

40.8. URBAN IMPROVEMENT PROJECT (UIP) POLICY

40.8.1. The UIP Policy, hereunder, refers to the establishment of an urban improvement project and must be read in conjunction with the Municipal Property Rates Act, and the uMngeni Municipality Rates Policy, provided that;

40.8.1.1. all words and phrases defined in the Property Rates Act and the UIP Policy, have the

same meaning; and

40.8.1.2. in the event of any conflict between the provisions of the UIP policy and the

provisions of the Rates Policy, the Rates Policy prevails.

40.8.2. The UIP Policy aims to;

40.8.2.1. set out Council's position on urban improvement projects and the factors that will influence Council's decision whether or not to determine a particular urban improvement project;

40.8.2.2. provide guidance to members of the local community and to decision makers within the uMngeni Municipality in relation to the establishment of urban improvement projects; and

40.8.2.3. strike an appropriate balance between facilitating self-funded community initiatives that aim to improve and upgrade neighbourhoods by making use of a nonprofit company structure as contemplated in the Companies Act, and ensure commitment to good, fair and transparent governance by the management body as defined in the By-law, by implementing a transparent process when appointing service providers to improve and upgrade the public areas in the urban improvement project and ensuring that these improved and upgraded services are not provided for private properties.

40.8.3. The UIP Policy does not apply to state and municipal-owned property.

40.8.4. The UIP Policy is set out hereunder and forms part of the Rates Policy.

uMngeni Municipality UIP Policy

This policy section o be read in conjunction with the Rates Policy (section 40) and the UIP Policy Guidelines, set out hereunder;

1. DEFINITIONS

In this UIP policy, words or expressions bear the meaning assigned to them, and unless the context indicates otherwise;

- “additional rate“ means an additional rate as contemplated in section 19(1)(c) and 22(1)(b) of the Municipal Property Rates Act and in section 12(2) of this policy;
- “applicant” means any owner who makes an application for the determination of a urban improvement project in accordance with the provisions of Chapter 1, or if a management body is established in terms of section 10 any reference to “the Applicant.” means the management body;
- “business plan" include a motivation report, implementation plan and term budget as contemplated in section 6 of the policy;
- "CFO" means the Chief Financial Officer of uMngeni Municipality, or his or her nominee;
- “Companies Act” means the Companies Act, 2008 (Act No. 71 of 2008);
- "Council" means Council of uMngeni Municipality;
- “implementation plan” means an implementation Plan as contemplated in section 22 of the Property Rates Act;
- “limited urban improvement project” means a limited urban improvement project approved by Council in terms of clause 9;
- “majority” means the majority of property owners as contemplated in section 22 of the Municipal Property Rates Act and as may be amplified in the Policy;
- ‘Management body“ means the management body of a urban improvement project to be established in accordance with the provisions of clause 11 of this policy;
- "Owner" has the meaning assigned to it in section 1 of the Municipal Property Rates Act;
- “Policy” means the Policy for the determination of urban improvement projects, or any other policy adopted by the Council in relation to urban improvement projects, as in force from time to time;
- “Property Rates Act" means the Local Government Municipal Property Rates Act;
- “rateable property“ has the meaning assigned to it in section 1 of the Municipal Property Rates Act; and
- “urban improvement project" (UIP) means a urban improvement project approved by the Council in accordance with the provisions of section 22 of the Municipal Property Rates Act and clause 8 of this UIP policy.

2. INTERPRETATION

In the event of any conflict with the Afrikaans and isiZulu texts the English version prevails.

3. DETERMINATION OF URBAN IMPROVEMENT PROJECTS

The uMngeni Municipality may by resolution of Council determine urban improvement projects in accordance with the provisions of section 22 of the Municipal Property Rates Act.

4. APPLICATION

- 4.1. Any owner located within the area of jurisdiction of uMngeni Municipality and who owns property within the proposed urban improvement project. may lodge an application to the Council for the determination of an urban improvement project.

4.2. All costs incurred by the applicant in respect of the establishment of an urban improvement project be for his or her own account. provided that after implementation of the implementation the management body may reimburse the applicant for some or all of those related costs.

4.3. Any application contemplated in clause 4.1 must;

4.3.1. be in writing and be in the term as the CFO may determine;

4.3.2. be submitted not more than nine months after the date on which the public meeting referred to in clause 5 is held. or ii a public meeting is held as provided for in clause 8.2, nine months after the date of the second public meeting;

4.3.3. be accompanied by;

4.3.3.1. the business plan;

4.3.3.2. the written consent of the majority of the members of the local community in the

proposed urban improvement project who will be liable for paying the additional rate; and

4.3.3.3. payment of such fee as the Council may determine.

5. PUBLIC MEETINGS

5.1. An application for the determination of an urban improvement project must be preceded by the holding of a public meeting.

5.2. The purpose of the public meeting is to enable the applicant to consult with the property owners who will be liable for paying the additional rate within the proposed urban improvement project with regard to the proposed boundaries of the area and the improvement or upgrading of the area.

5.3. Prior to the holding of the public meeting. the applicant must –

5.3.1. give notice in a manner approved by the CFO in terms of this By-law to all property owners

of rateable property, who will be liable for payment of the additional rate, of the applicants

intention to apply for the determination of an urban improvement project; and

5.3.2. in the notice referred to in clause 5.3.1, give notice of a public meeting, which notice

must;

5.3.2.1. state the purpose of such meeting; and

5.3.2.2. contain details of the place, date and time when such meeting is to be held.

5.4. The public meeting must be held not less than seven days and not more than 30 days after the date of the notice.

5.5. The public meeting must be held at such place, date and time as stated in the notice, provided that it must be held at a place which is within the boundaries of the proposed special area or a place within the immediate area that is easily accessible to the owners of the properties within the area.

5.6. The public meeting must be chaired by a suitable qualified and experienced person appointed by the CFO.

5.7. Interested persons, at the public meeting, must;

5.7.1. be furnished with all the relevant information relating to the proposed urban improvement project, including the information to be set out in the business plan, and

5.7.2. be given an opportunity to ask questions, express their views and make representations.

6. BUSINESS PLAN

6.1. Any application for the establishment of an urban improvement project must include a motivation report an implementation plan and a term budget covering the period commencing on 1 July of a year and ending on 30-June of the fifth year, or covering such lesser period as may be determined by the CFO.

6.2. If the motivation report of the implementation plan is materially amended, as determined by the CFO, after the public meeting referred to in clause 5 above, the applicant must call a second public meeting for the approval of the urban improvement project as amended.

6.3. The provision of clause 5, above, applies with the necessary changes to the second public meeting.

7. ADVERTISING OF APPLICATIONS AND OBJECTIONS

7.1. The applicant, within 14 days after the application is lodged in accordance with clause 4, or within such period which the CFO may approve, must;

7.1.1 cause a notice of the-application to be published in a manner approved by the CFO; and

7.1.2. either before or up to seven days after the date of publication of the notice referred to in clause 7.1 given notice of the application to all owners within the proposed urban improvement project, who will be liable for payment of the additional rate

such notice to be given by pre-paid registered post, hand delivery or in any other manner approved or in writing by the CFO.

- 7.2. Every notice contemplated in terms of clause 7.1 must state that written objections to the determination of an urban improvement project or the provision of the business plan may be lodged with the Council by the date specified in the notice, which may not be less than 30 days after the date of publication in terms of clause 7.1.1, and must state where the documentation specified in clause 5, will be available for inspection.
- 7.3. Any owner of rateable property who will be liable for paying the additional rate may submit written objections to the determination of the urban improvement project, which objections must be received by the Council not later than the date stipulated in the notice referred to in clause 7.1.
- 7.4. An application and any objector to the application who owns property within the proposed urban improvement project may make oral representation. which will be recorded in writing, for submission to Council.
- 7.5. The application, including the business plan and all objections must be available for inspection at the offices of uMngeni Municipality and at a venue determined by the CFO within the proposed urban improvement project for a period referred to in clause 7.2.

8. DECISION

- 8.1. Alter the provisions of clauses 4 to 7 have been complied with, the Council, at a meeting of the Council held 90 days after the last date for the submission of objections in accordance with clause 7.2, must consider the application, and must-
 - 8.1.1. determine an urban improvement project which must be implemented in accordance with the business plan, which includes the motivation report, implementation plan and term budget;
 - 8.1.2. determine an urban improvement project with such amendments or conditions as the Council considered to be in the public interest,
 - 8.1.3. determine an urban improvement project in respect of a limited area in terms of clause 9;
 - 8.1.4. refuse the application, in which event the Council must, within 30 days, furnish the applicant with written reasons for not approving the determination of an urban improvement project, or
 - 8.1.5. Refer the application to the applicant for amendments in such a manner as the Council may Direct.
- 8.2. If an application is refused by Council in accordance with the clause 8.1.4 or referred back to the applicant in accordance with the provisions of clause 8.1.5, the applicant may, within six months of the Council's decision re-apply to the Council for determination of the special rating area, provided that such re-application has been appropriately amended on light of the reasons for refusal or referral, as the case may be.

- 8.3. If the business plan is amended in any material respect at any time before the determination, the Council may require the application to be re-advertised in accordance with the provision of clause 7, with the necessary changes.

9. DETERMINATION OF A LIMITED URBAN IMPROVEMENT PROJECT

- 9.1. If an application in terms of clause 4, is not accompanied by the consent of the majority of the members of the local community in the proposed urban improvement project who will be liable for paying the additional rate in writing in the whole proposed urban improvement project as required by clause 4.3.3, but the applicant can demonstrate to the satisfaction of the Council, that
- 9.1.1. There are such confirmations from owners or rateable properties in a limited geographical area within the proposed urban improvement project that would meet the requirements of clause 4.3.3 if they were to be applied to that area, and
- 9.1.2. The level of services to be provided will not be reduced and the budget will be reduced accordingly as a result of the provision of those services in the limited area alone, as compared to the provision of those services in the whole of the urban improvement project, then the Council may, subject to other requirements of this policy, determine a limited urban improvement project.

URBAN IMPROVEMENT PROJECTS, STRUCTURES AND FINANCES

10. COMMENCEMENT OF THE BUSINESS PLAN

Once the Council has approved the establishment of the urban improvement project, the business plan may only be implemented after the management body has been established in accordance with clause 11.

ESTABLISHMENT, COMPOSITION. POWERS. AND DUTIES OF THE MANAGEMENT BODY

- 10.1. The applicant must cause the establishment of a management body for the purposes of implementing the provisions of the business plan.
- 10.2. The management body must be a non-profit company with members as prescribed in Schedule 1, section 4(2) of the Companies Act.
- 10.3. uMngeni Municipality shall monitor compliance by the management body With The applicable provisions of this policy. any guidelines or policies adopted by uMngeni Municipality and any agreements entered into with the management body and uMngeni Municipality.
- 10.4. The Council must nominate the relevant ward councillors. and one other person as an alternate representative, to attend and participate. but not vote. at the meetings of the management body.

- 10.5. Any Councillor appointed by the Executive Committee –
 - 10.5.1. does not have the powers and duties of directors of companies as set out in the Companies Act and the memorandum of incorporation of the management body;
 - 10.5.2. must be deemed to have vacated the position should she or he no longer serve as councillor, in which event she or he must be replaced; and
 - 10.5.3. may not chair the board of the management body or any committee or sub-committee of the board.
- 10.6. Employees of uMngeni Municipality may only serve as representatives of the Municipality on the management body if nominated to do so by the CFO in terms of clause 13.1.2 of this policy.
- 10.7. Within two months after the receipt of the first payment of the additional rate. the management body must begin carrying out the provisions of the implementation plan, as included in the business plan.
- 10.8. Within three months after its Annual General Meeting, the management body must provide the CFO with;
 - 10.8.1. its audited financial statements for the immediately preceding year, and
 - 10.8.2. an annual report on its progress in carrying out the provisions of the business plan in the preceding year to improve and upgrade the urban improvement project.
- 10.9. Within two months after the Annual General Meeting, the management body must provide the Finance Portfolio Committee with –
 - 10.9.1. its audited financial statements for the immediately preceding year, and
 - 10.9.2. an annual report on its progress in carrying out the provisions of the implementation plan in the preceding year to improve and upgrade the urban improvement project.

11. FINANCES

- 11.1. The financial year of the management body must coincide with the financial year of the Council.
- 11.2. Where an urban improvement project has been determined, the Council must levy in accordance with the provisions of the Property Rates Act. a property rate in addition to the rates that it already charged on the owners of rateable property in the urban improvement project for the purposes of realizing the business plan, provided that the Council may in terms of the Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004), Rates Policy, Customer Care, Credit Control and Debt Collection Policy, exempt or rebate the indigent," senior citizens, disabled persons or any other category or resident.
- 11.3. When determining the additional rate referred to in clause 12.2, the Council may give consideration to imposing differential additional rates on one or more of the categories set out in section 8 of the Property Rates Act.

- 11.4. The additional rate due in terms of this policy is a debt due to the Council and is payable and must be collected in the same manner as other property rates imposed by the Council.
- 11.5. The Council must, for purposes of carrying out the provisions of the business plan and subject to section 67 of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2000), make payment to the management body of an urban improvement project.
- 11.6. The payment contemplated in clause 12.5, is conditional upon the conclusion of a finance agreement to be entered into between Council and the relevant management body, and such agreement must regulate, among other things —
 - 11.6.1. the mechanisms and manner of payment; and
 - 11.6.2. terms of which payment to the relevant management body is to be made.

Subject to the provisions of its memorandum and articles of association and or founding documents, the management body is entitled to raise its own funds through commercial activities, donations and any other lawful means.

12. THE ROLE OF THE CFO

- 12.1. In addition to the other responsibilities and obligations of the CFO as set out elsewhere in this policy, the CFO must report quarterly to Council on the operations of the urban improvement project, and must-
 - 12.1.1. establish separate accounting and other record-keeping systems regarding the revenue generated by the additional rate and the improvement and upgrading of the urban improvement project; and
 - 12.1.2. monitor compliance with applicable legislation, this Policy, by
 - 12.1.2.1. receiving and considering the audited financial statements and reports regarding the carrying out of duties laid out in the business plan; and
 - 12.1.2.2. if she or he elects to do so, nominate representatives to attend and participate but not vote at meetings of the management body.

AMENDMENT TO THE BUSINESS PLAN AND EXTENSION OF THE URBAN IMPROVEMENT PROJECT TERM

13. AMENDMENT OF BUSINESS PLANS

- 13.1. A business plan, including the geographical boundaries of the urban improvement project, may be amended by Council on written application by the management body at any time after the formation of the urban improvement project.
- 13.2. The Council may approve an application for an amendment referred to in clause 14.1 where the Council considers it not likely to materially affect the rights or interest of any owner, provided that the Council may require the management body to cause a

notice of the application for such amendments to be published as approved by the CFO.

- 13.3. The Council may only approve an amendment in terms of clause 14.1, with the changes required by the context, in accordance with the provisions of Chapter 1, which the Council considers is likely to;
 - 13.3.1. Materially affect the rights or interests of any person
 - 13.3.2. Affect the approved budget for the urban improvement project, or
 - 13.3.3. Change the boundaries of the urban improvement project.

14. EXTENSION OF URBAN IMPROVEMENT PROJECT TERM

- 14.1. A management body must, if it elects to extend the term of the Urban improvement project for a further period, on or before 1 September in the year before in which the business plan is due to terminate, submit an application to uMngeni Municipality for approval of the extension of the term of the business plan, provided that;
 - 14.1.1. the extension of the Urban improvement project term plan may only be approved by the Council in accordance with the provisions of clauses 1 to 9. with the changes required by the context, and the Council may, for good reason, on written application by the management body, exempt the management body from complying, or condone non-compliance, with any such provision; and
 - 14.1.2. the provisions of clause 14 apply to any amendment of the business plan, which has been extended in terms of this clause.

DISSOLUTION OF AN URBAN IMPROVEMENT PROJECT

15. DISSOLUTION AND WINDING UP

- 15.1. The Council may dissolve an urban improvement project;
 - 15.1.1. upon written application signed by the majority of owners within the boundaries of the urban improvement project who are liable for paying the additional rate; and
 - 15.1.2. for any good cause, after prior consultation by the CFO with the management body or the community.
- 15.2. Upon dissolution of the urban improvement project by the Council, any director, including the directors or alternate directors appointed by the Executive Committee, may cause the management body to be wound up in terms of the Companies Act.
- 15.3. Upon the winding up of a management body, the entire net value of the management body, including its net assets remaining after the satisfaction of all its liabilities, must be disposed of in terms of the relevant provisions of the Companies Act and the memorandum of incorporation of the management body

MISCELLANEOUS PROVISIONS

16. SHORT TITLE AND COMMENCEMENT

- 16.1.1.1. This policy forms part of and is to be read in conjunction with the uMngeni Municipality Rates Policy

- 16.2. This policy, as part of the uMngeni Municipality Rates Policy is called the uMngeni Municipality: Urban improvement Projects Policy, 2022 and commences on 1 July 2022.

URBAN IMPROVEMENT PROJECT (UIP): POLICY GUIDELINES

The UIP Policy is to provide for the establishment of urban improvement projects; to provide for additional rates; and to provide for matters incidental thereto, inter-alia.

- the institutional arrangements for urban improvement projects;
- the establishment principles;
- the information to be included in the business plan that must be submitted to the uMngeni Municipality in order to motivate a request for determination of a UIP rating %;
- the annual requirements for urban improvement projects;
- the amendment and extension of terms for urban improvement projects;
- the dissolution requirements that must be followed; and
- the financial arrangements.

FACTORS TO BE CONSIDERED WHEN DETERMINING AN URBAN IMPROVEMENT PROJECT

The Council will consider determining an urban improvement project where the requirements of section 22 of the Municipal Property Rates Act are complied with, provided that;

- the purpose of the urban improvement project is to allow an additional rate to be levied on property in the defined area to raise funds for improving or upgrading the area;
- the urban improvement project will not be used to reinforce existing inequities in the development of the area of jurisdiction of the uMngeni Municipality;
- the determination of the urban improvement project is consistent with the IDP;
- a residential urban improvement project means an area in which more than 40% (forty percent) of the rates base value consists of Residential Property as defined in the Municipalities Rates Policy.
- any residential urban improvement project must comply fully with the provisions of the UIP Policy, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the urban improvement project who own not fewer than 55% (fifty five percent) in number of such properties, approve the formation of the urban improvement project;
- any non-residential urban improvement project must comply fully with the provisions of the UIP Policy, save that, with reference to the majority support, the applicant must provide written proof to the Council that owners of rateable property within the boundary of the urban improvement project who own not fewer than 55% (fifty five percent) in number of such properties, approve the formation of the urban improvement project;
- the procedural requirements of section 22 of the Municipal Property Rates Act as well as the UIP Policy, are complied with, including the community consultation requirement, as determined by the CFO;
- the proposed improvement or upgrade has been clearly and fully defined;
- the proposed improvement or upgrade can be clearly and logically linked to a geographical area, the boundaries of which can be clearly determined;
- there is evidence that it will be financially viable to use an urban improvement project to raise funds for the proposed improvement or upgrade; and

- the uMngeni Municipality is satisfied with the institutional arrangements proposed in respect of the urban improvement project.

INSTITUTIONAL ARRANGEMENTS

Section 22 of the Municipal Property Rates Act is not prescriptive as to the structural arrangements that need to be in place to administer a special rating area, (referred to as an urban improvement project by the uMngeni Municipality), provided that the uMngeni Municipality will support the structural arrangements, subject to the following provisions:

- the ratepayers within the urban improvement project must establish and participate in a steering committee to carry out planning, contracting, financial control and administrative functions within the urban improvement project, in order to manage and implement the services and upgrades;
- this structural arrangement does not entail ratepayers setting the additional rate, which under law can only be done by the Council;
- Councillors who are actively involved in pursuing and promoting the establishment of an urban improvement project must recuse themselves when Council considers the application for establishment of an urban improvement project;
- the functions of the structure include;
 - determining the funding required each year
 - appointing contractors to affect the improvements or upgrades; and
 - receiving the additional rate collected by the uMngeni Municipality and expending the funds in accordance with the approved business plan;
- before the uMngeni Municipality will consider allowing ratepayers in an urban improvement project to carry out administrative and other functions in relation to the area, the Steering Committee must establish a not-for-profit company (or NPC) in terms of the Companies Act for that purpose;
- the inaugural Memorandum of Incorporation of the NPC must be aligned with the prescribed format determined by the CFO; and any amendments thereto must be approved by the CFO;
- the NPC must be managed in terms of the Companies Act, and must comply with any other legislation as a result of the financial connection to Council;
- the NPC must have at least three directors, each with specific portfolios aligned with the business plan;
- the Council will appoint the appropriate number of ward councillors as directors to the board of the management body in accordance with clause 11.4 and 11.5 of the policy, provided that the directors appointed by the Council will not have the powers and duties of Directors as set out in the Companies Act and the Memorandum of Incorporation of the management body;

- the NPC must give a written notice to all the affected property owners within the urban improvement project of the intention to hold a member's meeting within six months of the establishment of the NPC and thereafter an Annual General Meeting on the date stated in the notice by advertising in one regional daily newspaper and must also give notice in a local community newspaper to accommodate other official languages where applicable; and
- the purpose of the meetings referred above, will be to, amongst other items on the agenda –
 - appoint directors, other than the directors appointed by the uMngeni Municipality;
 - amend the Memorandum of Incorporation of the NPC if required and with prior written consent of the CFO; and
 - approve the following year's budget and implementation plan.

ESTABLISHMENT PRINCIPLES OF AN URBAN IMPROVEMENT PROJECT

The following steps must be followed in establishing an urban improvement project:

- **during the initiation phase**
 - ❑ the applicant must form a steering committee that is representative of property owners within the proposed urban improvement project;
 - ❑ the Steering Committee must keep a comprehensive portfolio of evidence of the establishment process;
 - ❑ the Steering Committee must communicate with the CFO before commencing with the establishment process to ensure that the urban improvement project is the appropriate vehicle;
 - ❑ all documents relating to the establishment process must be approved by the CFO before circulating them to the public;
 - ❑ after the Steering Committee confirms in writing that it will engage in the pursuit of establishing an urban improvement project it must supply the uMngeni Municipality with a map depicting the boundaries of the urban improvement project;
 - ❑ the uMngeni Municipality must extract a property database, which the Steering Committee, with the assistance of the Municipality, must verify as correct; provided that any anomalies must be reported to the Municipality for remedial action;
 - ❑ all properties except municipal properties predominantly used for municipal purposes or properties exempted from paying property rates will form part of the property database of the proposed urban improvement project;
 - ❑ after the uMngeni Municipality has prepared a total arrears profile of the area and is satisfied with the outcome thereof, the Steering Committee may proceed with the establishment process;
 - ❑ the Steering Committee must conduct an urban management survey (only one survey per property owner) of not less than 20% of properties in the database (proportional split in terms of the usage code is required), in addition to a random sample of people within the area, which is equal in number to not less than 5% of the properties in the database, provided that where a reduction in the number of survey forms is required it may be motivated for consideration by the CFO;
 - ❑ the Steering Committee must consult with the respective uMngeni Municipality Directorates regarding the current services provided and the levels thereof as well as the UIP anticipated services and levels thereof, and

- the Steering Committee must compile a business plan in accordance with the provisions of clause 11 of the Policy;
- upon completion of the first phase, a public meeting must be convened and conducted in accordance with clause 5 of the policy;
- the Applicant must obtain support for the urban improvement project, provided that –
 - support may only be obtained after the public meeting and on the consent form provided by the uMngeni Municipality;
 - all support forms must be filed and cross-referenced to the property database making up the UIP area of operation, in order to verify the accuracy thereof.
- any property owner that wants to object to the establishment of an urban improvement project or to the provisions of the business plan can do so by indicating it on the consent form, and the objector will be required to submit an objection letter once an application for the establishment of an urban improvement project is submitted to Council;
- the application for the establishment of the urban improvement project must be submitted in terms of clause 11 of the UIP Policy, to the uMngeni Municipality, whereafter the application must be advertised in terms of clause 9.1 of the UIP Policy and also set a date for a second public meeting to occur not more than twenty days or less than seven days before the objection period closes, provided that the steering committee, prior to submitting the application, must establish a website that displays the following information:
 - the application letter;
 - the business plan;
 - the urban management perception report;
 - public meeting presentations and minutes;
 - the UIP Policy;
 - UIP frequently asked questions;
 - all notices; and
 - blank consent and objection forms;
- **the urban improvement project application must be submitted by 30 September of the financial year preceding the establishment of the urban improvement project**, provided that the CFO may extend this date if its property motivated request is received, depending on the ability of Council to accommodate the late application within the budget process;
- **consents and objections will be considered only if they are submitted to Council by the last day specified in the application notice**, provided that;
 - property owners objecting to the establishment of an urban improvement project must do so in writing and include a motivation for their objection;
 - the steering committee must engage with all the objectors and provide them and Council with minutes of these meetings. whereafter objector will be allowed to respond to the minutes; and
 - any property owner who wants to make oral representations for submission to Council in terms of the clause in the policy will be assisted by an official to document this for inclusion in the report to be considered by Council; and

- **during the inaugural phase**
 - the process and appointment of all service providers must be communicated to the property owners on the NPC’s website and in newsletters; and-
 - the application form to become a member of the NPC must be available on the website;

BUSINESS PLAN

- the business plan must comprise of the following:
 - a motivation report that contains at least the following:
 - an introduction consisting of —
 - an executive summary of the improvement or upgrade proposed for the urban improvement project as set out in the business plan;
 - an explanation of how the proposed improvement or upgrade is linked to the geographical area of the proposed urban improvement project:
 - an explanation of why the proposed urban improvement project will reinforce existing inequities in the development of the uMngeni Municipality;
 - an explanation of how the urban improvement project, if determined, will be consistent with the IDP of the uMngeni Municipality; and
 - an explanation of the institutional arrangements proposed in relation to the urban improvement project;
 - a Vision;
 - a Mission;
 - the Goals;
 - a diagram clearly indicating the boundaries of the proposed urban improvement project;
 - the proposed management structure, indicating the proposed composition of the urban improvement project board including the allocation of portfolios and operational arrangements;
 - the services contemplated in the urban improvement project and the service providers to be appointed as contemplated in the UIP Policy;
 - the financial impact, providing details regarding the calculation of the additional rate, and details of criteria to qualify for exemption from paying the additional rate (noting municipal properties or properties exempt from paying rates will not form part of the property database in terms of the UIP area);
 - a list of all rateable properties within the proposed urban improvement project, contact details of all property owners and the value of each property as set out in the Council's general valuation roll, provided that differentiation between categories of properties, as provided for in section 8 of the Municipal Property Rates Act, must be considered;
 - proof of the consent of the majority of the members of the local community in the proposed urban improvement project who will be liable for paying the additional rate;
 - proof of the notice of the public meeting or meetings contemplated in the policy;
 - minutes of the public meeting or meetings; and

- the compilation dates.
- an implementation Plan that contains —
 - a schedule of goals to implement improvements or upgrades as per the motivation report;
 - milestones;
 - tasks per milestone;
 - start and finish dates per task;
 - assignment of responsibility per goal, milestone and task; and
 - performance indicators per milestone; and
 - a term budget for the proposed improvements or upgrades that addresses the following;
 - an annual budget per line item commencing on 1 July of the first year and ending on 30 June of the last year of the term; and
 - a budget split for the provision of improvements or upgrades between the different categories of properties.

ANNUAL REQUIREMENTS

The NPC must;

- confirm the property database, which the Steering Committee must verify as correct or report anomalies to the uMngeni Municipality for remedial action;
- hold its Annual General Meeting before 31 December as per the requirements of its Memorandum of incorporation;
- within two months of the end of each financial year, provide the CFO with its Audited Financial Statements for the immediately preceding year;
- within three months after the Annual General Meeting, provide Council with its audited Financial Statements for the immediately preceding year and an Annual Report on its progress in carrying out the provisions of the Business Plan in the preceding year to improve and upgrade the Urban improvement project;
- submit an annual budget and implementation plan for comment by the CFO before approval at the Annual General Meeting, and ensure that —
 - the quantum of financial reserves is not less than two months of revenue received from the uMngeni Municipality in terms of the approved budget, unless such funds have been duly allocated to a project; and
- the implementation plan is aligned with the proposed budget, provided that the annual budget and implementation plan will be subject to approval by Council during the annual budget process of the uMngeni Municipality;
- by no later than 31 January of each year provide the CFO with a mid-year performance scorecard based on the activities set out in the implementation plan; and

- within one month after the Annual General Meeting provide the CFO with draft minutes of the Annual General Meeting to ensure compliance with the legal requirements.

AMENDMENT TO BOUNDARIES OR BUSINESS PLAN

- In the event that an NPC seeks to amend the boundaries of the urban improvement project or the business plan, the procedures contemplated in clause 14 of the policy must be followed and submitted by no later than 30 September of any specific year.
- The following factors must be addressed in any motivation to amend the boundaries of an urban improvement project or a business plan:
 - an explanation of impact on costs, budget and implementation plan expectations;
 - cross subsidisation by existing members;
 - fairness and equity;
 - affordability and sustainability of the existing urban improvement project;
 - the intention of the legislation prescribing that all property owners must be allowed to participate in the formation of an urban improvement project;
 - priorities of the new area that may differ from the priorities of the existing urban improvement project; and
 - an arrears profile.
- The boundary changes may not affect the vested rights of existing property owners as per the Business Plan, and are subject to the following criteria:
 - obtaining by special resolution the support from existing NPC members at a member's meeting before the expansion is pursued;
 - determining the profile of the new total urban improvement project as it could change from non-residential to residential and vice versa;
 - obtaining the required majority support from the property owners in the new area only;
 - any geographical boundary changes must be contiguous with the geographical area of the existing urban improvement project; and
 - property owners in the new area must follow the establishment process as per the policy.

EXTENSION OF THE UIP TERM

- In the event that an NPC seeks to extend the term of the urban improvement project for a further period then the procedures contemplated clause 15 of the UIP Policy must be followed.

DISSOLUTION

- The urban improvement project may be dissolved by resolution of the Council in terms of clause 16 of the UIP Policy, whereafter the management body may be wound up in terms of the provisions of clause 16 of the UIP Policy and the Memorandum of Incorporation of the NPC.

FINANCIAL CONTROL

- The amount of any additional rate levied in an urban improvement project is determined by Council, and the additional rate imposed by the Council is a debt owing to the uMngeni Municipality and is payable and collected in the same manner as other property rates imposed by the Council.
- The NPC must submit an annual budget, as approved at an Annual or Special General Meeting, to the uMngeni Municipality by 1 March of each year, with appropriate motivation including an implementation plan for the next financial year, and the Council will consider the recommendation during its budget process.
- Before the uMngeni Municipality will transfer any additional rate collected to the NFC, the NPC and the uMngeni Municipality must conclude a written finance agreement regulating, at least the following:
 - the mechanisms and manner of payment;
 - how the additional rate is to be held by the NPC;
 - any parameters relating to expenditure; and
 - any obligations on the NPC to take out and maintain appropriate insurance.
- The CFO may request a forensic audit into the financial affairs of the NPC, and may convene a special board meeting, in the event that she or he deems it necessary.

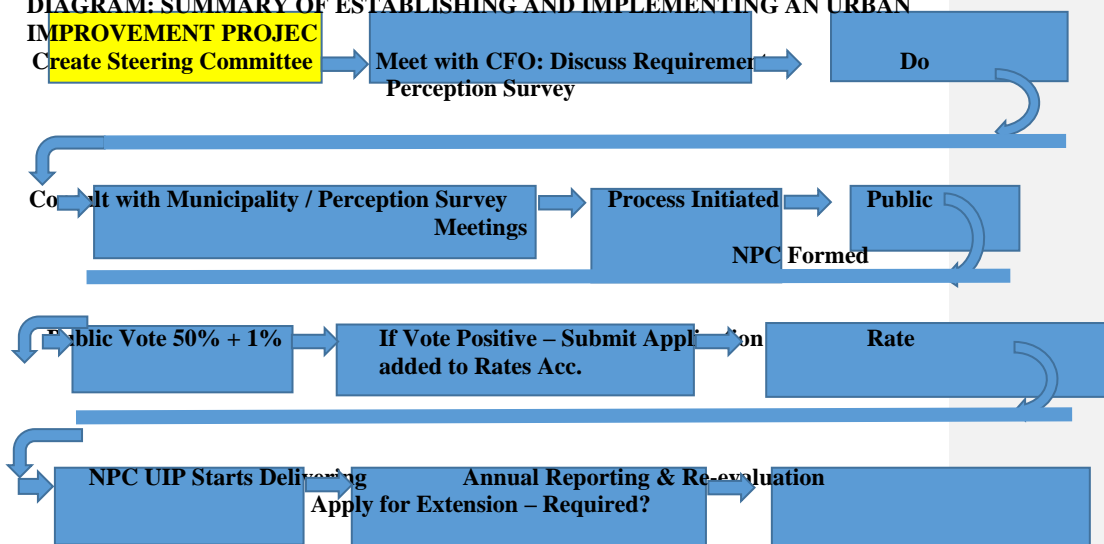
COSTS

- Unless otherwise agreed by the Municipal Manager or his or her nominees, the uMngeni Municipality will not be liable for any costs incurred by ratepayer within the relevant proposed urban improvement project in respect of the implementation of the steps set out in the UIP Policy.

COMMENCEMENT & REVIEW

- The Urban Improvement Project Policy of the uMngeni Municipality commences on 1 July 2022 and the policy and its implementation must be reviewed annually.

DIAGRAM: SUMMARY OF ESTABLISHING AND IMPLEMENTING AN URBAN IMPROVEMENT PROJECT



uMNGENI MUNICIPALITY



REVENUE ENHANCEMENT STRATEGY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INTRODUCTION:

Section 64 of the Municipal Finance Management Act prescribes the management of Revenue.

The collection of the consumer charges is of vital importance in determining the going-concern status of the municipality. For the municipality to ensure sustainability of service delivery and infrastructure development, it needs a healthy cash-flow.

It is key that the municipality must have a credible, fair and transparent mechanism in its endeavors to increase/improve revenue collection from debtors.

2. STRATEGIES FOR REVENUE ENHANCEMENT AND COLLECTION

2.1 Updating the indigent register

As a priority, the indigent registration process must be re-opened with the clear framework and evaluation criteria, as per the approved indigent policy, to ensure that only qualifying debtors are subsidized. This process must be properly communicated and administratively, the municipality must be able to handle and process the new applications effectively and efficiently. It is also imperative that all applications will only be valid for the current financial year and those consumers renew their registration on an annual basis.

The indigent registration process and its verification will be championed by the Finance Department.

When updating the indigent register, the Finance Portfolio Head, Ward Councilors and the community at large will be expected to participate.

Ways to be executed:

- Once a year the finance department will be required to go out to complete the indigent application form.
- All application forms received must be verified by the finance department, and it must have the following information: identity documents and proof of income (social grants to be included) for all the household members.
- Indigent forms must be in both official languages, IsiZulu and English.
- Although at the beginning of each financial year, a new indigent register must be uploaded onto the system and the old version removed, applications may be submitted during the year.

2.2 IDENTIFICATION OF INACTIVE ACCOUNTS:

Inactive accounts must be identified, and chances of recovery be assessed.

Ways to be Executed:

- The Corporate services Department will submit all lease agreements to the Billing Section on a quarterly basis, whether new or expired.
- Finance department is to update the tenants list with the lease agreement attached to it on a quarterly basis.
- The Municipality must work in conjunction with SAMRAS to identify incorrect account numbers.

2.3 CLEARANCE CERTIFICATE

A procedure manual for the issuing of the rates clearance certificates must be documented and implemented. This will ensure that all possible debt is identified before the rates clearance is issued. Revenue is lost when rates clearance certificate is issued before a reconciliation between the current debt and the debt handed over to the attorneys and debt collectors.

This function will be the responsibility of the rates section in the Finance Department.

2.4 WRITING OFF OF BAD DEBTS

Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered. It is proposed that a committee be established comprising of management, ward and portfolio councilors and the debt collection supervisor. Time value of money is very important because the older (90 days plus) the debt becomes, the more difficult and costly it becomes to collect. Irrecoverable debt must be well defined to ensure that recommendations for write off are consistent, accurate, properly motivated and authorized.

Ways to be executed:

- An indigent register must be compiled
- Attorneys are to report on all debts which have not been recovered or irrecoverable

2.5 INTERNAL CONTROLS

Collections are about strategy and negotiation.

Ways to be executed

- Settlement arrangements must not exceed six months, for outstanding debts of up to R120 000.00 (one hundred and twenty thousand rand).
- Settlement arrangements of debts in excess of R120 000.00 must be negotiated by management.
- All settlement arrangements are in addition to the payment of the current charges.
- For every settlement arrangement made, a consent to judgement must be

signed by the debtor and a *domicilium executandi* included to allow for ease of service of legal process should the debtor default.

- Interest and penalties may be waived, if the customer agrees to settle the amount in full, in one instalment.
- A correct bank account must be given to customer and quote the correct reference
- Customer rates account number must be used as a reference.

2.6 MANAGEMENT OF CUSTOMER DATA BASE

- Updating consumer information e.g., telephone numbers, ID numbers, etc.
- Profiling/ Classification of Debtors;
- Identifying prescribed debts and irrecoverable debts for write off,
- Identifying material debt for immediate collection;
- Revisit consumer application forms to ascertain additional information.
- The correctness of the interface between the valuation roll and the billing system is essential for the management of the data base.

2.7 TRAINING AND MENTORING OF STAFF / INTERNAL CALL CENTRE

Setting up and Training on Systematic Debt Collection and Credit Control Procedures, Processes, Legislation, Customer Care and Guidelines in line with approved policies. Training and capacity building is an area that has been neglected and has accounted for low morale.

Ways to be executed

- Staff must be trained through a registered service provider
- Policies and Act which are in place must be made available to the credit control

2.8 HANDED OVER DEBT TO ATTORNEYS

The panel of attorneys need to thoroughly collect all monies owed to the municipality by rate payers, if necessary they must enforce payments by summons, warranty of execution etc. The credit control unit must check and verify all debts handed over to attorneys whether are correct and legitimate.

Ways to be executed

- Credit control must check all debtor before they hand them over to attorneys for collection
- A deeds search must be used as a source of verifying the owner before handing over
- Property Value, Tariffs, Category must be thoroughly checked
- A query from the debt collectors should be attended by the relevant incumbent to increase collection.

3. EXPENDITURE MANAGEMENT:

As important as Revenue Management, is Expenditure Management which is also prescribed per Section 65 of the Municipal Finance Management Act.

In respect of Cash Outflow (Expenditure side) the following is also critical because how you spend is just as important as collecting revenue.

Responsible spending is important and the following, inter alia, are some of the questions to be considered:

- Is the expense budgeted?
- Does the expense provide value for money?
- Is the expense necessary?
- Is the expense to the benefit of the wider community?
- Would the expense, if not incurred create a health hazard or threaten lives?
- Is the expense a statutory requirement?
- Is it a funded mandate?
- Is there a contractual commitment?
- Is the expense income-generating?
- Is the expense the best option?

The following areas must be well managed and in certain areas, improved:

- Ensure accurate payments, e.g. no overpayments, deduction of discounts.
- Reconciling of Creditors' Accounts.
- Avoid payments before due date.
- Ensure value-for-money in spending.
- Strict Budgetary Control / Fiscal Discipline.
- Better returns on Investments without compromising safety of investments.
- More competitive prices / bidding.
- Supply Chain Management Policy adherence.

5. OTHER INITIATIVES:

- Letters of appreciation for good payers and possible incentives.
- Economic/Skills Profiling of Indigent Debtors to offer work to redeem debts instead of future write off.
- Interest Write-off Incentive for non-indigent debtors (excluding Government, councilors and Staff)
- Mayors' letter to consumers / rate payers informing them about Income and Expenditure of Municipalities and their responsibility to pay. Motivating consumers to pay and thanking those who are paying promptly.
- Newsletters will also be initiated in order to communicate with our clients and thereby improving the image of the municipality. Projects and other achievements will also be communicated to the public. Businesses could advertise in the newsletter to cover (at least partly) our newsletter and account rendering costs.
- Investigation/Audit of all Assessment Rates Accounts based on Land Value only

as some property owners are not being charged for improvements. Valuator to expedite process.

- VAT and Creditor's Audit to recover unclaimed / underclaimed VAT and overpaid Creditors.

6. COMMUNICATION STRATEGY

The success of the revenue enhancement programme is based on three pillars, namely political and administrative buy-in, accurate data and effective communication. The development of a communication strategy is to ensure that roles, responsibilities and tasks are properly coordinated and managed. The communication strategy is focused on the revenue enhancement programme and the services that flow from it. The strategy must be incorporated into the municipalities existing communication programme with its stakeholders. This strategy does not replace existing communication methods and practices, but rather complements it.

6.1 The communication strategy will involve the number of stakeholder for information sharing.

The main stakeholders of the municipality have been classified into five main groups, namely residential consumers, management, council, government departments and the business community.

The various stakeholders have different information needs. The challenge in addressing their needs is to ensure that the right information is available at the right time for each stakeholder.

The objective of information sharing is also to gain specific action or decisions from each stakeholder. When information is given to management it is mainly two reasons; to inform and to obtain decisions. The same principle applies to most of the other stakeholders except for residents and for businesses. In this instance we want to communicate plans, programmes, decision of council and matters that can or will affect them. The approach here is to select the right platform, media and intervals.

The communication channels to be used will therefore differ between the stakeholders.

Communication channels will range from public meetings, ward committee meetings, management and council meetings, newsletters, flyers, articles in the local newspapers, publications in journals, national magazines, radio talk shows and even television coverage can be done. Strategies will also be employed to create an interest in the articles to be submitted.

6.2 Key stakeholders and the ways of communication

(a) Consumers

Information collection and dissemination

- Information on the revenue enhancement programme
- Informing them about the credit control, debt collection and indigent support programmes
- Information regarding the importance of paying services

- Information regarding actions to be instituted against non-payment and defaulting clients
- Information of consumer complaints and feedback from public on how to improve services and client relation

Communication Channels

Local media, where on a fortnightly basis an article is published in the local newspapers.

- Newsletters and flyers are circulated before collection drives start to encourage consumers to come in and make arrangements / pay their accounts.
- Monthly a notice can be printed on the municipal account with different messages.
- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.

Programme

- Articles must be drafted for publication in the above mentioned newspapers.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and municipal management should be present at these meetings.
- Flyers to be issued with the monthly accounts–flyers to inform consumers to come to municipality if they don't receive accounts, incorrect accounts and to make arrangements to pay account.

(b) Management

Information collection and dissemination

- Information on the revenue enhancement programme.
- Information about other programmes and support mechanisms. This will assist with
Coordination and integration of initiatives.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.
- Information for management decisions to fast track the implementation and to unblock bottle necks

Communication Channels

- Project Steering Committee that meet/ sits monthly.
- Management Meetings on a monthly basis.
- Attendance of ward committee meetings, local businesses, meetings with government departments, other stakeholders where issues affecting the

- revenue enhancement programme is discussed
- Radio interviews

Programme

- Project Steering Committee meetings should be held every second week, dates to be determined.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and Municipal Management should be present at these meetings.
- Radio Interview accompanied by Senior Politicians.

uMNGENI MUNICIPALITY

TARIFF POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INDEX

1. DEFINITIONS
2. INTRODUCTION
3. PRINCIPLES
4. CALCULATION OF TARIFFS FOR MAJOR SERVICES
5. ELECTRICITY
6. REFUSE REMOVAL
7. OTHER TARIFFS, LEVIES & CHARGES

uMNGENI LOCAL MUNICIPALITY

TARIFFS POLICY

Date Approved:	29 MARCH 2023
Date Implemented:	1 JULY 2023

1. DEFINITIONS

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

2. INTRODUCTION

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the 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.

The Tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.

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.

3. PRINCIPLES

Service tariffs imposed by the local municipality 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 indigency relief measures approved by the municipality from time to time).

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

Tariffs for the two major services rendered by the municipality, namely:

- Electricity
- Refuse removal

shall as far as possible recover the expenses associated with the rendering of each service concerned. 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 particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services ensure self-sustainability.

The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area.

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.

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

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

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

In the case of the directly measurable service, namely electricity, the consumption of such service shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy monthly availability charges for the service

concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the municipality shall take due cognizance of the high capital cost of establishing and expanding such service, and of the resultant high fixed costs, as opposed to variable costs of operating the service. The municipality therefore undertakes to plan the management and expansion of the service carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

4. CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

- Cost of bulk purchases in the case of electricity.
- Distribution costs, including distribution losses in the case of electricity.
- Depreciation and finance charges.
- 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 including, in the case of the electricity service, the cost of providing street lighting in the municipal area (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 municipality shall provide the first 100kWh (one hundred) of electricity per month free of charge to consumers who are on a 20amp pre-paid meter.

5. ELECTRICITY

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year. All accounts rendered from 1 July each year shall be calculated on the applicable tariff as at 1 July irrespective of the meter reading date.

Categories of consumption and charges shall be as follows:-

- With the single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- The tariff for domestic consumption of electricity shall not exceed 100% per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh.
- All pre-paid consumers of the municipality who are registered as indigents with the municipality and are on a prepaid meter shall receive free the first 50kWh (one hundred) of electricity consumed per month.
- Domestic consumers will be limited to a 60 amp MCB to qualify for the reduced basic charge. If a higher MCB is requested these consumers will be charged the same basic charge as commercial and industrial consumers.
- All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
- All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charged at cost.

6. REFUSE REMOVAL

All residential properties with a maximum valuation of R 120 000 will receive free refuse removal services whilst all other residential properties will be charged a basic fee to be reviewed annually during the budget process.

All other properties will be charged a monthly fee determined annually during the budget process.

The monthly refuse removal charge will be charged against the owner's account. All future applications must be from the owner.

7. OTHER TARIFFS, LEVIES AND CHARGES

All other tariffs shall be standardized within the municipal region.

All other tariffs shall be approved by the council in each annual budget, and may, when deemed appropriate by the council, be subsidized by property rates and general revenues *inter alia*, 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.

All other tariffs over which the municipality has full control 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.

Other tariffs shall include inter-alia the following:-

- ❖ Cemetery fees
- ❖ Housing rentals
- ❖ Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- ❖ Rentals for the use of municipal premises
- ❖ Rentals for the use of municipal sports grounds
- ❖ Rentals for the lease of municipal property
- ❖ Building plan fees
- ❖ Advertising sign fees
- ❖ Plastic bag sales
- ❖ Refuse bin sales
- ❖ Cleaning of stands
- ❖ Photostat copies and faxes
- ❖ Clearance certificates
- ❖ Electricity: disconnection and reconnection fees
- ❖ Electricity: new connection fees
- ❖ Penalty and other charges in terms of the Credit Control and Debt Collection Policy
- ❖ Supply of information
- ❖ Garden refuse removal
- ❖ Licence fees (drivers, learner licence and roadworthy).
- ❖ Valuation certificates
- ❖ Pound fees
- ❖ Taxi Rank and Rank Permit
- ❖ Or any other tariff charges as detailed on Tariff register



UMNGENI LOCAL MUNICIPALITY

ASSET MANAGEMENT POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

TABLE OF CONTENTS:

SECTION	PAGE
1. INTRODUCTION	4
2. OBJECTIVES	5
3. DEFINITIONS	5
4. STATUTORY AND REGULATORY FRAMEWORK	8
5. RESPONSIBILITIES AND ACCOUNTABILITIES	8
6. CLASSIFICATION OF ASSETS	12
7. IDENTIFICATION OF ASSETS	14
8. INITIAL RECOGNITION OF ASSETS	15
9. MEASUREMENT AT INITIAL RECOGNITION OF ASSETS	16
10. REINSTATEMENT, MAINTAINANCE AND OTHER EXPENSES	19
11. MEASUREMENT AFTER INITIAL RECOGNITION	20
12. SAFEGUARDING OF ASSETS	29
13. INSURANCE	31
14. PROCEDURES WITH REGARD TO CONTRIBUTED ASSETS	31
15. FINANCIAL MANAGEMENT	32
16. CAPITALISATION OF ASSETS	33
17. MAINTENANCE	34
18. INTERNAL CONTROLS OVER ASSETS	35
19. FINANCIAL DISCLOSURE	37
20. ANNUAL REVIEW OF POLICY	38
21. GENERAL	38
22. COMMENCEMENT	38
23. ANNEXURE – FIXED ASSETS ESTIMATED USEFUL LIVES	39
24. ANNEXURE – FIXED ASSETS CONTROL FORMS	46

Abbreviations

AM	Asset Management
AMS	Asset Management System
CFO	Chief Financial Officer
GIS	Geographical Information System
GRAP	Standards of Generally Recognised Accounting Practice
HR	Human Resource
IAM	Infrastructure Asset Management
IAMP	Infrastructure Asset Management Plan
AR	Asset Register
IAR	Infrastructure Asset Register
IAS	International Accounting Standards
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
NT	National Treasury
OAG	Office of the Accountant General
LM	Local Municipality
O&M	Operation and Maintenance
SCMP	Supply Chain Management Policy

1. INTRODUCTION

The asset management policy is the overriding document that defines the asset management intent of uMngeni Municipality regarding the life cycle management of its asset portfolio. It is the document that provides guidance to both strategy and the implementation of strategy at the operational level.

The purpose of the Asset Management policy is to define uMngeni Municipality's vision and intent regarding all aspects of asset management. It is aimed at assisting Management and officials on Asset related issues and to ensure consistent, effective and efficient asset management principles.

VISION:

To ensure the effective and efficient process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of uMngeni Local Municipality's assets to maximize their service delivery potential and benefits and to minimize their related risks and costs over their entire life.

STATEMENT:

The uMngeni Local Municipality believes that an Asset Management Policy is essential to ensure effective and efficient acquisition and utilization of public monies and accountability thereof is heavily dependent upon accurate recording and accounting.

AIM:

This policy will lay down broad guidelines for consistent, effective and efficient asset management principles of uMngeni Local Municipality.

The Municipal Systems Act, 2000 (MSA) section 2(d) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities to utilize and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Accounting Officer (AO).

Whereas section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued. In terms of Section 63(1)(a) of the MFMA the accounting is the custodian of municipal funds and assets and is responsible for the implementation of the asset management policy which regulate the acquisition, safeguarding and maintenance of all assets.

The Occupational Health and Safety Act requires the municipality to provide and maintain a safe and healthy working environment, and in particular, to keep its infrastructure assets safe.

2. OBJECTIVES

The objective of this Asset Management Policy is to ensure that the municipality:

- Has consistent application of asset management principles;
- Implements accrual accounting;
- Complies with MFMA, Treasury Regulations, GRAP and other related legislation;
- Secure, safeguards and controls the assets of the municipality and optimizes asset usage.
- Apply asset management practice in a consistent manner and in accordance with legal requirements and recognized good practice.
- Minimize the life-cycle cost of an asset, by considering all costs including; acquisition, maintenance, operational and disposal costs.
- Have the ability to communicate effectively with the public about balancing levels of services, risk, and funding and thus inform subsequent policy trade-offs and decisions.
- Extending the life of asset by maintenance, rehabilitation and replacement prioritization based on strong understanding of asset condition deterioration
- Improved emergency response
- Reduce capital expenditure and operational cost
- Meet service delivery requirements

3. DEFINITIONS

a) Assets

Are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

b) Asset Register

Is a record of information on each asset that supports the effective and technical management of the assets and meets statutory requirements.

c) Accounting Standards Board

Is required in terms of the Municipal Finance Management Act, Act no.1 of 1999 to determine Generally Recognized Accounting Practice referred to as Standards of Generally Recognized Accounting Practice (GRAP). The ASB must determine GRAP for municipalities.

d) Asset Categories

These are:

1. Infrastructure Assets - are any assets that are part of a network or system.
 - They are specialized in nature and do not have alternative uses.
 - They are immovable and they may be subject to constraints on disposal.
 - Example: - roads, sewerage purification plants, water reticulation schemes and

electricity and meets the criteria of GRAP 17

2. Heritage Assets - are culturally, environmentally and historically significant resources, i.e. works of art, historical buildings and monuments, archaeological sites, conservation areas and nature reserves and meets the criteria of GRAP103
3. Investment Properties - are properties that are acquired for economical and capital gains i.e. office, parks and underdeveloped land acquired for the purpose of resale in future years and meets the criteria of GRAP 16
4. Other Assets - are assets utilized in normal operations, i.e. plant and equipment, motor vehicles and furniture and fittings and meets the criteria of GRAP 17
5. Intangible assets - are identifiable non-monetary assets without physical substance and will meet the criteria of GRAP 31.
6. Leased assets – assets under the finance lease agreement and meets the criteria of GRAP 13.
7. Assets held for sale – are non-current assets that the municipality has decided to sell and meets the criteria of GRAP100.

e) Capitalization

Is the recognition of expenditure as an asset in the asset register. All assets with a life cycle of greater than one year are treated as capital assets and entered into an asset register from which reporting in the financial statement (specifically the Statement of Financial Position) is extracted.

f) Carrying amount

Is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

g) Cost

Is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with specific requirements of other Standards of Generally Recognized Accounting Practices (GRAP).

h) Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

i) Depreciable amount

This is the cost of an asset, or other amount substituted for the cost less its residual value.

j) Economic useful life

Economic life refers to the length of time an asset is expected to be useful to the municipality

k) Fair value

Is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

l) Historical Value

This refers to the original cost of acquisition or construction.

m) Impairment Loss

An impairment loss of cash – generating assets is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of non - cash generating assets is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

n) Property, Plant and Equipment Are tangible assets that:

Are held for use in the production or supply of goods or services, for rental to others, or for other administrative purposes, and are expected to be used during more than one reporting period.

o) Recoverable amount

Is the amount that the municipality expects to recover from the future use of an asset, including the residual value on disposal.

p) Residual value

The residual value of an asset is the estimated amount that a municipality would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

q) Remaining useful life

The remaining useful life (RUL) of a depreciable Property Plant and Equipment asset is the time remaining until an asset cease to provide the required standard of performance or economic usefulness.

r) Replacement Value

The amount which is needed in current terms to replace a fixed asset.

s) Useful life

The useful life of an asset is either:

the period over which an asset is expected to be available for use by the municipality or the number of production or similar units expected to be obtained from the asset by the municipality.

The Table of Useful Lives is provided in the MFMA Local Government Capital Asset Management Guideline (Refer to Annexure A). These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

t) Contributed Assets

Means items received by the uMngeni Local Municipality in the form of a donation.

r)

ACF – Asset custodian form

AT- Asset transfer form

DIR- Departmental inventory register END-USER- is the person whom assets are located to

EEF- Employee Exit Form

4. STATUTORY AND REGULATORY FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division of Revenue Act (enacted annually) Municipal Finance Management Act No 56 of 2003

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 13 Leased Assets
- GRAP 16 Investment property
- GRAP 17 Property, plant or equipment
- GRAP 21 & 26 Impairment
- GRAP 31 Intangibles
- GRAP 100 Non-current Assets held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets

5. RESPONSIBILITIES AND ACCOUNTABILITIES

The purpose of this section is to prescribe the responsibilities of the various functionaries within ULM

5.1 The Accounting Officer (Municipal Manager)

The responsibility for management of fixed assets lies with the Accounting Officer. While the performance of this function can be delegated to the Chief Financial Officer in the finance department, this delegation does not alleviate the responsibilities of the Accounting Officer. In terms of Section 63(1)(a-b) of the Municipal Finance Management Act, 2003 (MFMA), the Accounting Officer is responsible for the management of the fixed assets of the municipality including the safeguarding and the maintenance of those fixed assets and will need to ensure that all the fixed assets are adequately insured against loss, theft and damage of any nature.

The Accounting Officer (Municipal Manager) or his duly delegated representative is responsible to ensure implementation and compliance with the responsibilities prescribed in section 63 of the MFMA must ensure that:

- that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- that the municipality's assets are valued in accordance with standards of generally recognised accounting practice (GRAP); and
- that the municipality has and maintains a system of internal controls of assets, including

a fixed asset register, as may be prescribed and that the HODs and their teams comply with this policy

- The Accounting Officer of the municipality is the principal custodian of the entire municipality's assets and is responsible for ensuring that this policy is effectively applied on adoption by Council.
- The AO is responsible for the preparation, in consultation with the Chief Financial Officer (CFO) and Heads of Department (Senior Official) (HOD), of procedures to effectively and efficiently apply this policy.
- The AO is therefore accountable for all transactions entered into by his/ her delegates. However, the day-to-day handling of assets will be the responsibility of all officials in terms of delegated authority reduced in writing. The AO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. All delegations in terms of this policy must be recorded in writing.
- ***In consultation with the asset managers, he/ she authorise the temporary or permanent transfer of a movable asset between departments as determined in the "Delegation of Authority to officials of the uMngeni Local Municipality".***

5.2 The Chief Financial Officer (Director: Finance)

The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the municipality's assets is safeguarded and maintained.

The Chief Financial Officer must take reasonable steps to ensure that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure and losses resulting from criminal or negligent conduct are prevented;
- The systems, processes and registers required to substantiate the financial values of the municipality's assets are maintained at standards sufficient to satisfy the requirements of Accounting Standards.
- Financial processes are established and maintained to ensure that the municipality's financial resources are optimally utilized through an appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The managers and asset champions are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;

- The policy and supporting procedures or guidelines are established, maintained and effectively communicated;
- The CFO shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.
- No amendments, deletions or additions to the fixed asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.
- The CFO, in consultation with the AO and HODs, shall determine effective procedures for the recognition of existing and new assets.
- The CFO shall ensure that the classification of immovable assets adopted by the municipality complies with the statutory requirements.
- The CFO shall define the format of the fixed asset register in consultation with the AO and the HODs, and shall ensure that the format complies with the prevailing accounting standards and disclosure requirements.
- The CFO shall establish procedures to control the completeness and integrity of the asset register data.
- The CFO shall ensure proper application of the control procedures.
- The CFO shall ensure that depreciation charges are debited monthly and that the fixed asset register is reconciled with the general ledger.
- The Asset register administrator should update the fixed asset register with the information received, relating to the impairment, from the financial management system where the impairment journals have been processed.

5.3 Head of Departments (HOD's)

HODs are managers who report directly to the AO shall ensure that:

- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be input to the municipal fixed asset register;
- Any unauthorized, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
- They can manage and justify that the asset management framework that include:

- Asset Management plans,
 - IDP, budgets and SDBIP
 - Maintenance Plans
 - Asset Risk Management Plans
 - Disposal decisions
 - Optimally achieve the municipality's strategic objectives; and
- Manage asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.
 - HODs may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring these activities are performed.
 - Every HOD shall ensure that all assets under their control are correctly recognized as assets.

5.4 Finance Department: Asset Management Division

- Ensures that physical asset verification is performed annually to all departments to verify the assets on the asset register. The results of this verification must be reported to the CFO.
- Ensure that assets are capitalised correctly onto the fixed asset register.
- Will perform reconciliations between the asset register and the General Ledger on a monthly basis.
- Ensures adequate bar codes and equipment to exercise the function relating to assets control is available at all times.
- Will ensure that all audit queries are resolved in a timely manner.
- Dispose of asset in accordance with the SCM policy
- Handles the administrative functions with regards to the transfers received.

5.5 The responsibility of the Budget and Treasury

- Ensure that a clear description is provided with each project and the appropriate funding source is identified.
- Release capital funds only after receiving written authority and a clear and concise description of the item to be purchased.
- Ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Management Division.

5.6 The Human Resources Management Department

The Human Resources Management Department shall ensure that no monies are paid out to the staff on termination of their service prior to receiving the relevant asset resignation form signed off by the relevant directorate- refer to Exit form.

6. CLASSIFICATION OF ASSETS

6.1 Fixed asset categories

- Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations) (GRAP 17);
- Intangible assets (GRAP 31);
- Heritage assets (GRAP 103);
- Non-current assets held for sale (GRAP100)
- Capital Finance Lease assets (GRAP 13); and
- Investment property (GRAP 16)

6.2 Class of Property Plant and Equipment

A class of Property Plant and Equipment is defined as a group of assets of a similar nature or function. The total balance of each class of assets is disclosed in the notes to the financial statements.

6.2.1 Property Plant and Equipment: Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets that jointly provide service potential. These assets usually display some or all of the following characteristics:

- a) they are part of a system or network;
- b) they are specialised in nature and do not have alternative uses;
- c) they are immovable; and
- d) they may be subject to constraints on disposal.

Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks.

6.2.2 Property Plant and Equipment: Land and Buildings

Buildings that are used for municipal operations such as administration buildings and rental stock or housing not held for capital gain.

6.2.3 Property Plant and Equipment: Community Assets

Community property is immovable assets contributing to the general well-being of the community, such as community halls and recreation facilities.

6.2.4 Property Plant and Equipment: Other Assets

Movable assets are by nature stand-alone assets which are not directly attached or associated with an item of immovable assets and are utilized in an enabling or assisting role on a day-to- day basis.

6.3 Heritage assets

Heritage assets are assets of cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations, such as monuments, nature reserves, and works of art.

The asset is accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on Property Plant and Equipment.

6.4 Investment property

Investment property is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks that are rented out. There is no asset hierarchy for investment property; each functional item will be individually recorded.

Land held for a currently undetermined use is recognized as investment property until such time as the use of the land has been determined.

If property is developed for future use as an investment property, such property shall in every respect be accounted for as investment property.

6.5 Intangible assets

Identifiable non-monetary assets, without physical substance are intangible assets, for examples licenses or rights (such as water licenses), servitudes and software.

An asset meets the criterion of being identifiable in the definition of an intangible asset when it:

- a)** is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- b)** arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable and separable from the municipality or from other rights and obligations.

6.6 Assets held under leases

Finance leases - is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

The following are the elements of a finance lease:

- a) the lease transfers ownership of the asset to the lessee by the end of the lease term;

- b) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- e) the leased assets are of a such a specialised nature that only the lessee can use them without major modifications; and
- f) the leased assets cannot easily be replaced by another asset

7. IDENTIFICATION OF ASSETS

The Municipal Manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register and must ensure that identification is as follows:

7.1 Immovable asset coding

An asset coding system is how the municipality can uniquely identify each immovable asset (at the lowest level in the adopted asset hierarchy) to ensure that it can be accounted for on an individual basis.

7.2 Barcoding system

A barcoding system will be used for movable assets as how the municipality is able to uniquely identify each movable asset to ensure that it can be accounted for on an individual basis, which will also assist with the subsequent verification process of movable assets.

8. INITIAL RECOGNITION OF ASSETS

An item of asset will be recognized as an asset when:

- It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
- The cost of the asset to the municipality can be measured reliably,
- The municipality has gained control over the asset,
- Irrespective of the cost, if the asset meets the recognition criteria it should be recognised as an asset
- The asset is expected to be used during more than one financial year.

All other acquisitions of property, plant and equipment that do not meet the recognition criteria will be expensed.

Finance lease assets is recognised at the higher of the net present value and fair value or preferable use of fair value as cost

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating

leases are not accounted for in the asset registers of the municipality.

8.1 COMPONENTISATION OF MAJOR PORTIONS OF ASSETS SEPARATELY

- An Asset Controller may, with agreement with the Asset Manager, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- These major components may be defined by its physical parameters (e.g. a reservoir roof) of its financial parameters (e.g. a road surface).
- In agreeing to these treatments, the Asset Manager must be satisfied that these components:
 - Have significantly a different useful life or usage pattern to the main asset,
 - Align with the asset management plans,
 - The benefits justify the costs of separate identification,
 - It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
 - The cost of the asset to the municipality can be measured reliably,
 - The municipality has gained control over the asset,
 - The costs are above the recognition threshold, and
 - The asset is expected to be used during more than one financial year.
- Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.

9. MEASUREMENT AT INITIAL RECOGNITION

9.1 Measurement at recognition of Property plant and equipment

- An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its "cost of acquisition".
- This "cost of acquisition" will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:
 - Purchase costs (less any discounts given)
 - Delivery costs

- Installation costs
- Professional fees for architects and engineers
- Import duties
- Non-refundable taxes
- Site development costs
- Contractor fees

9.2 Measurement at recognition of investment property

- Investment property is measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.
- If property is developed for future use as an investment property, such property shall in every respect be accounted for as investment property.

9.3 Measurement at recognition of intangible assets

Intangible assets are measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

9.4 Measurement at recognition of heritage assets

Heritage assets is measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

Where an asset regarded as heritage asset but does not meet the recognition criteria as it cannot be reliably measured the relevant and useful information about it shall be disclosed in the notes to the financial statements as follows:

- A description of the heritage asset or class of heritage assets.
- The reason why the heritage asset or class of heritage assets could not be measured reliably.
- On disposal of the heritage asset or class of heritage assets, the compensation received and the amount recognized in the statement of financial performance.

9.5 Measurement at recognition of finance leased assets

- At the commencement of a lease term, the municipality (the lessee) shall recognise a finance lease as an asset and liability in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

- The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used.
- Any initial direct cost of the lessee is added to the amount recognized as an asset.

9.6 Measurement at recognition of inventory

- These Inventory assets will be recorded in a separate section of the asset register and maintained as required
- Inventories shall be measured at the lower of cost and net realizable value
- The cost of inventories shall comprise all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition

9.7 Measurement at recognition of donations or exchanges

Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the non-current asset register if the fair value is greater than the recognition threshold.

9.8 Exchanged Property Plant and Equipment Assets

- In cases where assets are exchanged, the cost is deemed to be the fair value of the acquired asset and the disposed asset is de-recognised.
- If the acquired asset is not measured at its fair value, its cost price is the carrying amount of the asset given up.

9.9 Fair value measurement

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Market based evidence by appraisal can be used where there is an active and liquid market for assets (for example land and some types of plant and equipment).

In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost (DRC) approach may be used to identify the fair value.

The appraisal of the fair value of assets is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualifications and appropriate knowledge and experience in valuation of the respective assets. Other expert can also undertake the revaluation if he/she has the requisite to undertake such an appraisal in accordance with the requirement of the GRAP standard.

9.10 Depreciated replacement cost

If no evidence is available to determine the market value in an active and liquid market of an item of property, the fair value of the item may be established by reference to other items with similar characteristics, in similar circumstances and location.

In many cases, the depreciated replacement cost of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market.

In some cases, an asset's reproduction cost will be the best indicator of its replacement cost. For example, in the event of loss, a parliament building may be reproduced rather than replaced with alternative accommodation because of its significance to the community.

9.11 Costs associated with heritage assets

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

9.12 Changes in the existing decommissioning or restoration cost included in the cost of an item

Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows:

If the cost model is used –

- Changes in the liability will be added to or deducted from the cost of the related asset.
- If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess will be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the municipality would test the asset for impairment.

If the revaluation model is used -

- A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit; and
- an increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset.
- If the decrease in liability exceeds the carrying amount that would have been recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit.
- If the change in liability is an indication that the asset may have to be revalued

to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be considered in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

- The change in the revaluation surplus arising from the change in the liability shall be separately identified and disclosed on the face of the statement of changes in net assets.

10. Reinstatement, maintenance and other expenses

10.1 Enhancement costs

Only expenses incurred in the following shall be capitalised:

- Enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset)
- Material extension of the useful life

10.2 Maintenance costs

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses

10.3 Expenses to bring the asset into operation

- Expenses to bring the fixed asset into operation will be capitalised as part of such fixed asset
- Such expenses may include the following costs:
 - Import duties
 - Forward cover
 - Transportation
 - Installation
 - Assembly
 - Commissioning

11. MEASUREMENT AFTER INITIAL RECOGNITION

11.1 Measurement after initial recognition of property plant and equipment

Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation and less accumulated impairment.

11.2 Measurement after initial recognition of investment property

Investment property is subsequently measured at cost less accumulated depreciation and less impairment.

11.3 Measurement after initial recognition of intangible assets

- Intangible assets are measured after recognition at cost less amortisation.
- An intangible asset with an indefinite useful life will not be amortised. Impairment testing shall be performed on these assets on an annual basis and whenever there is an indication that the assets might be impaired, comparing its recoverable amount with its carrying amount.

11.4 Measurement after initial recognition of heritage assets

- Heritage assets are measured at cost after recognition.
- If no original costs or fair values are available in the case of one or more or all heritage assets, the Chief Financial Officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned
- For balance sheet purposes, the existence of such Heritage Assets shall be disclosed by means of an appropriate note.
- Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognized in the carrying amount of the heritage asset as incurred.

11.5 Measurement after initial recognition of finance leased assets

- Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability.
- The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- Contingent rents shall be charged as expenses in the periods in which they are incurred
- A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period.
- The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standards of GRAP on Property, Plant and Equipment (GRAP 17) and Intangible Assets (GRAP 31).
- If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

11.6 Subsequent expenditure on property plant and equipment

- Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Asset Manager must be satisfied that this expenditure significantly:
 - Increases the life of that asset beyond that stated in the asset register, or
 - Increases the quality of service that asset beyond the existing level of service, or
 - Increases the quantity of services that asset can provide, or
 - Reduces the future assessed costs of maintaining that asset.
- Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.
- Where it is desired to capitalise future component replacements, refurbishments or renewals, then please refer to the section on major components in this policy

11.7 Depreciation

- The depreciable amount of an item of property, plant or equipment should be allocated on a systematic basis over its useful life.
- uMngeni Local Municipality's depreciation method will be the straight-line method. Where assets useful lives have been reviewed and where assets have been impaired the depreciation method changes from straight-line method to diminishing balance method.
- Depreciation shall be calculated from the day the fixed asset is available for use (commissioning date). Depreciation of an asset ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal.
- If the cost of land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.

11.8 Review of residual value and useful life

- An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).
- This review should be done by the asset manager in conjunction with the impairment review and reviewed by the CFO.
- The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

11.9 Impairment of assets

- The Municipality must at each reporting date where there is any indication that an asset may be impaired. If any such indicators exist, the municipality must estimate the recoverable service amount of the assets.
- In terms of the Standard of Generally Recognised Accounting Practices (GRAP 21 and 26), impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss through depreciation or amortization.
- These losses may arise from physical damage or from internal or external factors such as not regularly performing maintenance or a decline in the asset's market value.
- After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
- In terms of GRAP 17 to determine whether an item of property, plant and equipment is impaired, an entity applies GRAP 21 or GRAP 26, as appropriate. These Standards explains how an entity reviews the carrying amount of its assets, how it determines the recoverable amount or recoverable service amount of an asset and when it recognizes, or reverses the recognition of, an impairment loss.
- In terms of GRAP 21 an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.
- GRAP 26 states that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall

estimate the recoverable amount of the asset.

- In order to comply with the above, the process and methods as described below were carried out.

ASB FAQ

GRAP 21 or GRAP 26?

It must be noted that the assets (PPE and Heritage) are not considered to be cash generating assets.

“What is the difference between cash-generating assets and non-cash generating assets?”

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the entity intends to generate positive cash flows from the asset similar to a profit-orientated entity. Non-cash-generating assets are primarily held for service delivery purposes.”

Taking the above into consideration, and the fact that the primary objective of the municipality is on service delivery, it is determined that the municipality does not own any cash generating assets. As a result, only GRAP 21 is deemed to be applicable.

11.10 Impairment Indicators

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

11.10.1 External sources of information

- a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. the carrying amount of the net assets of the entity is more than its market capitalization;
- c) Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; or

11.10.2 Internal sources of information

- a) Evidence is available of physical damage of an asset.
- b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- c) A halt in construction could indicate an impairment. Where construction is delayed or

postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

- d) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.”

11.10.3 Other indicators that an item of PPE has become impaired:

- a) The asset has been damaged.
- b) The asset has become technologically obsolete.
- c) The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
- d) Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

11.10.4 Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future.

Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

11.10.5 Further detailed accounting treatment relating to impairment losses is outlined as follows in GRAP 17:

- a) The carrying amount (Book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.
- b) Recoverable amount is the higher of a non-cash generating asset's net selling price and its value in use.
- c) When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately.
- d) The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis.
- e) However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and

equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

11.10.6 Procedure to identify, budget and account for impairment losses:

The following needs to be done to ensure that impairment losses that are identified by the above indicators are budgeted for during the operating budget cycle and are accounted for in the next financial year. The following steps will have to be performed during the operating budget cycle:

Asset Management Unit shall issue a memo to all directorates requesting them to confirm assets that:

- a) Are in a state of damage at the start of the operating budget cycle;
- b) Are technologically obsolete at the start of the operating budget cycle
- c) Have remained idle for a considerable period either prior to them being put into uses at the start of the operating budget cycle or during their useful life;

After concluding the verification and update of data the CFO will liaise with Asset Manager regarding findings and future budget plans

Any asset where an indicator has been identified should be tested,

11.10.7 Recoverable service amount

GRAP 21 paragraph 29 states:

In terms of GRAP the recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use."

The fair values are estimated using the Depreciated Replacement Cost (DRC) method for the majority of the assets. Current Replacement Costs (CRC) are obtained from various sources which included the following:

- "An Industry Guide to Infrastructure Service Delivery Levels and Unit Costs" – Published by the Department of Corporate Governance & Traditional Affairs.
- "Guidelines for Infrastructure Asset Management in Local Government" – Published by the Department of Provincial and Local Government.
- "EDI Holdings Asset Listing and DRC Valuation Tool" – EDI.
- Various quotations and prices obtained from the internet.

CPI indices are applied to convert the unit rates to reporting date

The asset's value in use are determined based on the original cost/ value recognised in the fixed assets register. This value is discounted to take into account the condition of the asset.

The "Local Government Capital Asset Management Guideline as published by National Treasury is applied. In terms of the guide the assets would have the following percentages of their economic useful lives remaining based on the condition:

Condition	Percentage	Conditional Assessment Grading
Very Good	81 – 100%	5
Good	61 - 80%	4
Fair	41 - 60%	3
Poor	21 - 40%	2
Very Poor	1 - 20%	1

It is estimated that the assets in a poor condition will have approximately 31% of its useful life remaining and assets in a very poor condition will have approximately 10% of its useful lives remaining. This is applied to the original cost/ value of the asset to calculate the value in use.

The higher of the fair value or the value in use is applied to determine if assets required additional impairment losses to be recognised.

11.10.7 Reversing an impairment loss

- The municipality assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased.
- In such cases, the carrying amount is increased to its recoverable amount (provided it does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods).
- Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

11.10.8 Disclosure requirements relating to impairment losses:

All material impairment losses need to be disclosed in the notes to the income statement as a separately disclosed item. They are normally disclosed as part of the note on the amounts that are included in the calculation of the Net Surplus or Deficit for the year.

11.11 De-recognition

- Assets are de-recognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. Where assets exist that have reached the end of their useful life, yet they pose potential liabilities, the assets will not be de-recognised until the obligations under the potential liabilities have been settled.
- The gain or loss arising from de-recognition of an item of immovable assets is included in surplus or deficit when the item is de-recognised.

- Property Plant and Equipment that is associated with the provision of basic services cannot be disposed without the approval of Council.
- Disposal of assets should be at fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent (the total proceeds discounted to the present value as at the transaction date). The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

11.11.1 Disposal Management System

- The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services, unless such asset is obsolete or surplus to requirements or beyond a state of good repair or being replaced and provided that the delivery of the minimum level of basic municipal services must not be compromised as a result of the disposal of the asset.
- The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset had been sold, transferred or otherwise disposed of.
- The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality.
- The transfer of assets to another municipality, municipal entity, national department or provincial department is excluded from these provisions, provided such transfer is being done in accordance with a prescribed Capital Asset Transfer regulatory framework.
- Directors shall report in writing to the CFO by 30 April of each financial year on all fixed assets controlled or used by the directorate concerned which such Director wishes to alienate by public auction or public tender.
- The CFO shall thereafter consolidate the requests received from the various General Managers and shall promptly report such consolidated information to the council or the Municipal Manager of the municipality, as the case may be, recommending the process of alienation to be adopted.
- Once the fixed assets are alienated, the CFO shall de-recognize the asset from the accounting records and the fixed asset register.

11.11.2 Procedures

Any items declared obsolete or damaged will be handed in to the Finance department - Asset Management Division for safekeeping

- a) Municipality must ensure that assets are disposed of in terms of the SCM policy.
- b) It is the responsibility of each directorate to ensure that all such assets to be disposed of are delivered to and received at the Finance Directorate - Asset Management Unit.
- c) Approval for the disposal of assets is considered by the Municipal Manager only after a recommendation has been obtained from the following persons:
- Vehicles and Plant: The General Manager: Technical/Corporate Services;
 - Computers: The General Manager: Corporate Services;
 - Other Items: General Managers within the different directorates.
- d) After the approval of the Municipal Manager and final approval of the Council has been obtained, any vehicle written off (disposed) must be deregistered in the name of the Municipality.
- e) All asset items lost, stolen or damaged must be reported to the Manager Expenditure by completing the AT form.
- f) All asset items lost or stolen also need to be reported to the SAPS by the relevant department.

An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery is expected from when it is disposed of.

Gains and losses arising from the retirement or disposal of an item of property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the income statement.

11.11.3 Loss, theft, destruction or impairment of fixed assets

General Manager's shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the end-user in question is reported within 10 days in writing to the Chief Financial Officer, to the internal auditor, and in cases of suspected theft or malicious damage.

It must also reported to the South African Police Service in order to obtain the case number for insurance claims.in case any loss or damaged asset as a result of negligent the end-user shall be liable for all costs incurred by the municipality to bring an asset to its normal use.

12. SAFEGUARDING OF ASSETS

12.1 Custody and Security

- All barcoded assets shall be tracked by physical location through the Asset Register.

- A physical asset verification process shall be performed every year and all departments will be verified simultaneously.
- During assets verification all assets listed should be presented by the end-user, failure to do so the responsible end-user will be held responsible and disciplinary actions will be launched.
- It is a responsibility of all assets end-users to safeguard municipal assets, if any asset is damaged or lost by the end-user, he/she must report in writing to the Head of Department Section within working hours and report the lost to the SAPS, failure to do so the end-user will be held responsible and disciplinary actions will be launched.
- The coordination of the process and verification of the assets will rest with the Asset control department and all departments are responsible to see that the assets under their control are available during the verification process.

12.2 Custodian

- Each employee using the municipal property/ assets to execute their task needs to sign an asset custodian form
- The form lists assets that are required or entrusted to the employee to perform his/her task, i.e. a brush cutter has to be allocated to brush cutter operator
- The immediate supervisor must sign the form and asset unit as evidence of transfer of custodianship
- The employee undertakes to use the assets responsibly and takes responsibility to safeguard the assets to best of his/ her ability.
- If there are discrepancies with the asset on file upon a verification the employee will be held accountable for unverified asset under their control.
- However, if the loss was reported and there is evidence to support the claim there, or evidence of an asset transfer can be provided, there will be no charge.

12.3 High Risk Fixes Assets

Assets that are listed below are asset that are excluded from the asset register but the processes below must be adhered to;

The requirements to manage high risk items by each asset manager include, but are not limited to:

- Assignment of such items to a specific asset user.
- Maintaining and updating of departmental attractive items (inventory) register.
- Regular stock takes to ensure that all attractive items are available for use and appropriately safeguarded.

- Submitting such registers to ad hoc audits carried out by the chief financial officer.
- Recording and subsequent reporting any disposal/loss of such items in accordance with the powers of delegation.

Attractive items:

- will not depreciate;
- will not be revalued;
- will not be impaired;
- will be recorded in the attractive items (inventory) register;
- will be treated in a similar fashion as an asset example,

safeguarded, officially approved for disposal etc.; and will be budgeted for under a dedicated line budget

Exclusion list

- Plastic stackable chairs
- Staplers
- Punchers
- Telephones
- Pocket calculators
- Small heater and fan

12.4 Communication

- End-users are responsible to report any stolen or damage property to the Asset Management Department in writing and report the lost to the SAPS within 48 working hours and produce police report from the police station.
- All changes must be accurately recorded on the Asset Transfer forms and reported to the Asset Management Department within 48 working hours.
- Expenditure Manager shall inform the Assets Manager for any stolen or damaged assets claimed to the insurance within 10 days.
- Any discrepancies between the Asset Register and the physical inventory must be reconciled and motivated by the relevant departments where discrepancies were noted.

13. INSURANCE

- Assets are insured externally and coverage must be based on the loss probability analysis.
- All insurance claims must be assessed by an official, charged with the responsibility for the insurance of assets, to determine whether the damage to the assets can be recovered from possible third parties involved.
- ***If assets are lost or damaged as a result of negligence of the official, the damage to the assets or loss can be recovered from the said official or excess must be paid by the official.***

- If the damage was caused by an identifiable third party, the third party will be held accountable and the CFO should compile a report advising the AO of the facts thereof and any possible further action.

13.1 PROCEDURES

- The Accounting Officer will ensure that all assets are properly insured in terms of the policy.
- Head of Departments (General managers) shall ensure that they understand the terms and conditions of Councils Insurance portfolio; insurable assets which is under their control and their values; and ensure sufficient cover. In this regard, the business unit shall undertake, at least on an annual basis, a review of the values on the fixed asset register.
- Asset end user Shall notify the CFO (via Expenditure and asset unit), without delay, of any new insurable asset, by providing the necessary invoices and supporting documentation.
- Shall notify the CFO (via the Expenditure unit), of any alteration in the existing insurable value which has arisen in connection with the business unit.
- All claims that fall below the excess limit shall be handled and finalised directly by the business unit and will not form part of the insurance register.
- Work-in-progress assets (WIP) are not covered in the Insurance Portfolio.

14. PROCEDURE WITH REGARD TO CONTRIBUTED ASSET

14.1 ASSETS Governance

- The authority to endorse and approve acceptance of assets contributed to the uMngeni Local Municipality vests with Council as such assets have an impact on future operational costs.
- A report including the fair value/cost price of the contributed asset as well as the financial implications of acceptance of the contributed asset must be submitted to Council, so that acceptance of the asset can be confirmed.

14.2 Procedures

- a) Once Council has approved the donation, the departments must:
- b) Notify the Finance Department of any assets contributed, by submitting the Council approved report including the cost/fair value of the contributed asset so that the asset can be recorded and capitalized at the appropriate value.

15. FINANCIAL MANAGEMENT

15.1 Pre-Acquisition Planning

Before a capital project is included in the draft municipal budget for approval, the CFO must prove that they have considered:

- The projected acquisition and implementation cost over all the financial years until the project is operational;
- The future operational costs and revenue on the project, including tax and tariff implications;
- The financial sustainability of the project over its economical life span including revenue generation and subsidization requirements;
- The physical and financial stewardship of the asset through all stages in its economical life span including acquisition, installation, maintenance, operations, disposal and rehabilitation; and
- The inclusion of the capital project in the Integrated Development Plans and future budgets.

The Chief Financial Officer is accountable to ensure that the Asset Managers receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

15.2 Approval to acquire Property, Plant and Equipment:

Funds can only be invested with a capital project if:

- The funds have been appropriated in the capital budget;
- The project, including the total cost and funding sources, has been approved by the Council;
- Finance confirms that funding is available for that specific project and the Supply Chain Management prescripts/procedures have been adhered to.
- Any contract that will impose financial obligations more than two years beyond the budget year is appropriately disclosed.

15.3 The funding sources of Assets

Within the municipality's ongoing financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimize the municipality's ability to achieve its Strategic Objectives as stated in the Integrated Development Plan.

3 main sources of finance are utilized to acquire Property Plant and Equipment for the municipality, namely:

- Internal funding.
- Grants, Subsidies and Public Contributions.

The sources of finance that may be utilized to finance assets are utilized in accordance with the provisions of S19 of the Municipal Finance Management Act.

16. CAPITALISATION OF ASSETS

- uMngeni Local Municipality does not capitalize an asset based on a capitalization cost threshold, but recognizes an asset when it complies with the definition of an asset as stipulated in GRAP 17 and the cost of the asset to the municipality can be measured reliably;
- Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.
- Completed projects will only be capitalized in the asset register on completion or finalization of the project.
- Projects to be completed over more than one financial year will be initially disclosed in the asset register and financial statements as "Work in Progress" thereafter only on completion the asset will be capitalized and depreciated.
- Assets will be recorded in the asset register continuously on completion thereof and bar-coded with an aluminium label where appropriate for identification.
- Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized.
- Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in an entity recognizes in the carrying amount of an item property, plant and equipment the cost replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition provision of this Standard.

17. MAINTENANCE

17.1 Maintenance Strategy

Each department must develop a maintenance strategy that will ensure that the assets of UMngeni Local Municipality are maintained at an adequate operational level or standard by ensuring that all statutory, technical and operational objectives are achieved. This strategy must ensure that tangible assets under the custody and control of the relevant directors are properly maintained and repaired so that their possible maximum useful lives are realised.

17.2 Departments/End-user Responsibilities

Each Department/end-users is responsible for ensuring:

- i. That all tangible assets under their control are maintained in a good working condition. The departments must take adequate care that the working environments for the various assets are appropriate and suitable for such types of tangible assets.
- ii. That their assets are not misused or used for personal use or benefit.
- iii. That repair and maintenance costs incurred is reviewed and properly controlled.
- iv. The development of a maintenance program according to their operating budget resources. The program must provide a schedule of the repairs and maintenance to be done. The program must also consist of planned and unplanned repairs and maintenance to be performed.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:

CAPITAL EXPENDITURE	MAINTENANCE
Acquiring	Restoring an asset so that it can continue to be used for its intended purpose
Replacing an existing asset	Maintaining an asset so that it can be used for the period for which it was initially intended.
Enhancing an existing asset so that its use is expanded	
Further developing an existing asset so that its original useful life is extended.	

When assets are capitalized a distinction should be made on whether the new asset is purchased to replace an existing asset or whether it is a total new asset that is purchased.

18. INTERNAL CONTROL OVER ASSETS

18.1 Establishment and Management of the Financial Asset Register:

The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition as per the accounting standards.

Each Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in the asset register.

18.2 Contents of the Fixed Asset Register

The fixed asset register shall be maintained in the format determined by the CFO, which format shall comply with the requirements of generally recognized accounting practice (GRAP) and any other accounting requirements which may be prescribed by Directors under whose control any fixed asset falls shall promptly provide CFO in writing with any information required to compile the fixed asset change which may occur in respect of such information. Contents of the Financial Asset Register:

The details included in the Asset Register will include:

Data type	Land	Buildings	Movables	IP and intangible assets	AUC/ Infrastructure
Identification					
Unique identification number -Barcode	✓	✓	✓	✓	✓
Name –description	✓	✓	✓	✓	✓
Classification	✓	✓	✓	✓	✓
Descriptive data (make, model, serial number etc.)		✓	✓	✓	✓
Location (room, ward, building number)	✓	✓	✓	✓	✓
ERF/registration	✓	✓	✓	✓	✓
LPI code	✓				
Plans number		✓			
Title deed reference	✓				
Accountability					
Business unit	✓	✓	✓	✓	✓
Insurance reference		✓	✓	✓	✓
Custodian –responsible employee					
Performance					
Age		✓	✓	✓	✓
Condition		✓	✓	✓	✓
Remaining useful life		✓	✓	✓	✓
Expected useful life	✓	✓	✓	✓	✓
Criticality condition and usage	✓	✓	✓	✓	✓
Changes in RUL and residual values,		✓	✓	✓	✓

date and reason					
Accounting	✓	✓	✓	✓	✓
Historical cost	✓	✓	✓	✓	✓
Fair value/take on value /deemed cost	✓	✓	✓	✓	✓
Purchase date	✓	✓	✓	✓	✓
Invoice number	✓	✓	✓	✓	✓
Supplier name	✓	✓	✓	✓	✓
Cheque /payment number	✓	✓	✓	✓	✓
Order number	✓	✓	✓	✓	✓
Depreciation method	✓	✓	✓	✓	✓
Depreciation charge for the year	✓	✓	✓	✓	✓
Accumulated depreciation	✓	✓	✓	✓	✓
Impairment loss	✓	✓	✓	✓	✓
Accumulated impairment loss	✓	✓	✓	✓	✓
Carrying value	✓	✓	✓	✓	✓
Source of finance	✓	✓	✓	✓	✓
Disposals/write offs for the year	✓	✓	✓	✓	✓

18.3 Items to be excluded from the Fixed Asset Register

The uMngeni Municipality has identified below items as deemed items that shall be expensed upon acquisition due to their nature, value, and susceptibility to breaking. These items are consumable in nature and should be excluded in the FAR.

To ensure efficiency in the administration of this policy, the items on the below exclusion list do not meet the definition of assets at the uMngeni municipality and will be expensed when purchased.

Banner
Calculators
Clock
Desk Letter Tray
Drills (light duty)
Office Fans (Not Industrial)
Fire Extinguisher
Flagpole
Plastic, Contrate and still drum waste bins
Heaters
Kettles
Computer Keyboard
Measuring Wheels
Mirror
Plastic Assets (Chairs ,Tables etc.)
Pot plant
Weight Scale
Serving tray

Stationary – Punches
Stationary – Staplers
Tile Cutter (light duty)
TV Brackets

18.4 Internal Controls over the Financial Asset Registers

Controls around the asset register should be sufficient to provide an accurate, reliable and up to date account of assets controlled to the standards specified by the Chief Financial Officer and required by the Accounting Standards.

These controls will include the physical management and recording of all acquisition, assignments, transfers, losses and disposals of assigned assets as well as regular asset counts, and systems audits to confirm the adequacy of controls.

Transfers, Reallocation or Reassignment of Property, Plant or Equipment

- a) An Asset Manager retains management accountability and control for a particular asset until another Asset Manager in writing does accept responsibility for that asset, and the Chief Financial Officer endorses the transfer.
- b) The Asset Manager must advise the Chief Financial Officer on the prescribed form whenever an asset is permanently or temporarily reallocated or reassigned from one location to another.
- c) The form must be completed and signed by both the sender and receiver according to the Council's Delegation of Authority.
- d) The Manager Assets/Asset Controller will appropriately amend the Asset Register with all approved transfers.
- e) Assets must solely and exclusively be used for the purpose of the Council's business.

18.4 Verification of fixed assets

- a) Each General Manager shall at least once every financial year undertake a comprehensive verification of all immovable and movable assets controlled or used by the directorate concerned.
- b) Each General manager shall promptly and fully report in writing to the CFO in the format determined by the CFO with all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year and that the resultant report shall be submitted to the CFO not later than 31 May of the year in question.

PROCEDURES

- a) All movable assets, where practicable, must have a visible bar code or unique asset marking as determined by the Chief Financial Officer.
- b) Annual verification of movable assets should be conducted by the assets end user under the direction of General Manager's. This procedure would enable the assets management unit to identify discrepancies and dispositions and properly investigate and record the transactions.
- c) The General managers shall co-ordinate and control regular physical checks, and all discrepancies are to be reported immediately to the Asset Management Unit.
- d) Registers must be kept for those assets allocated to staff members. The officials are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.
- e) Where an asset has been transferred to an employee but the transferring office has not completed the asset transfer form, responsibility will rest with the original Department (transferee) or the Department who signed the invoice.
- f) Any losses of and damage to equipment, excluding discrepancies at stocktaking of losses resulting from normal handling or reasonable wear and tear, shall be reported to the Asset Management Unit.
- g) Independent checks from asset records shall be conducted by Asset Management Unit to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.
- h) Yearly physical inspections of assets shall be performed by assets end-user to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed off.
- i) All newly acquired assets shall be received by the procurement section the delivered to Assets Management Unit then accompany the supplier to the end user where the assets will be bar-coded on dispatch to the persons who will be the custodians of the assets. Where this is not practicable, the acquired assets must be delivered to the section issuing the requisition and that section must notify the procurement section so that bar-coding or asset marking can be arranged.
- j) Delivery of assets by procurement staff must be to the person requiring the Asset and he/she will sign a form accepting responsibility for the asset.
- k) The Asset Manager may, on request of Chief Financial Officer, waive full physical verification and accept written confirmation from the General Manager of infrastructure assets being verified during the course of a financial period as part of routine and/or planned maintenance and/or physical inspections. Documentation in this regard must be kept by Infrastructure Assets Department and be available for inspection.
- l) Standard operating procedure on physical verification and condition assessment of movable assets has been developed to ensure that all asset holders understand the role they supposed to play when it comes to control and safeguarding of assets assigned to them.

18.5 Asset listings

- a) The Asset unit must submit each quarter for the financial year, asset listings of capitalised assets to office of the CFO.
- b) At all times these asset listings should indicate the assets in particular location and should be easily accessible.
- c) When employees get appointed or resign from any specific post the relevant asset listings must be verified and accordingly endorsed by the Asset Champions for the specific workplace.
- d) All changes on asset listing sheets must be reported in writing to the Accountant Assets within 30 days of when change took place.

18.6 Assets Loss Control register

This register will be updated monthly and it contains information of all assets lost and damaged and the responsible person for such.

19. FINANCIAL DISCLOSURE

Assets must be disclosed in respect of each class of property, plant and equipment, in accordance with Generally Recognized Accounting Practice Standards.

20. ANNUAL REVIEW ON THE POLICY

This policy will be reviewed and updated annually or whenever legislative or accounting standards amendments significantly change the requirements pertaining to asset management in general and the administration of property, plant and equipment at a sooner event.

21. GENERAL

This policy does not overrule the requirement to comply with other policies like supply chain management, tendering or budget policies. The Chief Financial Officer will provide guidance or recommend an amendment to this policy to comply with the essence and understanding of the policies, regulations or legislation being conflicted.

22. COMMENCEMENT DATE

1 JULY 2023

23. ANNEXURE (FIXED ASSET ESTIMATED USEFUL LIVES)

asset Group	Asset Class	Asset type	life (years)	
			MIN	MAX
LAND	LAND	DEVELOPED LAND	0	0
LAND	LAND	UNDEVELOPED LAND	0	0
BUILDINGS	DWELLINGS	CARAVANS	5	10
BUILDINGS	DWELLINGS	CHILDREN'S HOMES	25	30
BUILDINGS	DWELLINGS	FOREIGN MISSION DWELLINGS	25	30
BUILDINGS	DWELLINGS	HOMES FOR THE AGED	25	30
BUILDINGS	DWELLINGS	HOSTELS	25	30
BUILDINGS	DWELLINGS	MILITARY PERSONNEL DWELLINGS	25	30
BUILDINGS	DWELLINGS	MOBILE HOMES	5	10
BUILDINGS	DWELLINGS	PLACES OF SAFETY	25	30
BUILDINGS	DWELLINGS	PRISONS AND REHABILITATION FACILITIES	25	30
BUILDINGS	DWELLINGS	RESIDENCES (PRESIDENTIAL, EMBASSIES)	25	30
BUILDINGS	DWELLINGS	RESIDENCES (PERSONNEL) INCL GARAGES AND PARKING	25	30
BUILDINGS	DWELLINGS	SECURE CARE CENTRES	25	30
BUILDINGS	DWELLINGS	RECREATIONAL / HOLIDAY ACCOMMODATION	25	30
BUILDINGS	DWELLINGS	RESIDENTIAL PERIMETER PROTECTION	10	25
BUILDINGS	NON RESIDENTIAL STRUCTURES	AIRPORT AND ASSOCIATED BUILDINGS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	BORDER AND CUSTOM CONTROL POINTS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	BUS TERMINALS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	BUS SHELTERS	10	15
BUILDINGS	NON RESIDENTIAL STRUCTURES	CIVIC THEATERS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	CLINICS AND COMMUNITY HEALTH FACILITIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	COMMUNITY CENTRES AND PUBLIC ENTERTAINMENT BUILDINGS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	DRIVER AND VEHICLE TESTING CENTRES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	FIRE STATIONS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	FOREIGN MISSION OFFICES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	HOSPITALS AND AMBULANCE STATIONS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	INDUSTRIAL BUILDINGS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	LABORATORIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	LIBRARIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	MORTUARIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	MUSEUMS AND ART GALLERIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	OFFICE BUILDINGS (INCL AIR CONDITIONING SYSTEMS)	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	PUBLIC PARKING (COVERED AND OPEN)	25	30

BUILDINGS	NON RESIDENTIAL STRUCTURES	POLICE STATIONS (AND ASSOCIATED BUILDINGS)	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	RAILWAY AND ASSOCIATED BUILDINGS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	RESEARCH FACILITIES (INCLUDING WEATHER)	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	STADIUMS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	TAXI RANKS	10	15
BUILDINGS	NON RESIDENTIAL STRUCTURES	UNIVERSITIES, COLLEGES, SCHOOLS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	WAREHOUSES (STORAGE FACILITIES INCLUDING DATA)	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	SPORT AND RECREATIONAL FACILITIES (TENNIS COURTS, SOCCER FIELDS, ETC.)	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	NON RESIDENTIAL PERIMETER PROTECTION	10	25
BUILDINGS	NON RESIDENTIAL STRUCTURES	ABLUTION / PUBLIC FACILITIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	CAR PORTS	10	15
BUILDINGS	NON RESIDENTIAL STRUCTURES	WORKSHOPS / STORE ROOMS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	MARKETS / SHOPS	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	STRUCTURES FOR AGRICULTURAL PURPOSES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	NURSERIES	25	30
BUILDINGS	NON RESIDENTIAL STRUCTURES	INTERNAL ROADS	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	COOLING TOWERS	25	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	MAINS	15	20
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	METERS PREPAID	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	METERS CREDIT	20	25
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	POWER STATIONS COAL	50	60
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	POWER STATIONS GAS	50	60
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	POWER STATIONS HYDRO	50	60
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	POWER STATIONS NUCLEAR	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	ELECTRICITY SUPPLY / RETICULATION	15	25
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	TRANSFORMERS	25	50
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	LINES UNDERGROUND	25	45
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	LINES OVERHEAD	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	CABLES	25	45
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	SUBSTATION SWITCHGEAR	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	SUBSTATION EQUIPMENT OUTDOOR	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	SUBSTATION EQUIPMENT GIS	15	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	SUBSTATION EQUIPMENT INDOOR	30	40

OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	ELECTRICAL PANELS	3	5
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	TELEMETRY	7	15
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	ELECTRICITY PERIMETER PROTECTION	10	25
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	STRUCTURE FOR ELECTRICAL PURPOSE	20	35
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	HIGH MAST LIGHTS	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	RING MAIN UNIT	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	BUILDING FOR ELECTRICAL PURPOSE	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ELECTRICITY	MINI SUB STATION	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES VEHICLE CONCRETE	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES VEHICLE STEEL	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES VEHICLE TIMBER	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES PEDESTRIAN CONCRETE	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES PEDESTRIAN STEEL	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES PEDESTRIAN TIMBER	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES RAILWAY CONCRETE	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES RAILWAY STEEL	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES RAILWAY TIMBER	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES REINFORCED RETAINING WALLS EARTH	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES REINFORCED RETAINING WALLS CONCRETE	25	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	BRIDGES EXPANSION AND CONSTRUCTION JOINTS	15	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER CULVERTS	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER CULVERTS CONCRETE	40	60
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER CULVERTS ARCO	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER DRAINS EARTHWORKS	80	100
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER DRAINS CONCRETE LINING	25	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER STOP BANKS	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER PIPES	25	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER COASTAL STRUCTURE	20	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER COASTAL PIERS	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	STORM WATER COASTAL OUTFALLS	60	80
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS KERB AND CHANNELS	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS MUNICIPAL ASPHALT SURFACE	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS MUNICIPAL ASPHALT BASIS/STRUCTURE	30	50

OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS MUNICIPAL CONCRETE SURFACE	10	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS MUNICIPAL CONCRETE BASIS/STRUCTURE	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS MUNICIPAL GRAVEL SURFACE	3	10
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS NATIONAL ASPHALT SURFACE	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS NATIONAL ASPHALT BASIS/STRUCTURE	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS NATIONAL CONCRETE SURFACE	10	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS NATIONAL CONCRETE BASIS/STRUCTURE	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS NATIONAL GRAVEL SURFACE	3	10
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PROVINCIAL ASPHALT SURFACE	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PROVINCIAL ASPHALT BASIS/STRUCTURE	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PROVINCIAL CONCRETE SURFACE	10	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PROVINCIAL CONCRETE BASIS/STRUCTURE	30	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PROVINCIAL GRAVEL SURFACE	3	10
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS CRASH BARRIERS	10	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS RETAINING WALLS	30	60
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS OVERLOAD CONTROL CENTRES	15	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS OVERLOAD ELECTRONIC HARDWARE	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS OVERLOAD EQUIPMENT OTHER	10	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PEDESTRIAN FOOTPATHS	15	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS STREET LIGHTING	25	40
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS SUBWAYS	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS TRAFFIC ISLANDS	40	50
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS TRAFFIC LIGHTS	15	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS TRAFFIC LIGHTS COASTAL	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS TRAFFIC SIGNS	5	15
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS TOLL ROAD PLAZAS	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PAVED SURFACE	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROADS PAVED BASIS/STRUCTURE	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROAD CALMING MEASURES	20	30
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROAD PERIMETER PROTECTION	15	20
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ROAD RESERVES	0	0
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	ATTENUATION PONDS	20	25
OTHER STRUCTURES (INFRASTRUCTURE)	ROADS	PARKING METERS	20	30

OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	COLLECTION VEHICLES	5	10
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	COLLECTION CONTAINERS / BINS	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	TRANSFER STATIONS AND PROCESSING FACILITIES STRUCTURE	30	55
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	TRANSFER STATIONS AND PROCESSING FACILITIES ELECTRICAL	15	40
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	TRANSFER STATIONS AND PROCESSING FACILITIES MECHANICAL	15	40
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	TRANSFER STATIONS AND PROCESSING FACILITIES PERIMETER PROTECTION	10	25
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE EARTHMOVING AND COMPACTION EQUIPMENT	10	15
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE PREPARATION	0	0
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE STRUCTURE	30	55
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE WEIGHBRIDGE MECHANICAL	15	40
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE WEIGHBRIDGE ELECTRICAL	15	40
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	LANDFILL SITE PERIMETER PROTECTION	10	25
OTHER STRUCTURES (INFRASTRUCTURE)	SOLID WASTE DISPOSAL	COST TO REHABILITATE		6
OTHER STRUCTURES (INFRASTRUCTURE)	CEMETERIES	CEMETERIES	25	30
OTHER STRUCTURES (INFRASTRUCTURE)	CEMETERIES	CEMETERIES PERIMETER PROTECTION	10	25
OTHER STRUCTURES (INFRASTRUCTURE)	CEMETERIES	CEMETERIES ABLUTION / PUBLIC FACILITIES	25	30
OTHER STRUCTURES (INFRASTRUCTURE)	CEMETERIES	CEMETERIES WORKSHOPS / STORE ROOMS	25	30
OTHER	MACHINERY AND EQUIPMENT	AUDIOVISUAL EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	BUILDING AIR CONDITIONING SYSTEMS	10	15
OTHER	MACHINERY AND EQUIPMENT	CELLULAR PHONES	0	2
OTHER	MACHINERY AND EQUIPMENT	CELLULAR ROUTERS	3	
OTHER	MACHINERY AND EQUIPMENT	DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	3	5
OTHER	MACHINERY AND EQUIPMENT	ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (COMPRESSORS / GENERATORS)	5	7
OTHER	MACHINERY AND EQUIPMENT	EMERGENCY / RESCUE EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	ELEVATOR SYSTEMS	15	20
OTHER	MACHINERY AND EQUIPMENT	FARM / AGRICULTURAL EQUIPMENT	5	15
OTHER	MACHINERY AND EQUIPMENT	FIRE FIGHTING EQUIPMENT	3	5
OTHER	MACHINERY AND EQUIPMENT	GARDENING EQUIPMENT	2	4
OTHER	MACHINERY AND EQUIPMENT	IRRIGATION EQUIPMENT	10	15
OTHER	MACHINERY AND EQUIPMENT	KITCHEN APPLIANCES	5	10
OTHER	MACHINERY AND EQUIPMENT	LABORATORY EQUIPMENT AGRICULTURAL	5	7
OTHER	MACHINERY AND EQUIPMENT	LABORATORY EQUIPMENT MEDICAL TESTING	5	7
OTHER	MACHINERY AND EQUIPMENT	LABORATORY EQUIPMENT ROADS AND TRANSPORT	5	7
OTHER	MACHINERY AND EQUIPMENT	LAUNDRY EQUIPMENT AND INDUSTRIAL SEWING MACHINES	10	15
OTHER	MACHINERY AND EQUIPMENT	LEARNING, TRAINING SUPPORT AND LIBRARY MATERIAL	5	10
OTHER	MACHINERY AND EQUIPMENT	MACHINES FOR METALLURGY	5	10
OTHER	MACHINERY AND EQUIPMENT	MACHINES FOR MINING AND QUARRYING	5	10

OTHER	MACHINERY AND EQUIPMENT	MACHINES FOR TEXTILE PRODUCTION	10	15
OTHER	MACHINERY AND EQUIPMENT	MEDICAL AND ALLIED EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	MUSIC INSTRUMENTS	10	15
OTHER	MACHINERY AND EQUIPMENT	PHOTOGRAPHIC EQUIPMENT	5	7
OTHER	MACHINERY AND EQUIPMENT	PUMPS, PLUMBING, PURIFICATION AND SANITATION EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	RADIO EQUIPMENT	5	7
OTHER	MACHINERY AND EQUIPMENT	ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	10	15
OTHER	MACHINERY AND EQUIPMENT	SADDLES AND OTHER TACK	5	7
OTHER	MACHINERY AND EQUIPMENT	SECURITY EQUIPMENT/ - SYSTEMS / - MATERIAL FIXED	3	5
OTHER	MACHINERY AND EQUIPMENT	SECURITY EQUIPMENT/ - SYSTEMS / - MATERIAL MOVABLE	3	5
OTHER	MACHINERY AND EQUIPMENT	SHIP AND MARINE EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	SPORT AND RECREATIONAL EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	SURVEY EQUIPMENT	5	7
OTHER	MACHINERY AND EQUIPMENT	TELECOMMUNICATION EQUIPMENT	3	5
OTHER	MACHINERY AND EQUIPMENT	TENTS, FLAGS AND ACCESSORIES	5	10
OTHER	MACHINERY AND EQUIPMENT	WOODWORKING MACHINERY AND EQUIPMENT	5	10
OTHER	MACHINERY AND EQUIPMENT	WORKSHOP EQUIPMENT AND LOOSE TOOLS FIXED	5	10
OTHER	MACHINERY AND EQUIPMENT	WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	3	5
OTHER	FURNITURE AND OFFICE EQUIPMENT	ADVERTISING BOARDS	3	5
OTHER	FURNITURE AND OFFICE EQUIPMENT	AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	3	5
OTHER	FURNITURE AND OFFICE EQUIPMENT	CUTLERY AND CROCKERY	5	10
OTHER	FURNITURE AND OFFICE EQUIPMENT	DOMESTIC AND HOSTEL FURNITURE	10	15
OTHER	FURNITURE AND OFFICE EQUIPMENT	LINEN AND SOFT FURNISHING	5	10
OTHER	FURNITURE AND OFFICE EQUIPMENT	OFFICE EQUIPMENT INCLUDING FAX MACHINES	5	7
OTHER	FURNITURE AND OFFICE EQUIPMENT	OFFICE FURNITURE	5	7
OTHER	FURNITURE AND OFFICE EQUIPMENT	PAINTINGS SCULPTURES ORNAMENTS	5	10
OTHER	COMPUTER EQUIPMENT	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	3	5
OTHER	COMPUTER EQUIPMENT	COMPUTER NETWORKS	5	10
OTHER	TRANSPORT ASSETS	AIRCRAFT	10	15
OTHER	TRANSPORT ASSETS	AIRCRAFT ENGINES	5	7
OTHER	TRANSPORT ASSETS	AIRPORT TRANSPORT EQUIPMENT	10	15
OTHER	TRANSPORT ASSETS	BUSSES	10	15
OTHER	TRANSPORT ASSETS	CYCLES	4	7
OTHER	TRANSPORT ASSETS	EMERGENCY VEHICLES	5	10
OTHER	TRANSPORT ASSETS	MOBILE CLINICS	10	15
OTHER	TRANSPORT ASSETS	MOTOR VEHICLES	4	7
OTHER	TRANSPORT ASSETS	RAILWAY ROLLING STOCK	10	15
OTHER	TRANSPORT ASSETS	SHIPS	15	20
OTHER	TRANSPORT ASSETS	SHIPS ENGINES	5	7

OTHER	TRANSPORT ASSETS	TRAILERS AND ACCESSORIES	5	10
OTHER	TRANSPORT ASSETS	TRUCKS	5	7
HERITAGE ASSETS	HERITAGE ASSETS	AREAS OF LAND OF HISTORIC OR SPECIFIC SIGNIFICANCE	0	
HERITAGE ASSETS	HERITAGE ASSETS	CULTURALLY SIGNIFICANT BUILDINGS	0	
HERITAGE ASSETS	HERITAGE ASSETS	NATIONAL MONUMENTS	0	
HERITAGE ASSETS	HERITAGE ASSETS	NATIONAL PARKS / RESERVES	0	
HERITAGE ASSETS	HERITAGE ASSETS	PAINTINGS	0	
HERITAGE ASSETS	HERITAGE ASSETS	SCULPTURES / STATUES	0	
HERITAGE ASSETS	HERITAGE ASSETS	MUNICIPAL JEWELLERY	0	0
HERITAGE ASSETS	HERITAGE ASSETS	WORKS OF ART	0	
HERITAGE ASSETS	HERITAGE ASSETS	OTHER ANTIQUES AND COLLECTIONS	0	
INTANGIBLE ASSETS	INTANGIBLE ASSETS	CAPITALIZED DEVELOPMENT COST	0	
INTANGIBLE ASSETS	INTANGIBLE ASSETS	COMPUTER SOFTWARE	2	5
INTANGIBLE ASSETS	INTANGIBLE ASSETS	MASTHEADS AND PUBLISHING TITLES	0	
INTANGIBLE ASSETS	INTANGIBLE ASSETS	PATENTS, LICENSES, COPYRIGHTS, BRAND NAMES AND TRADEMARKS	0	
INTANGIBLE ASSETS	INTANGIBLE ASSETS	RECIPES, FORMULAE, PROTOTYPES, DESIGNS AND MODELS	0	
INTANGIBLE ASSETS	INTANGIBLE ASSETS	SERVICE AND OPERATING RIGHTS	0	
INVESTMENT PROPERTY	UNDEVELOPED LAND	LEASED	0	
INVESTMENT PROPERTY	UNDEVELOPED LAND	UNDEFINED	0	
INVESTMENT PROPERTY	DEVELOPED LAND	LEASED	0	
INVESTMENT PROPERTY	DEVELOPED LAND	UNDEFINED	0	
INVESTMENT PROPERTY	DWELLINGS	LEASED	30	30
INVESTMENT PROPERTY	DWELLINGS	UNDEFINED	30	30
INVESTMENT PROPERTY	NON RESIDENTIAL STRUCTURES	LEASED	30	30
INVESTMENT PROPERTY	NON RESIDENTIAL STRUCTURES	UNDEFINED	30	30
ASSETS UNDER CONSTRUCTION	ASSETS UNDER CONSTRUCTION	BUILDINGS UNDER CONSTRUCTION	0	0
ASSETS UNDER CONSTRUCTION	ASSETS UNDER CONSTRUCTION	ROADS UNDER CONSTRUCTION	0	0
ASSETS UNDER CONSTRUCTION	ASSETS UNDER CONSTRUCTION	ELECTRICITY UNDER CONSTRUCTION	0	0
LEASED ASSETS	LEASED ASSETS	LEASED ASSETS		

24. ANNEXURE (FIXED ASSET CONTROL FORMS)

UMNGENI MUNICIPALITY

TERMINATION OF SERVICE: CONFIRMATION OF ASSETS

Important: This form must be completed prior to the termination of service of every employee, to ensure that all assets entrusted to such employee are verified

1. EMPLOYEE DETAILS	EMPLOYEE NO
----------------------------	--------------------

Surname		Name	
Directorate		Telephone No	
Line Manager		Last Working Day	

2. LINE MANAGER / DIRECTOR / EXECUTIVE DIRECTOR

I, _____ duly delegated as the responsible person in this Department do herewith confirm that all assets entrusted to the abovementioned employee were checked on by me in the presence of the said employee and the Asset unit Official, with the following outcome:

Discrepancies (attached list)		No Discrepancies	
-------------------------------	--	------------------	--

Signature	Date
------------------	-------------

3. EMPLOYEE

I, _____ do herewith confirm that all assets entrusted to me within the scope of my employment with the uMngeni municipality were checked on in my presence by my line manager / director / executive director and asset unit official with the following outcome

Discrepancies (attach list)		No Discrepancies	
-----------------------------	--	------------------	--

Signature	Date
-----------	------

4. ASSET MANAGEMENT UNIT

Name	
Signature	Date

Personal Asset Declaration Form

Particulars of the asset

Asset Description	
Serial Number	
Name of the user /owner	
Room number	
Building	

Reason for bringing the on to the premises:

Declaration: I....., the owner agree not to hold UMngeni municipality liable for any theft or damage incurred relating to the use the above mentioned asset

Department Asset Controller

Name & Surname	Signature	Date

Declaration: I....., the Asset controller, agree that UMngeni municipality is not the owner of the abovementioned asset

uMNGENI MUNICIPALITY

**ASSET CONTROL FORM
PURCHASE OF ASSET FORM**

DEPARTMENT	Section	Requisition no	Vote Number

End User to tick the appropriate box below as a reason for the purchase

New staff member	New asset	Damaged asset	Stolen asset	Replacing old asset

In case of stolen/damaged /redundant asset the below must be filled choose appropriate boxes

Old barcode	Stolen asset case no	Movement form completed	Insurance claim no

End user information

End user surname & initials	End –user Employee no	Contact details(extension no)	Room Number

End users signature :	Authorised by: signature

Asset Control Unit

Barcode number	Date received

Order no	Invoice No	Invoice Date	Supplier

Date captured on Asset register	Capturers Surname & initials	Signature

SECTION 1 : PROPERTY INFORMATION

ERF NUMBER	PORTION	AREA NAME				TOWNSHIP EXT		
Title Deed	Print out Attached	Yes	No	Vacant Land	Yes	No		
PHYSICAL ADDRESS								
Street Name				Street No				
Suburb								
Town				Postal code				
DETAILS	PARTICULARS AS REFLECTED IN THE GENERAL VALUATION ROLL				BUILDING PLAN INFORMATION Land Future use Information			

DESCRIPTION OF THE PROPERTY		Plan no		
CATEGORY		Plan Attached	yes	no
EXTENT M ²		Building Age	Years	Months
MARKET VALUE				
Title Deed No		Land Future use code		

Account No		Meter No	Water	
			Electricity	

SECTION 2: PROPERTY LIMITATIONS AND CONDITIONS

PROVIDE FULL DETAILS OF ALL SERVITUDES, ROADS PROCLAMATIONS OR OTHER ENDORSEMENTS AGAINST THE PROPERTY (IF APPLICABLE)

SERVITUDE NO		AFFECTED AREA	M ²
IN FAVOUR OF			
FOR WHAT PURPOSE			

SECTION 3 : DESCRIPTION OF BUILDINGS

(TICK APPROPRIATE BOX)

Site Name						
Building Name			Embedded to the building	Yes		No
Building Number			Embedded to the building	Yes		No
Office Building		Workshop		Libraries		
Sport-field Building		Stores		Museums		
Guardhouse		Park homes/offices		IBR structure Buildings(shacks)		
Worship centers		Restaurants		Block of flats		
Carport/Garage		Halls		Other		
Standalone Toilet		Multipurpose Centre				
Total Number of Buildings On Site		Building no on site				

GENERAL CONDITION OF PROPERTY (TICK APPROPRIATE BOX)

GOOD		AVERAGE		POOR	
------	--	---------	--	------	--

SECTION 4: Health and Safety

Evacuation Diagram			Safety Equipment		
Attached	Yes	No	Installed	Yes	No

(TICK APPROPRIATE BOX)

Fire Extinguisher		First Aid Box		Information signs	
Fire Hose		Emergence assemble Place Distance From building		Contact numbers emergency personnel	

SECTION 4: Protection and Roads extras services

Fencing			Roads/Parking			Sport fields		
Installed	Yes	No	Installed	Yes	No	Installed	Yes	No

(TICK APPROPRIATE BOX)

Palisade Fence			M ²	Tar Parking and drive way			M ²
Welded mesh Fence				Block/brick Fencing			M ²
Clear view Fence			M ²	Gravel Parking and drive way			M ²
Garden light/street light			No	Gates motorized			No
Gates Pedestrians			No	Gates un - motorized			No
Tennis court Tar			No	Squash Court			No
Soccer Pitch			No	Cricket Pitch			No
High mask lights			No	Basketball/Netball/Volleyball			No

Declaration Corporate Services

I / WE HEREBY DECLARE THAT THE INFORMATION AND PARTICULARS SUPPLIED ARE TRUE AND CORRECT.

(Date)

(Signature)

(Name Print)

Declaration Planning services

I / WE HEREBY DECLARE THAT THE INFORMATION AND
PARTICULARS SUPPLIED ARE TRUE AND CORRECT.
..... (Date) (Name Print)
..... (Signature)

Declaration Financial Services

I / WE HEREBY DECLARE THAT THE INFORMATION AND
PARTICULARS SUPPLIED ARE TRUE AND CORRECT..... (Date)
..... (Name Print) (Signature)

uMNGENI MUNICIPALITY

CAPITAL WORKS PROJECT

CAPITAL PROJECT DETAIL/ DESCRIPTION

DEPARTMENT	BUSINESS UNIT

CONTRACT NUMBER	VOTE

SUPPLIER

PROJECT START DATE	PROJECT FINISH DATE

PROJECT COST	MAINTENANCE PLAN COST	MAINTENANCE VOTE

PROJECT MANAGER:	GM MANAGER:
NAME:	NAME:
SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL

ASSET NUMBER/PROJECT NUMBER

DATE RECEIVED	DATE RECORDED IN FAR

ASSET CONTROL:

NAME:

SIGNATURE: _____

UMNGENI MUNICIPALITY
ASSET CONTROL FORM
DISPOSAL/RETIREMENT FORM

DEPARTMENT	BUSINESS UNIT

ASSET NUMBER	ASSET DESCRIPTION	PRESENT LOCATION/ ROOM NO	REASON FOR DISPOSAL/RETIREMENT	DATE

REQUESTED BY:	AUTHORISED BY:	BROUGHT TO STORAGE BY:
NAME :	NAME :	NAME :
SIGNATURE:	SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL

DATE RECEIVED	NAME	SIGNATURE	DATE RECORDED IN FAR

uMNGENI MUNICIPALITY
ASSET CONTROL FORM
MOVEMENT/TRANSFER FORM

DEPARTMENT	BUSINESS UNIT

ASSET NUMBER	ASSET DESCRIPTION	FROM DEPT(CODE) AND ROOM NO.	TO DEPT(CODE) AND ROOM NO.	REASON FOR TRANSFER	DATE OF TRANSFER

REQUESTED BY:	AUTHORISED BY:	BROUGHT TO STORAGE BY:
NAME :	NAME :	NAME :
SIGNATURE:	SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL

DATE RECEIVED	NAME	SIGNATURE	DATE RECORDED IN FAR

UMNGENI MUNICIPALITY

VIREMENT POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

1. Background and Purpose

1.1 Virement is the process of transferring funds from one line item of a budget to another, however this can only take place within a function or sub-function and the same source of funding. The term is derived from a French word meaning a commercial transfer.

1.2 Each year, the Municipality produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters), savings and reduced revenue projected. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the Local Government: Municipal Finance Management Act (“MFMA”) is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.

1.3 The purpose of this policy is therefore to provide a framework whereby transfers between line items within functions and sub-functions of the operating budget may be performed with the approval of certain officials.

2 Application of Policy

2.1 This policy applies only to transfers between line items within functions and sub-function of the Municipality’s operating budget.

2.2 Section 28(2) (d) read together with section 69 of the MFMA provides that “*An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.*” Transfers between votes may therefore be authorised only by the Council of the Municipality.

2.3 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

2.4 The policy shall not apply to transfers to and from the repairs and maintenance project in the project segment.

2.5 The policy shall not apply to transfers within transfers with different funding sources.

2.6 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

3. Authorisation of Virements

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- If the amount does not exceed R100 000 the transfer may be authorised by the Chief Financial Officer of the Municipality or the Municipal Manager of the Municipality after consultation with the Chief Financial Officer;
- If the amount exceeds R100 001 but does not exceed R 200 000, the transfer may be authorised by the Chief Financial Officer;
- If the amount exceeds R200 001, the transfer may be authorised by the Chief Financial Officer, on the recommendation of the Municipal Manager.

Commented [NN1]: R100 001

Commented [NN2]: R200 000

Commented [NN3]: R200 001

4. Limitations on amount of Virement

4.1 Notwithstanding the provisions of section 3:

- The total amount transferred from and to line items within a particular function in any financial year may not exceed 10% (the amount available after actual and committed expenditure is accounted for) of the amount allocated to that function;
- The total amount transferred from and to line items in the entire budget in any financial year may not exceed 10 % of the total operating budget for that year.

- A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to in 4.1 above may, however, be performed if the Council by resolution approves thereof.

5. Virement Permitted only if Savings are projected

A transfer of funds from one line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

6. Further Restrictions on Virement

6.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:

6.1.1 contravene any policy of the Municipality; or

6.1.2 alter the approved outcomes or outputs of an Integrated Development Plan; or

6.1.3 result in any adjustment to the Service Delivery and Budget Implementation Plan.

6.2 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality, except if the Municipal Manager approves of such change.

6.3 If any line item has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.

6.4 Transfers of funds may not be made under this policy between or from capital items or projects.

6.5 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.

6.6 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another.

6.7 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.

6.8 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.

6.9 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.

6.10 The approval of any transfer shall not *per se* constitute expenditure authority, and all expenditure resulting from approved transfers must, to the extent that same is applicable, be carried out in accordance with the Municipality's Supply Chain Management Policy.

7 Procedure for Virement

7.1 Proposals for transfers may be made by the Head of Department concerned.

7.2 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if :

7.2.1 the amount of the transfer does not exceed the amount referred to in section 3.1 and the transfer is not between function, the Chief Financial Officer shall:

7.2.1.1 approve the proposal, or

7.2.1.2 reject the proposal; or

7.2.1.3 refer the proposal to the Municipal Manager for approval or rejection;

7.2.2 the amount of the transfer does not exceed the amount referred to in section 3.1 but the transfer is between function, or if it falls within the range of amounts referred to in section 3.2, the Chief Financial Officer shall refer the proposal to the Municipal Manager who, after consultation with the Chief Financial Officer, shall approve or reject the proposal;

7.2.3 the amount of the transfer falls within the range of the amounts referred to in section 3.3, the Chief Financial Officer shall refer the matter to the Municipal Manger who in turn shall refer the matter to the Executive Committee, together with his recommendations, and the Executive Committee shall either approve or reject the transfer.

7.3 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

8. General

8.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.

8.2 This Policy shall come into effect on 1 July 2023.



Travel Allowance Policy



**UMNGENI
MUNICIPALITY**

Contents

<u>Definitions</u>	269
<u>2. Purpose Of The Scheme</u>	269
<u>3. Objectives Of The Scheme</u>	269
<u>4. Period Of Operation</u>	270
<u>5. Requirements For Participation</u>	270
<u>6. Classification Of Transport Allowances</u>	271
<u>6.1 Positions Receiving A Transport Allowance As A Benefit</u>	271
<u>6.2 Positions Receiving Transport Allowances For Operational Reasons</u>	271
<u>7. Determination And Re-Determination Of Official Kilometer Distances</u>	272
<u>7.1 Determination Of Official Kilometers For New/First Time Applications</u>	272
<u>7.2 Re-Determination Of Official Kilometers</u>	274
<u>7.3 Payment Of A Transport Allowance During The Period Of Keeping Logs</u>	275
<u>8. Calculation Of Transport Allowances</u>	275
<u>8.1 Implementation Of Amendments To The Fixed Costs And Running Costs</u> <u>Components</u>	275
<u>8.2 Calculation Of The Total Transport Allowance For All Transport Allowance</u> <u>Bearing Positions</u>	275
<u>9. Principles Of Compensation</u>	276
<u>10 Ad Hoc Remuneration</u>	276
<u>11. Transport Allowance When Acting</u>	277
<u>12. Suspension Of Transport Allowances</u>	278
<u>13. Securing Of Risks</u>	278
<u>14. Relinquishing Of Rights</u>	278
<u>15. Only Agreement</u>	279

Definitions

“DOT Rates” The Department of Transport Tariffs as determined from time to time (which includes interest, depreciation, licensing and insurance) and the Running Costs for Petrol Cars Table (which includes service, repair, tyres, fuel).

“Ad Hoc Travelling” Travelling in exceptional cases, when occasional official trips have been undertaken by means of a private vehicle.

“ULM” The uMngeni Local Municipality as the Employer.

“HRM Department” Human Resources Management, within the Corporate Services Cluster.

“Official Kilometres” The kilometres travelled by an employee for official purposes within the entire municipal area, including trips outside the uMngeni Municipal jurisdiction trips between place of work and home.

“Participant” An employee who is appointed on a permanent or temporary basis in a transport allowance bearing position.

“Scheme” The uMngeni Municipality Transport Allowance Scheme

“Total Fixed Costs” The component of the transport allowance that covers the costs of interest, insurance, depreciation and licensing, indicated in the Fixed Costs Table of the AA Rates, as amended from time to time.

“Total Running Costs” The component of the transport allowance that covers the costs of services, repairs, tyres, and fuel, as indicated in the Running Costs for Petrol Cars Table of the AA Rates, as amended from time to time.

“Transport Allowance Bearing Position” A position on the approved organisational structures to which a monthly transport allowance is allocated.

“Vehicle” A privately owned vehicle, as defined by the Department of Transport, which is utilized and suitable for the execution of official duties of the employee.

2. Purpose Of The Scheme

2.1 To provide the payment of a transport allowance in respect of the utilization of a privately owned vehicle in the execution of official duties, or as a benefit, regardless whether the utilization of such transport is permanent or ad hoc.

3. Objectives Of The Scheme

The objectives of the scheme are to provide for the following:

3.1 Uniform guidelines, conditions and limitations in terms of which the scheme is to be run in order to restrict differences

3.2 To compensate employees in a fair and reasonable manner for the utilization of private travel in the execution of official duties.

4. Period Of Operation

4.1 The scheme comes into effect on the first day of the month following the month in which it is approved by the ULM. Effective 1st December 2013.

5. Requirements For Participation

5.1 An employee who is appointed by the ULM on a permanent or temporary basis in Management positions with a minimum salary grade of T14 which are approved by the Municipal Manager to utilize their private vehicles for official duties, provided that:

- (a) The employee has a valid driver's license;
- (b) A privately owned vehicle must be available on a daily basis; and
- (c) No official vehicle of the ULM may be utilized by the participant as a driver or a passenger.

5.2 Employees receiving a transport allowance for operational reasons, excluding those referred to in paragraph 5.1 above, must comply with the following criteria:

- (a) The use of a private vehicle is required for the execution of his/her duties;
- (b) The employee has a valid driver's license;
- (c) A privately owned vehicle must be available on a daily basis;
- (d) No official vehicle of the ULM may be utilized by the participant as a driver or a passenger.
- (e) The total official kilometre distance travelled, must not be less than 400 (four hundred) km and not exceeding 1,200 (one thousand two hundred) km per month.
- (f) General Managers to ensure that travel allowance is within the Budget.

5.3 An employee performing any functions which require one or more of the following, will automatically be EXCLUDED from participation in the Scheme:

- (a) The functions require specialized vehicles and/or equipment;
- (b) The functions necessitate the transportation of co-worker(s) and/or equipment: and
- (c) The primary functions are to transport goods and/or people.

5.4 An employee, excluding those referred to in paragraph 5.1 above, is entitled to participate in the Scheme, if the investigation performed by the HRM Department confirms participation and approval is granted by the ULM.

6. Classification Of Transport Allowances

6.1 Positions Receiving A Transport Allowance As A Benefit

6.1.1 The kilometre allocation of 400 km per month is applicable to the incumbents of the positions on salary levels T14 and above receiving a transport allowance as a benefit, where the incumbents of these positions automatically qualify for a monthly transport allowance.

6.1.2 The kilometre allocations of these positions are for trips within the boundaries of the ULM.

6.1.3 The participant will be compensated on an ad hoc basis (refer to paragraph 11) for approved trips outside the boundaries of the ULM ONLY if the kilometre allocations as indicated in paragraph 6.1.1, or as re-determined (refer to paragraph 7.2), are exceeded.

6.1.4 All employees receiving travel allowances should keep a logbook.

6.2 Positions Receiving Transport Allowances For Operational Reasons

6.2.1 The allowance is applicable to those positions where the criteria for participating in the Scheme are complied with (refer to paragraph 5).

6.2.2 The allowance is based on the actual official kilometres travelled, as referred to in paragraph 7, confirmed by means of daily logs kept for a period of 6 (six) consecutive months.

6.2.3 The kilometre distance allocated to the position is for trips within the boundaries of the ULM.

6.2.4 The participant shall be compensated on an ad hoc basis for trips outside the boundaries of the ULM during the period while keeping logs (refer to paragraph 11).

6.2.5 The participant will be compensated on an ad hoc basis for approved trips outside the boundaries of the ULM ONLY if the fixed kilometre allocations as referred to in paragraph 6.2.2, are exceeded.

6.2.6 The kilometres are fixed, unless:

- (a) Approved otherwise, as referred to in paragraph 7.2; and

(b) The maximum official kilometres travelled may not exceed 1,200 (one thousand two hundred) kilometres per month.

7. Determination And Re-Determination Of Official Kilometer Distances

7.1 Determination Of Official Kilometers For New/First Time Applications

7.1.1 When an employee is instructed to utilize his/her private vehicle in the execution of his/her duties, AND no official transport is available, the employee can complete an official application form and forward it to the departmental head for recommendation.

(a) If the application is not recommended by the departmental head, the form must be submitted to the HRM Department to be processed administratively.

(b) If the application is recommended by the departmental head, the form must be forwarded to the HRM Department for investigation.

7.1.2 After the investigation by the HRM Department, the request can be:

(a) Disapproved by the Municipal Manager, or his delegate, if the HRM Department confirmed that not all the requirements as indicated in paragraph 5 are met and the employee is informed accordingly, or

(b) Provisionally approved by the Municipal Manager or his delegate, if the HRM Department confirmed that all the requirements as indicated in paragraph 5 are met.

7.1.3 If provisionally approved, the employee is informed officially by the General Manager: Corporate Services, or as delegated:

(a) To keep logs of the official kilometres travelled for a period of 6 (six) consecutive months, on the prescribed log sheets.

(b) That the onus rests on the employee to insure his/her vehicle for business purposes during the period of keeping logs and that the employer will not be held liable.

7.1.4 No official vehicle will be made available for the purpose of keeping logs.

7.1.5 The logs shall be used to determine the monthly official kilometres allocated to a position(s).

7.1.6 While keeping logs:

a) Trips outside the boundaries of the ULM area, (i.e. Pietermaritzburg, Durban, etc.) shall not form part of the official kilometre allocation.

The employee may claim on an ad hoc basis for these trips (refer to paragraph 11).

b) Trips between place of work and home do not form part of the determination of official kilometres.

7.1.7 Logs completed on the official log sheets (as supplied by the HRM Department) must be submitted on a weekly basis to the HRM Department for verification, after it has been approved by:

- (a) The relevant Sectional and Divisional Head in the case of an operational position; or
- (b) The relevant General Manager in the case of a Manager.

7.1.8 Should the 6 (six) months period of keeping logs be interrupted by any leave of absence, such period be extended by the period of leave.

7.1.9 After completion of the period of keeping logs, the kilometres travelled must be calculated and the employee must be officially informed of the results by the HRM Department.

7.1.10 In order to obtain the official monthly kilometres that should be allocated to the position, the total kilometres travelled during the 6 (six) months must be divided by 6 (six) and the result rounded off to the nearest 50 (fifty) kilometres.

7.1.11 If the calculations proves that the kilometres travelled per month do not comply

inter alia with the minimum or maximum kilometre requirements for participation:

- (a) The position will not be included in the Scheme (refer to paragraph 5)
- (b) The employee and departmental head or his/her nominee concerned must be informed officially, in writing by the General Manager: Corporate Services, or as delegated.

7.1.12 If the calculations proof that the kilometres travelled per month comply inter alia with the minimum or maximum kilometre requirements for participation, the HRM Department will:

- (a) Officially inform the employee and the departmental head or his/her nominee concerned within 1 (one) month after completion of the logs; and
- (b) Submit a report in this regard to the Council for approval.

7.1.13 During the period it takes to approve the report as mentioned in paragraph 7.1.12 above, the employee concerned should continue to submit logs to the HRM Department for compensation purposes, as set out in paragraph 7.1.14.

7.1.14 After the Council approves the report as mentioned in paragraph 7.1.12, the employee concerned shall be remunerated as follows:

- (a) The total' transport allowance, as approved, from the first day of the month following the month of the council resolution; and
- (b) A once-off payment of the difference, based on:
 - (i) The approved transport allowance; and
 - (ii) The actual ad hoc payments received from the day following the completion of logs to the end of the month in which the report was approved.

7.1.15 The General Manager: Corporate Services or his / her delegate, can verify, question and test the contents of any log sheet at any point in time while an employee is keeping logs.

7.2 Re-Determination Of Official Kilometers

7.2.1 Should the ULM require a re-determination of the official kilometres allocated to a transport allowance bearing position(s) by Municipal Manager's Determination, the participant(s) concerned commences to keep logs as set out in paragraph 7.1.

7.2.2 Should the participant of a transport allowance bearing position require a redetermination of the official kilometres allocated to the position, a written motivation, together with an official application form, should be submitted to the relevant departmental head for recommendation.

(a) If the application is not recommended by the departmental head or his/her nominee concerned, the documentation must be submitted to the HRM Department to be processed administratively.

(b) If the application is recommended by the departmental head or his/her nominee concerned, the documentation is forwarded to the HRM Department for investigation.

7.2.3 After the investigation by the HRM Division, the request can be:

(a) Disapproved by the Municipal Manager, or his / her delegate, if the investigation by the HRM Department does not confirm the re-determination of official kilometres and the employee is informed accordingly, or

(b) Provisionally approved by the Municipal Manager, or his / her delegate, if the investigation by the HRM Department confirms the redetermination of official kilometres.

7.2.4 If provisionally approved, the participant concerned is informed officially by the General Manager: Corporate Services, or his / her delegate, to keep logs in accordance with paragraph 7.1.

7.2.5 The incumbent of the transport allowance bearing position retains his/her current transport allowance for the period of keeping logs, until such time as the ULM approves the re-determined official kilometres. Once approved, implementation is effective from the first day of the month following the month of the resolution.

7.2.6 In the case where it is ascertained, as a result of a re-determination of official 09 kilometres, that a participant travels less than 400 (four hundred) per month for official purposes, the participant:

(a) Should utilise official transport; and

(b) Should be dealt with in terms of the suspension of transport allowance criteria as set out in paragraph 13.

7.3 Payment Of A Transport Allowance During The Period Of Keeping Logs

7.3.1 During the period in which the employee is keeping logs, he/she will be compensated on a monthly basis for the actual kilometres travelled, after completion of the official ad hoc forms, as follows:

- (a) Running costs will be paid, based on a standardised engine capacity of, according to the Department of Transport tariffs for the actual kilometres travelled.
- (b) Only the insurance element of the fixed costs component will be paid, based on the Department of Transport tariffs where the purchase price is considered as the annual salary notch plus the annual leave bonus/13th cheque, of the employee, converted to a daily tariff.

8. Calculation Of Transport Allowances

All employees as listed under section 5.1 shall receive monthly fixed car allowance of 32% of annual basic salary as an allowance and shall be an added benefit to the basic salary.

8.1 Implementation Of Amendments To The Fixed Costs And Running Costs Components

8.1.1 In terms of the fixed costs component:

- (a) Amendments to the total fixed costs will be implemented annually in July of each year.
- (b) The total fixed costs will be adjusted with salary increments, where applicable.

8.1.2 In terms of the running costs component: Amendments to the total running costs will be implemented annually, based on the prevailing Department of Transport tariffs and the fuel costs as determined from time to time.

8.2 Calculation Of The Total Transport Allowance For All Transport Allowance Bearing Positions

8.2.1 (a) The total fixed costs are calculated as follows:

- (i) The annual salary notch plus the annual leave bonus/13th cheque equals the purchase price of the vehicle; and
- ii) The corresponding figure (which is the cost per kilometre) in the "10,000 (ten thousand)" km column multiplied by 10,000 (ten thousand) divided by 12 (twelve) months, equals the monthly fixed costs. PLUS

- (a) The total running costs, is to be based on the Department of Transport tariffs as indicated in the Running Costs Table for Petrol / Diesel Cars, based on an engine capacity.

9. Principles Of Compensation

The following principles are applicable with regard to the payment of transport allowances:

9.1 A transport allowance for the particular calendar month shall be paid on a monthly basis.

9.2 With regard to unpaid leave:

- (a) The transport allowance be reduced on a pro rata basis; and
- (b) No fixed or running costs are payable during this period, unless the ULM resolves otherwise.

9.3 With regard to maternity leave, only fixed costs are payable for the applicable period.

9.4 With regard to sick leave, the following is applicable:

- (a) Full-paid sick leave: full transport allowance is payable;
- (b) Half-paid sick leave: only fixed costs will be paid for the applicable period;

10 Ad Hoc Remuneration

10.1 Ad hoc remuneration is payable in cases where occasional official trips are undertaken by means of private transport by permanently appointed employees. The following provisions apply:

10.2 ALL TRANSPORT ALLOWANCE BEARING POSITIONS (BENEFIT POSITIONS AND OPERATIONAL POSITIONS)

10.2.1 Ad hoc remuneration is payable for official trips outside the boundaries of the ULM ONLY when the monthly kilometre allocation of the position is exceeded.

10.2.2 All ad hoc claims must be submitted for payment within the period of two calendar months from the date of recording the first trip, after exceeding the fixed monthly kilometre allocation of the position. If not, payment will be forfeited.

10.2.3 Claims for ad-hoc trips must be completed on the official claim form certifying the purpose of the trip and the actual kilometres travelled, approved by the relevant General Manager and forwarded to the Finance Department.

10.2.4 Trips between place of work and home shall not form part of ad hoc remuneration.

10.3 NON-TRANSPORT ALLOWANCE BEARING POSITIONS

10.3.1 Claims for ad hoc trips must be completed on the official claim form certifying the purpose of the trip and the actual kilometres travelled, approved by the relevant General Manager and forwarded to the Finance Department.

10.3.2 All ad hoc claims must be submitted for payment within the period of two calendar months from the date of recording the first trip, if not, payment will be forfeited.

10.3.3 Trips between place of work and home shall not form part of the ad hoc remuneration.

10.4 PAYMENT OF AD HOC CLAIMS FOR NON-TRANSPORT ALLOWANCE BEARING POSITIONS

10.4.1 Only the insurance costs element of the fixed costs component, as well as running costs, are payable for ad hoc remuneration, as follows:

(a) Insurance costs will be paid, based on the applicable AA Rates, where the purchase price is considered as the annual salary notch plus the annual leave bonus/13th cheque of the employee.

(b) Running costs will be paid, based on a standardized engine capacity of 2500 cc, according to the Running costs for Petrol Cars Table in the AA Rates, for kilometres travelled.

10.5 PAYMENT OF AD HOC CLAIMS FOR TRANSPORT ALLOWANCE BEARING POSITIONS

10.5.1 Only running costs will be paid, based on a standardised engine capacity of 2500 cc, according to the Running Costs for Petrol Cars table of the AA Rates, for kilometres travelled.

11. [Transport Allowance When Acting](#)

11.1 A participant of a transport allowance bearing position who temporarily acts in a permanent transport allowance bearing position on a higher salary level, will not receive the transport allowance applicable to the position in which he/she acts.

11.2 An employee of a non-transport allowance bearing position who temporarily acts in a permanent transport allowance bearing position, and if he/she provides a privately owned vehicle for the acting period, will be remunerated on an adhoc basis for actual kilometres travelled.

12. Suspension Of Transport Allowances

12.1 A participant occupying a transport allowance bearing position, who requests to be permanently transferred to a non-transport allowance bearing position, will forfeit the transport allowance from the date of transfer.

12.2 The ULM may resolve to rescind a participant's transport allowance, in the following cases:

- (a) Where a participant in a transport allowance bearing position without his/her request be transferred to a non transport allowance bearing position, or
- (b) Where the job contents of a transport allowance bearing position change to such an extent that it will have an effect on the allocation of the transport allowance

12.3 After consultation between the ULM and the participant concerned and his/her trade union, a report be submitted to the ULM for approval, after which a written notice be given that the termination of the transport allowance be effective after a period of 6 (six) months.

12.4 Where an incumbent of a transport allowance bearing position is injured to such an extent that he/she is unable to drive on a permanent basis, the ULM may resolve that:

- (a) The payment of his/her allowance be based on the fixed costs component, until his/her external vehicle loan is redeemed in full, after which no transport allowance be payable to such an employee; OR
- (b) The staff member redeems his/her external vehicle loan in full, after which no transport allowance be payable to such an employee.

13. Securing Of Risks

13.1 The onus shall ultimately rest on the participant to ensure that the vehicle is comprehensively insured for business purposes and the ULM shall not attract any liability of whatsoever nature in the case of the vehicle being damaged, destroyed or stolen.

14. Relinquishing Of Rights

14.1 Should any party neglect to act against the other party regarding the non-compliance of this agreement or should one party extend leniency, this shall not be construed as a waiver of rights in terms of the agreement. It shall also not be prejudicial to that party in future actions.

14.2 The failure of the ULM to strictly enforce the terms of this agreement against the participant in any one instance shall not be construed as a waiver by the ULM of any of its rights in terms of the agreement and shall not prejudice the ULM to act against such participant at any later stage.

15. Only Agreement

15.1 This agreement contains the full agreement between the parties and any stipulations, provisions or conditions, whether specific or by implication not included in this agreement are excluded and any variation, change or addition to this agreement is null and void and bears no legal rights unless it is otherwise agreed and it is put in writing and signed by the parties to this agreement.

16. Interpretation / Application Of The Policy

16.1 If there is any dispute about the Interpretation of Application of this Policy, it must be referred to the Municipal Manager.

UMNGENI MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY



Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023



MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
ADOPTED IN TERMS OF
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT, ACT NO. 56 OF 2003

Date of adoption:
Date of Implementation: 1 July 2023

The uMngeni Municipality Council resolved in terms of chapter 11, 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 uMngeni Municipality.

TABLE OF CONTENTS

- 1. Definitions

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

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

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

- 9. Format of supply chain management system

Part 1: Demand management

10. System of demand management

Part 2: Acquisition management

11. System of acquisition management

12. Range of procurement processes

13. General preconditions for consideration of written quotations or bids

14. Lists of accredited prospective providers

15. Petty cash purchases

16. Written or verbal quotations

17. Formal written price quotations

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

19. Competitive bidding process

20. Process for competitive bidding

21. Bid documentation for competitive bids

22. Public invitation for competitive bids

23. Procedure for handling, opening and recording of bids

24. Negotiations with preferred bidders

25. Two-stage bidding process

26. Committee system for competitive bids

27. Bid specification committees

28. Bid evaluation committees

29. Bid adjudication committees

30. Procurement of banking services

31. Procurement of IT related goods or services

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

33. Procurement of goods necessitating special safety arrangements

34. Proudly SA Campaign

35. Appointment of consultants

36. Deviation from, and ratification of minor breaches of, procurement processes
37. Unsolicited bids
38. Combating of abuse of supply chain management system

Part 3: Logistics, Disposal, Risk and Performance Management

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

Part 4: Other matters

43. Prohibition on awards to persons whose tax matters are not in order
44. Prohibition on awards to persons in the service of the state
45. Awards to close family members of persons in the service of the state
46. Ethical standards
47. Inducements, rewards, gifts and favors
48. *Sponsorships*
49. Objections and complaints
50. Resolution of disputes, objections, complaints and queries
51. Contracts providing for compensation based on turnover
52. Cross Reference with other policies and acts

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 uMngeni 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 uMngeni 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 uMngeni 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

- (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(3) 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 maximise 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 uMngeni Municipality or to a committee which is not exclusively composed of officials of the uMngeni 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 R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –
 - (i) the chief financial officer; or
 - (ii) a bid adjudication committee of which the chief financial officer is a member.
- (c) not exceeding R2 million (VAT included) may be sub-delegated but only to –
 - (i) **the chief financial officer and**
 - (ii) **the General Manager: Technical Services, the General Manager: Community Services, the General Manager: Planning & Economic Development; or General Manager: Corporate Services**
 - (iii) **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 director; or
 - (iii) a bid adjudication committee of which the chief financial officer is a member; or
 - (b) to the chief financial officer or the director responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(ii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a director 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 –

(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 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 the uMngeni 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 the uMngeni 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 the uMngeni 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 uMngeni 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) A supply chain management policy must, subject to the regulations 11 (2), provide for the procurement of goods and services by way of-

- (a) petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - (b) written or verbal quotations for procurement of a transaction value over R2 000 up to R10 000 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R10 000 up to **R300 000** (VAT included); and
 - (d) a competitive bidding process for-
 - i. procurement above a transaction value of **R300 000** (VAT included); and
 - ii. the procurement of a long term contract.
- (2) A supply chain management policy may allow the accounting officer-
- (a) lower, but not increase, the different thresholds values specified in subparagraph (1) or
 - (b) direct that –
 - i. written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - ii. formal written quotations 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 **R300 000 as per paragraph 12 (1) (c) and (d) (i).**
- (3) A supply chain management policy must state-
- (a) that goods or services may not deliberately split into parts or items of a lesser value merely to avoid complying with the requirements of the policy; and
 - (b) that when determining transactions values, a requirement for goods or service 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 uMngeni Municipality to obtain a tax clearance from the South Africa 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.
 - (iv) As per annexure B, whether he or she, or the legal entity represented complies with the uMngeni BBBEE strategy. Specifically in terms of reporting the BEE status of its Management, Employment equity, Skills development, Preferential procurement, or is a Qualifying Small Enterprises (QSE), or an Exempted Enterprises, as envisaged under the uMngeni municipality BBBEE strategy.

Lists of accredited prospective providers

14(1) The Accounting Officer shall;

- (a) through at least national, provincial and local representative newspapers, and by any other means, if possible, and if required, invite prospective

suppliers to apply for evaluation and listing as a prospective supplier. (Refer to application form Annexure A : Database Registration Form)

(b) This will be a listing of prospective suppliers, firms, professionals and offices to be used to procure requirements covering the disciplines of supply of goods and services, project management, facilitation services, development management, capacity building, architecture, quantity surveying and civil/ structural/ geotechnical/ and electrical engineering, legal practices, mechanical engineering and general technical/professional support which will be required by the uMngeni Municipality and which will contain, inter alia, the data in respect of the Head Office and Branch Office of every firm.

(c) This list should also be used effectively to promote the participation of small, medium and micro enterprises (SMME's) and broad based black empowerment in line with the requirements as detailed in annexure B – the uMngeni Municipality BBBEE. The list should be updated at least quarterly in order to accommodate especially newly established prospective suppliers.

Commented [D4]:

(d) Once the list has been compiled per commodity service, price quotations should be invited there from. The invitation of price quotations from the compiled list of prospective suppliers per commodity should be done on a rotation basis in such a manner that ongoing competition among suppliers is promoted.

Commented [D5]:

(e) Where no suitable suppliers are available from the list of prospective suppliers, quotations may be obtained from supplier listed on the Provincial Treasury Database and or other possible suppliers. If it is not possible to obtain at least three (3) quotations, the reasons should be recorded and approved by the Accounting Officer.

- (f) uMngeni Municipality will maintain a database of suppliers (manual and electronic system), which will include, small and emerging business. There will be a standard list of suppliers with whom contract will be negotiated for a period up to one year.
- (g) Prospective suppliers/ bidders will be required to submit relevant information for registration using Supplier Database Application Forms, available at uMngeni Municipality and on the website
- (h) Among other things the database to be utilised as a mean of identifying potential SMME's for bidding purposes.
- (i) Based on work done, the database will be made available to all user departments. The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective services providers must be allowed to submit applications for listing at any time.
- (j) The Accounting Officer must disallow the listing of any prospective provider whose name appears on the National Treasury's database or other bona fide database as a person prohibited from doing business with the public sector.

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) Municipal Manager to determine the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;

- (b) Municipal Manager to determine the maximum number of petty cash purchases or the maximum amounts per month for each manager;
- (c) Municipal Manager to determine any types of expenditure from petty cash purchases that are excluded, where this is considered necessary; and
- (d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

Written 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 uMngeni 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) and (e) 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 uMngeni 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), (c) and (e) of this Policy;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
- (d) the accounting officer must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within three 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 uMngeni Municipality;

Commented [D6]:

- (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 sub-delegation;
- (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;
- (e) 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;
- (f) Municipal Manager to determine the requirements for proper record keeping
- (g) The accounting officer must take all reasonable steps to ensure that the procurement of goods and service through written or verbal quotations or formal written price quotations is not abused.

Competitive bids

19. (1) Goods or services above a transaction value of **R300 000** (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 2 (3) of this Policy.

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

Process for competitive bidding

20. The procedures for 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 and the uMngeni Municipality BBBEE strategy attached in annexure B;

- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a **Kwa-Zulu Natal** 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 **or** the website of the

uMngeni Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin) and on **eTenders Portal**; 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 uMngeni 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 uMngeni Municipality taking into account the priority areas as indicated in the uMngeni Municipality BBBEE strategy attached in annexure B

(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 each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001 as well as taking into account the priority areas as indicated in the uMngeni BBBEE strategy attached in annexure B; 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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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.

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

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 uMngeni 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. (1)The uMngeni Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference to procuring goods and services is in compliance with the provisions of the PPPFA Regulations which came into effect on the 7th of December 2011. These regulations advise that the preferential evaluation of bids and the awarding of preference points must be aligned to the bidders B-BBEE level contribution and must follow the matrix below. No other mechanism may be used in the allocation of preference points. **The 80/20 preference point system for acquisition of goods, services and / or works up to a Rand value of R 50 000 000**

(1) The following formula must be used to calculate the points for price in respect of bids/ procurement with a Rand value equal to, or above R 30 000 and up to a Rand value of R 50 000 000 (all applicable taxes included). The accounting officer may, however, apply this formula for procurement with a value of less than R 30 000, if and when appropriate:

A maximum of 80 points is allocated to Price only on the following basis:

$$P_s = 80 \left(\frac{1 - P_t - P_{\min}}{P_{\min}} \right)$$

Where

P_s = Points scored for price of bid under consideration

P_t = Rand value of bid under consideration

P_{\min} = Rand value of lowest acceptable bid

- (1) A maximum of 20 points may be awarded to a bidder for attaining the B-BBEE status level contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant Contributor	0

- (2) The points scored by the bidder in respect of B-BBEE contribution contemplated in the table above must be added to the points scored for price.

The 90/10 preference point system for acquisition of goods, services and / or works above a Rand value of R 50 000 000.

- (1) The following formula must be used to calculate the points for price in respect of bids/ procurement with a Rand value above R50 000 000 (all applicable taxes included)
- (2) A maximum of 90 points is allocated to Price only on the following basis:

$$P_s = 90 \left(\frac{1 - \frac{P_t - P_{\min}}{P_{\min}}}{P_{\min}} \right)$$

Where

P_s = Points for comparative price bid under consideration

P_t = Comparative price of bid under consideration

P_{\min} = Comparative price of lowest acceptable bid

A maximum of 10 points may be awarded to a bidder for attaining the B-BBEE

status level contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant Contributor	0

- (3) The points scored by the bidder in respect of B-BBEE contribution contemplated in sub-section (2) must be added to the points scored for price as calculated in accordance with sub-section (1).

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 **R300 000** (VAT included); or
- (b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) all consultancy services provided to an organ of state in the last five years; and
- (b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the uMngeni 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 2 (3) 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 uMngeni 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, favoritism, 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 uMngeni 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 uMngeni 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 uMngeni 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, redundant or obsolete assets are subject to sections 14 and 90 of the Act.
- (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.

Risk management

41. (1) The accounting officer must ensure that potential risks in the supply management system are identified, considered and avoided.

(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 authorized 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 uMngeni 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 *“National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management”* is hereby established for officials and other role players in the supply chain management system of the uMngeni 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 uMngeni 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 favors to uMngeni 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 uMngeni 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

49.1 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.

49.2 The person hearing the objection must within 30 days after receipt of the written representation from the objector determine whether the objection is frivolous, vexatious or without merit.

49.3 If the person hearing the objection finds that the objection is frivolous, vexatious or without merit, he/she

- a. must dismiss the objection and in writing notify the objector and any other interested party of his/her decision together with reasons for the decision; and
- b. must make an appropriate order as to costs. Which may include the costs to the Municipality of having the objection heard

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 uMngeni 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 the uMngeni 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 uMngeni Municipality must stipulate –
- (a) a cap on the compensation payable to the service provider; and
 - (b) that such compensation must be performance based.

Cross Reference with other Policies and Acts

52. The Accounting Officer shall in implementing this Policy do so in a manner that will stimulate Broad-Black Based Economic Empowerment Act and Objectives to stimulate Black Participation in the economy. The Accounting officer shall implement the policy in cross referencing with the following policies;-

- a) Broad-based Black Economic Empowerment Policy,
- b) Broad-based Black Economic Empowerment Act,
- c) uMngeni Contract Participation Goals-PGC (Strategy to Enhance and Stimulate Broad-Based Black Economic Empowerment and Participation in the Economy)

Implementation Date

53. This Policy takes effect on 1 July 2023.

uMNGENI MUNICIPALITY



uMNGENI CONTRACT PARTICIPATION GOALS

(STRATEGY TO ENHANCE AND STIMULATE LOCAL BROAD-BASED BLACK ECONOMIC EMPOWERMENT AND PARTICIPATION IN THE ECONOMY)

READS WITH uMNGENI SUPPLY CHAIN MANAGEMENT POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

The uMngeni Municipal Council resolves in terms of the Local Government: Finance Management Act (no. 56 of 2003), to adopt the following Contract Participation Goals (CPG) in terms of the uMngeni Municipality's Broad-Based Black Economic Empowerment Policy, as adopted in line with the Broad-Based Black Economic Empowerment Act.

Content

1. Delegation of Powers and Implementation of Contract Participation Goals
2. Objective of uMngeni Contract Participation Goals
3. Contract Participation Goals
4. Applicability
5. Eligibility Criteria
6. Declaration of Work Earmarked for Targeted Enterprises
7. Implementation Date

PREAMBLE AND PERCENTAGE FOR CONTRACT PARTICIPATION GOALS

uMngeni Municipality's BBBEE policy was developed and reviewed in line with the BBBEE Act. The policy seeks to expand the implementation of BBBEE at uMngeni Municipality beyond the issue of compliance with MFMA and BBBEE Act through the allocation of preference points. To this end, uMngeni Municipality introduces Contract Participation Goals.

CPGs will require tenderers to commit as part of their scope of work, a certain value of supplies, services or works for which the tenderer will contract targeted enterprises expressed as a percentage of the total value of the contract.

In order to ensure that meaningful economic opportunities are provided to targeted enterprises, thus contributing to Socio-Economic transformation, BBBEE targets to be achieved during 2015/16 financial year are as follows:

- 35% for both Professional Services and Construction related projects.

1. Delegation of Powers and Implementation of Contract Participation Goals

The Municipal Council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

- a) to discharge duties to implement the Contract Participation Goals through 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 maximise administrative and operational efficiency in the implementation of this uMngeni Contract Participation Goals, which is read with uMngeni SCM Policy;
- c) The Accounting Officer shall in implementing CPG in a manner that will stimulate Broad-Based Black Economic Empowerment Act and Objectives to stimulate black participation in the economy; and
- d) The Accounting officer shall, in line with the uMngeni SCM Policy and the Act, in the implementation of PGC not contravene the Act or Policy.

2. Objective

1.1 The objective of uMngeni Municipality's empowerment initiative is to bring about meaningful transformation in all procurement projects and in particular in the built environment /construction and consulting industry through the following:

- a) Meaningful Economic Participation;
- b) Local Economic Development;
- c) Transfer of Technical, Management and Entrepreneurial Skills; and
- d) Creation of sustainable Black Enterprises

3 Contract Participation Goals

- a) Contract Participation Goals – the value of services paid to one or more targeted enterprise(s) shall be exclusive of the following:

All allowances, and any Value Added Tax or sales tax which the law requires the employer to pay to the service provider.

The CPG is expressed as a percentage of the total contract amount.

uMngeni Municipality requires a CPG target of at least 35% of the total contract value excluding VAT.
--

4. Applicability

1. The CPG target is applicable to all contracts to be adjudicated through uMngeni Municipality's procurement process and shall be achieved through the following mechanisms:-

- b) Sub-contracting of the targeted enterprises at the same rate / price that the tenderer would have offered to uMngeni Municipality whilst making profit margins consistent to the profit margins that the main contractor would have made under normal trading processes.
- c) Main service provider may propose a suitable targeted enterprise but uMngeni Municipality shall reserve the right to provide or arrange a targeted enterprise or CPG partner/s to work with the successful company.
- d) Value of the work to be sub-contracted shall be at least **35%** of the total contract value excluding VAT.

5. Eligibility Criteria

- a) For tenders where the CPG target is applicable, but do not offer a minimum CPG participation of **35%** according to the requirements mentioned above, will be deemed **ineligible**.

6.1 DECLARATION REGARDING CONTRACT PARTICIPATION GOALS

I, the undersigned, in submitting the accompanying bid:

(Bid Number and Description)

in response to the invitation for the bid made by:

UMNGENI MUNICIPALITY

do hereby make the following declaration and certify the statements contained herein to be true and complete in every respect:

I certify, on behalf

of: _____ that:

(Name of Bidder)

1. I have read and understand the contents of this Declaration and the fully completed bid document accompanying this declaration;
2. I understand and declare that the accompanying bid will, and must, be disqualified if this Declaration is found not to be true and complete in every respect;
3. I understand and declare that in the event that this bid is successful, I will be required to, and shall, fully implement the commitments that are submitted with this bid, in particular regarding the Bidder’s contract participation goals and commitments towards the allocation of certain portion of the contract to small and emerging entities. Failure to implement such commitments as outlined in the bid document (in particular, as detailed in the bill of quantities) and/or failure to provide the relevant information within the prescribed period as determined in the Letter of Intention to Award the Bid, shall automatically disqualify this bid from further consideration and the Employer has the right to, and must, then award the bid to the next highest ranked bidder; and as a result I or the bidder or any of its directors shall have no recourse against uMngeni Municipality.
4. I am authorized by the bidder to sign this Declaration, and to submit the accompanying bid, on behalf of the bidder;

5. Each person whose signature appears on the accompanying bid has been authorized by the bidder to determine the terms of, and to sign the bid, on behalf of the bidder;

6. I am aware that, and do consent to, the disqualification of my or the bidder's future bids with uMngeni Municipality in the event that the commitments made herein are not fulfilled and that such non-fulfillment amounts to abuse of uMngeni Municipality's supply chain policies and procedures and/or empowerment objectives which must be penalized, over and above the contractual sanctions as agreed to in line with the contract signed with uMngeni Municipality, with a sanction of restricting me and or my company (the bidder) and or any of its directors from conducting business with uMngeni Municipality for a period not exceeding ten (10) years.

7. I consent that should my company (the Bidder) deviate from the commitments and the spirit of the CPG objectives as agreed to, shall amount to a repudiation of the contractual arrangement between the two parties (uMngeni Municipality and the Bidder); and uMngeni Municipality shall have the right to terminate the contract with immediate effect and without giving my company (the Bidder) prior notice to remedy the breach.

 Full Names and Surname
 (Duly authorized)

 Signature

 Date

 Position

 Name of Bidder

7. Implementation of CPG in tender documents/proposals

- a) All municipal tender documents for built environment /construction and consulting industry including tender documents where the Accounting Officer approves CPG to be part of the tender document; and
- b) PGC shall be effective from 1 July 2023.

uMNGENI LOCAL MUNICIPALITY



PETTY CASH MANAGEMENT POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

TABLE OF CONTENTS

1. Introduction
2. Objectives of the policy
3. Legislative framework
4. Petty cash purchases
5. Approved list of petty cash purchases
6. Safeguarding of petty cash
7. Transfer of petty cash funds and keys
8. Petty cash allocations
9. Petty cash replenishment
10. Disbursement of petty cash
11. Shortages and losses
12. Internal controls
13. Reporting
14. General exclusions
15. Review

1. INTRODUCTION

Petty cash is a small amount of discretionary funds in the form of cash used for expenditure where it is impractical to follow the official procurement process due to the nature of the goods and/or services required.

2. OBJECTIVES OF THE POLICY

The objectives of the policy are to:

- 2.1 Ensure goods and services are procured by the municipality in accordance with authorized processes only.
- 2.2 Ensure that the municipality has and maintains an effective petty cash system of expenditure control.
- 2.3 Ensure that sufficient petty cash is available when required.
- 2.4 Ensure that the items required to be procured are approved petty cash items.

3. LEGISLATIVE FRAMEWORK

The legislative framework governing petty cash are:

- 3.1 The Local Government Municipal Finance Management Act, Act 56 of 2003.
- 3.2 The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.
- 3.3 The municipal supply chain management policy.

4. PETTY CASH PURCHASES

- 4.1 The Chief Financial Officer must delegate personnel from the Expenditure Section Financial Services Department to process petty cash payments up to the maximum amount as allowed per transaction.
- 4.2 Petty cash is restricted to cash purchases up to a transaction value of

R2 000.00 VAT included.

- 4.3 Petty cash purchases may not deliberately be broken up over two (2) or more transaction claims or be split over more than one (1) day for the same items in order to fall within the determined threshold of R2 000.00 VAT included.
- 4.4 Each Department may only spend up to a maximum of R 3 000.00 per month utilizing petty cash.
- 4.5 To limit the risk of cash handling and misuse of petty cash, purchases to a maximum amount of R1 500,00 will be paid by EFT subject to the following conditions:
 - (a) Such payments will only be for reimbursement expenditure incurred by officials using their own funds.
 - (b) No claims will be accepted if payment is to be paid directly to a supplier.
 - (c) Proof of payment of such expenditures must be provided with each claim.
 - (d) Claims must be submitted to the Manager: Expenditure.
 - (e) The claim must be accompanied by petty cash approval being authorized by the Head of Department/General Manager.

5. APPROVED LIST OF PETTY CASH PURCHASES

5.1 Approved items for petty cash purchases, but not limited:

- (a) Bouquets and flowers utilized for official purposes;
- (b) Tollgate fees for municipal vehicles within the KwaZulu Natal area (for authorized official travel only). Only the Mayoral Office is authorized to use petty cash for cash wash and tollgate fees outside of the KwaZulu Natal area in certain circumstances which must be motivated and approved by the Chief Financial Officer.
- (c) Refreshments and catering / entertainment in line with the Cost Containment Policy, and limited to:

- catering for meetings, conferences, workshops, courses, forums, recruitment interviews and proceedings of Council that exceed 5 hours
 - hosting of farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health
 - Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer
- (d) Purchases of an urgent nature where it is impractical to follow the official procurement process; and/or
- (e) Materials for urgent repair work not kept or not available at the municipal stores;
- (f) Ad hoc stationery items;
- (g) Materials of a special nature only available at specific suppliers;

5.2 Departments may not utilize petty cash for the following items:

- (a) Approved store items which are kept at the municipal stores;
- (b) Any items which can be classified as assets, for example, calculators, power tools etc.;
- (c) Subsistence and travel claims;
- (d) Wages for labor or contract work;
- (e) Books, magazines and newspapers, except for Library Services
- (f) Any fuel purchases, except as per 5.1 (b) above;
- (g) Parts/materials for vehicle repairs, is only allowed by the Fleet Section, except for tyre punctures for municipal vehicles which is allowed for all departments when necessary, utilizing a registered service provider on the municipal database;

6. SAFEGUARDING OF PETTY CASH

- 6.1 Petty cash is to be safeguarded in lockable cash boxes by the Finance departments' delegated custodians and should be locked away when not in use during normal business hours and after hours.
- 6.2 The keys of the petty cash box must be safeguarded by the delegated petty cash official.

7. TRANSFER OF PETTY CASH FUNDS AND KEYS

- 7.1 When petty cash is transferred to another delegated official, the petty cash must first be reconciled and be verified by both officials before it is officially handed over. The new official must sign for the petty cash as well as for the keys to the petty cash box. The responsible Sectional Manager must witness the reconciliation and transfer of petty cash.
- 7.2 The spare keys of the petty cash box must be kept with the respective delegated Sectional Manager within the department

8. PETTY CASH ALLOCATIONS

- 8.1 The maximum amount of petty cash allocated per Department and Section will be determined from time to time by the Municipal Manager and Chief Financial Officer, based on the operational requirements of the municipality and the risk of safeguarding petty cash.
- 8.2 When the amount of petty cash is increased, the Manager: Expenditure must draw a cheque for the relevant Department and Section.
- 8.3 The responsible official must sign for the acceptance of the increased cash amount together with the Manager Expenditure

9. PETTY CASH REPLENISHMENT

- 9.1 Petty cash replenishments will be done once the claims have been submitted to the Department Budget and Treasury with the necessary supporting documents and if sufficient budget is available.
- 9.2 A proper petty cash register must be kept where each disbursement of

petty cash is recorded.

- 9.3 The minimum details to be recorded in the petty cash register are:
- (a) department name;
 - (b) line item (vote) to allocate petty cash transaction;
 - (c) name of supplier;
 - (d) date;
 - (e) amount issued; and
 - (f) name of person
- 9.4 The petty cash register with all signed petty cash vouchers, receipts or slips must be attached to the request for payment. Only delegated signatories may sign the petty cash vouchers as determined in the Delegations Register.
- 9.5 The Financial Services Department will verify the submitted information and process the cheque for replenishment within seven (7) working days. The cheque is only to be made out to "uMngeni Local Municipality" and must be signed for as received by the relevant department and may only be cashed at the Cashiers in the Main Offices of the Municipality (Corner of Somme and Dicks Street).

10. DISBURSEMENT OF PETTY CASH

- 10.1 All petty cash disbursements must be completed on the prescribed request for petty cash voucher/form, authorized by the delegated official of each department as approved by council in terms of the delegation of authorities.
- 10.2 The authorized official must ensure that funds are available on the budget prior to the disbursement of petty cash and submission of claims.
- 10.3 An invoice or an original receipt, clearly indicating it has been paid must support the request for petty cash voucher/form.
- 10.4 The authorized official or delegated person must sign for the acceptance of the petty cash monies and ensure that the monies are correct.
- 10.5 In the case where a petty cash advance was granted, the recipient of the advance must bring the invoice and/or original receipt within twenty-four (24) hours from receipt of the advance to the petty cash official from when

he/she received the cash advance.

- 10.6 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, the advance may be deducted from the respective employee's salary if the employee fails to comply with the paragraph 10.5.

11. SHORTAGES AND LOSSES

- 11.1 The custodian of the petty cash will be held accountable for losses and shortages unless there is physical evidence of a break-in and no act or omission on the part of the relevant official which contributed to the loss.
- 11.2 In the event of identified shortages and/or losses it must be reported immediately to the relevant Head of Department and to the Financial Services Department and be paid in by the custodian of the petty cash.

12. INTERNAL CONTROLS

- 12.1 Petty cash funds and vouchers must reconcile at all times to the amount of petty cash held by each custodian.
- 12.2 Surprise petty cash audits must be done by the Internal Audit Section throughout the financial year.
- 12.3 Petty cash reconciliations to the general ledger must be done before 30 June of each year.
- 12.4 The petty cash reconciliations must be verified by the Manager: Supply Chain and approved by Chief Financial Officer for audit purposes.

13. REPORTING

A monthly reconciliation report, including the total amount of petty cash purchases for that month, must be prepared by the petty cash custodian and kept on file for audit purposes.

14. GENERAL EXCLUSIONS

No official may receive any form of reward by utilizing petty cash, in the form of club points, etc. when purchasing from such participating service providers.

15. REVIEW

This policy will be reviewed annually to be in line with municipal practices and legislation.

uMNGENI MUNICIPALITY



BEREAVEMENT POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

TABLE OF CONTENTS

1. DEFINITIONS
2. LEGISLATIVE FRAMEWORK
3. GOAL
4. OBJECTIVES
5. SCOPE AND APPLICATION
6. BEREAVEMENT COMMITTEE
- 6.1.1. ROLES AND RESPONSIBILITY OF THE COMMITTEE
7. OFFICIAL DELEGATION
8. BEREAVEMENT COUNSELING
9. MEMORIAL SERVICES
10. TRANSPORTATION
11. CONDOLENCES
12. DISPUTES ABOUT THE APPLICATION AND INTERPRETATION OF THIS POLICY
13. IMPLEMENTATION OF THE POLICY

BEREAVEMENT POLICY

1. Definitions

For the purpose of this policy unless the context otherwise indicates:-

- 1.1. **"BCOEA"** means the Basic Conditions of Employment Act No 75 of 1997.
- 1.2. **"Bereavement"** is the action or condition of being bereaved.
- 1.3. **"Committee"** means the Bereavement Committee established by the Municipality to deal with the matters of the deceased councillors, employees, interns and trainees.
- 1.4. **"Condolences"** an expression of sympathy, especially on the occasion of the death.
- 1.5. **"Counselling"** is a provision of a professional assistance and guidance in resolving personal or psychological problems.
- 1.6. **"Designee"** A person appointed or designated as the Head of the Department for the interim period.
- 1.7. **"Employees"** all persons in the employment of the Municipality whether full/part-time.
- 1.8. **"Heads of Departments"** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 of 2000.
- 1.9. **"Immediate family member"** means the employee's, spouse, parents, adoptive parent, grandparent, child, adopted child, grandchild or sibling.
- 1.10. **"Section Head"** means a manager responsible for the section.
- 1.11. **"Supervisors"** means a person who supervises his/her subordinates in terms of the TASK Job Evaluation System.
- 1.12. **uMngeni Municipality"** means a Municipal Council referred to in Section

2. LEGISLATIVE FRAMEWORK

- 2.1. Legislative Framework
- 2.2. Basic Conditions of Employment Act No 75 of 1997
- 2.3. Labour Relations Act 66 of 1995
- 2.4. Disciplinary Code and Procedure Collect Agreement
- 2.5. Main Collective Agreement

3. GOAL

- 3.1. Is to create a supportive environment for the employees and their immediate family members during times of bereavement.
- 3.2. To ensure that quality, fairness, respect and compliance is followed.

4. OBJECTIVES

- 4.1. To provide a framework for management of bereavement processes for deceased municipal employees and Councillors.
- 4.2. To promote good fellowship during the time of need to the bereaved family, employee's, spouse, parent, adoptive parent, parents-in-law, grandparent, child, adopted child, grandchild or sibling.
- 4.3. To facilitate extension of condolences to the bereaved family of the deceased person.

5. SCOPE AND APPLICATION

- 5.1. This policy will apply to all Councillors, employees, Interns/Trainees of the Municipality.
- 5.2. Application of this policy may not be extended to non-employees of the Municipality.

6. BEREAVEMENT COMMITTEE

- 6.1. Bereavement Committee is established to ensure that all processes outlined in this policy are carried out.
- 6.2. The Committee will comprise of (1) representative from each Department which will be determined by Municipal Manager from time to time.
- 6.3. The roles will be communicated to them when an incident has occurred.
- 6.4. The bereavement process will take place with the full support from Councillors, Management and employees.

6.1.1. ROLES AND RESPONSIBILITY OF THE COMMITTEE

- 6.1.2. Assist the bereaved family with benefits,
- 6.1.3. To provide emotional support to employees and family,
- 6.1.4. To notify employees about the death and communicate memorial services issues,
- 6.1.5. To collect condolences.
- 6.1.6. To coordinate the memorial service programme.

7. OFFICIAL DELEGATION

- 7.1. The Bereavement Committee will pay a home visit to the immediate family of the deceased within 24 hours upon receiving the notification of the death of Councillors or employees.
- 7.2. Councillors or Employees who wish to pay a visit to the bereaved family may be allowed to do so during the last two (2) hours of the working day if feasible.

8. BEREAVEMENT COUNSELING

- 8.1. Within 72 hrs of receipt of the notification of the death, Employee Wellness Officer will avail the Employee Wellness services.
- 8.2. Should further support be required the Employee Wellness Officer will do assessments and source the services of external services provider.

9. MEMORIAL SERVICES

- 9.1. Memorial services will be arranged by the Bereavement Committee.
- 9.2. Manager Communications Section together with the Chairperson and the Employee Wellness Officer will be responsible for the development of the memorial service programme with input from the affected Department.
- 9.3. The memorial service shall be held within three (3) days.
- 9.4. The Committee will attend to the memorial or burial of employees that have passed and reside out of KZN.

10. TRANSPORTATION

- 10.1. The Bereavement Committee shall notify the employees of the Date/time of the memorial and funeral services and the availability.
- 10.2. Bookings for accommodating the Committee for burials and memorials out of KZN to be signed of by the Municipal Manager.
- 10.3. The Municipality shall avail the municipal taxi as well as one (1) bakkie.
- 10.4. The Fleet Section shall delegate officials to drive the vehicle/s.
- 10.5. All Section Managers should monitor the attendance of the employees to the memorial service and such trip should be regarded as official.
- 10.6. Only the committee members will travel to pay condolences to an employee residing out of Umngeni Municipality boundaries.

11. CONDOLENCES

- 11.1. The committee member from the affected department will be tasked with the collection of the condolences.
- 11.2. Condolences collected will be handed over to the Chairperson or Deputy Chairperson, for onward submission to the family.

12. DISPUTES ABOUT THE APPLICATION AND INTERPRETATION OF THIS POLICY

12.1 Any dispute regarding the application and interpretation of this policy shall be referred to the Municipal Manager or his /her delegated official (General Managers).

13. IMPLEMENTATION OF THE POLICY

13.1. This policy will apply and be effective on the date to be determined and approved by the Council.

uMNGENI MUNICIPALITY



EMPLOYEE ASSISTANCE PROGRAMME POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

TABLE OF CONTENTS

ITEM NUMBER

- 1 Scope of the Policy
- 2 Definitions
- 3 Purpose of the Policy
- 4 Objectives of the Policy
- 5 Principles of the EAP
 - 5.1. Confidentiality
 - 5.2. Neutrality
 - 5.3. Non Discrimination
 - 5.4. Voluntary Participation
 - 5.5. Core Principles
6. Types of Referrals
 - 6.1. Self-Referral
 - 6.2. Informal Referral
 - 6.3. Formal Referral
7. Initial Consultation
8. Implementation
9. Leave for Treatment
 - 9.1.1. Additional paid sick leave
 - 9.1.2. Measures to manage the taking and accrual (Conversion of sick leave)
10. Financial Implications
11. Payment for treatment
12. Default in Treatment
13. Discontinuation of Treatment
14. Transportation of Employees for Treatment
15. Relapse

16. Training Sessions for Supervisors and Managers
17. Awareness Promotion/Marketing
18. Prevention Activities
19. Monitoring and Evaluation
20. Dispute about the Interpretation and Application of the Policy

1. THE SCOPE OF THE POLICY

1.1. The policy applies to all employees of UMngeni Municipality.

2. DEFINITIONS

2.1. In this policy, unless the context indicates otherwise the following definitions shall mean;

2.2. "Counselling" means therapeutic intervention by a trained professional such as a Social Worker, Psychologist or Psychiatrist.

2.3. "Crisis " means a stressful life experience that upset the normal functioning of an individual or family threatens stability and ability to cope.

2.4. "Employee Assistance Programme" means a programme to identify, provide short-term counselling and referral service to employees with personal or work-related problems and when appropriate provide follow-ups;

2.5. "EAP Practitioner" means an individual qualified by training or certification in the techniques of assessment problems, particularly in respect of substance abuse, and of intervention.

2.6. "Employee" means any person excluding an independent contractor who works for a Municipality who receives, or is entitled to receive any remuneration;

2.7. "Employee Wellness" means the employee wellness programme of the organization;

2.8. "External Service Provider" means any acknowledged resource that provides service;

2.9. "Financial Wellness" means the ability to maintain a fully developed and well balanced plan for managing ones financial life that is integrated with personal values and goals;

2.10. "Follow-up" means any action involving the referring Manager or Supervisor for job performance evaluation after re-entry of an employee who has undergone treatment;

2.11. "Intervention" means therapeutic and professional guidance to any employee in order to overcome his/her problem;

2.12. "Physical Wellness" means the promotion of the wellbeing of one's body to ensure optimal health and functioning;

2.13. "Service Provider" means an agency providing professional services to clients and customers according to formal contract;

2.14. "Therapy" means assessment and treatment of a troubled employee;

2.15. "Trauma" means any event resulting in extreme emotional reactions to people in the present or future or an event which is generally considered to be outside the range of ordinary human experiences;

2.16. "Treatment" means intervention with troubled employee by exploring his or her feelings and guiding him or her through , a process recovery ;

2.17. "Troubled employee" means an employee suffering any personal or work related problems, resulting in a lack of optimal economic and social functioning;

2.18. "Referral "means an oral or written recommendation to use EAP services or other comparable services to assist in resolving personal or work-related problems that may adversely affect performance;

3. PURPOSE OF THE POLICY

3.1. The purpose of this Policy is to develop an Employee Assistance Programme to promote the mental, social health and wellbeing of all employees and to create a working environment that is conducive for the effective and efficient delivery of services.

4. OBJECTIVES OF THE POLICY

The objectives of this Policy are-

4.1. To provide constructive assistance to every employee who is experiencing any form of a personal problem.

4.2. To render a confidential service aimed at assisting employees to improve their efficiency and quality of life by means of preventative remedial services.

4.3. The timely identification, assessments and referral of troubled employees specialist treatment for successful reintegration into the working environment;

4.4. To prevent a decline of job performance from employees with normally satisfying job performance and potential;

4.5. To establish and maintain a holistic approach to remedy personal, social and emotional problems;

4.6. To increase the level of interpersonal skills in the organisation; and

4.7. To enhance the quality of life of all employees.

5. PRINCIPLES OF THE EAP

5.1. Confidentiality

5.1.1. The EAP is a confidential service aimed at assisting employees by helping them to improve their efficiency and quality of life by means of preventative and remedial services.

5.1.2. The Manager for the EAP in the organisation is an impartial professional adviser, concerned primarily with safeguarding and improving the well-being of employees.

5.1.3. An employee's use of the EAP is voluntary and strictly confidential.

5.1.4. EAP records must not become part of the employee's personnel records. Records are the property of the EAP Officer and no other employee may have access to them.

5.1.5. Information pertaining to the precise nature of an employee's problem(s) must be treated confidentially and any records arising therefrom must be separately housed in a confidential and secure filing system.

5.1.6. Information reported to the supervisor must not contain details of the employee's personal circumstance or problems without the signed written consent obtained from the employee concerned.

5.1.7. There are limits to the confidentiality of records, including but not limited to :

5.1.7.1. When required by law and professional obligation, the EAP must report abuse or neglect (child abuse)

5.1.7.2. Bona fide professional assistance;

5.1.7.3. When the employee signs a consent for release of information form;

5.1.7.4. Situations deemed potentially "life threatening" (when there is sufficient evidence to raise

5.1.7.5. Serious concern about the physical well-being and safety of the employee, or about others who may be threatened by the employee, steps must be taken as are judged necessary); and

5.1.7.6. Compliance with a court order or a subpoena.

5.2. Neutrality

5.2.1. The principle of neutrality, that the role and function of the EAP should not be affected by collective bargaining issues pursued by management and the workforce. That the EAP thus maintains a state of neutrality as defined by Section 16(5) (c) of the Labour Relations Act, 1995;

5.2.2. The Management shall ensure that EAP remains outside of traditional conflict areas between management and employee organizations, in other words, it may not be drawn to testifying or witnessing in any labour disciplinary proceeding.

5.2.3. EAP shall not be used as a disciplinary tool for management.

5.3. Non-Discrimination

5.3.1. All employees are equal and none are more than others.

5.4. Voluntary Participation

5.4.1. The principle of voluntarism, which acknowledges that the most effective form of referral is self-referral.

5.5. CORE PRINCIPLES

5.5.1. Participation in the EAP is voluntary

5.5.2. Employees participating in the EAP must not be deprived of any benefits provided under current agreements or departmental policy.

5.5.3. The EAP assists employees whose performance is impaired by emotional and behavioural difficulties related to personal or occupational stress. The aim is on timely identification, assessment and referral of troubled employees or underachievers to specialist treatment (internal or external services) for successful reintegration into the work environment, NOT the termination of employment.

5.5.4. The main objective of the EAP is to provide constructive assistance to every employee, who is experiencing any form of personal problem. A further objective is to prevent a decline of performance from employees, with normally satisfying job performance and potential.

5.5.5. This policy must not alter or supplement existing procedures for correcting unsatisfactory performance and must not be a basis, itself, for discipline.

5.5.6. Participation in the EAP does NOT replace standard disciplinary or incapacity procedures.

5.5.7. Employees have the right to refuse the recommendation of the EAP Officer, regarding counselling or treatments but, in such circumstances, the employee will not be guaranteed assistance should further related instances of unacceptable behaviour or job performance arise.

5.5.7. If employees accept then subsequently default on or discontinue treatment or counselling programmes, then further related job performance or behaviour problems must have to be dealt with according to departmental policy.

6. TYPES OF REFERRELS

6.1. Self-referral (employee refers him/herself)

6.1.1. Employees experiencing personal or social problems can approach the EAP directly and may be assessed for referral to a service provider participating in the programme at any time.

6.1.2. Employees who voluntarily seek assistance from the EAP but do not want their supervisor to know of their participation, can arrange for appointments during lunch hours, after work or during approved leave.

6.2. Informal referral (employee referred by Colleagues ,family and friends);

6.2.1. When an employee experiences personal or social problems and after receiving advice from other people, such as his or her supervisor, colleagues, friends, family and the like he/she may seek assistance from the EAP.

6.2.2. The person who advised of the EAP services must not get involved in the personal nature of the problem.

6.2.3. The referring person must inform the employee of the benefits of the EAP and give the employee the name and contact details of the EAP.

6.2.4. The EAP will not disclose the nature of the problem or the merits of the case with the supervisor, however, the supervisor must be kept informed of the in-house consultations and external referrals which may affect the employee's attendance at work.

6.3. Formal referral (employee referred by his /her Supervisor);

6.3.1. The employee may be referred to the EAP for assessment or counselling by his or her supervisor whenever the supervisor is concerned about a decline in the employees' performance, attitude and behaviour.

6.3.2. The supervisor/manager is required to complete a referral form without mentioning the personal nature of the problem.

6.3.3. The EAP must inform the supervisor of the recommendations made following the consultation.

6.3.4. No information regarding the precise nature of the employee's personal problem(s) must be revealed to the supervisors without the employee's informed written consent.

6.3.5. The employees have the right to refuse the EAP's recommendations regarding counselling or treatments but, in such circumstances, the employee will not be guaranteed assistance should further related instances of unacceptable behaviour or job performance arise.

6.3.6. If the employees accept but then subsequently default in or discontinue treatment or counselling programmes, then further related job performance or behaviour problems will have to be dealt with according to organisational policy.

6.3.7. A response to a request for service should occur soon as possible, preferably within one week;

6.3.8. The first counselling session should occur within two (2) weeks unless unforeseen circumstances arise;

6.3.8. Follow-up should be an integral part of the EAP services

7. INITIAL CONSULTATION

During the initial consultation for both the formal and self-referral, the employee shall sign a letter of consent agreeing to allow councils Internal /External Service Provider to:

7.1. Assess the employee and provides short –term counselling;

7.2. Release information when referring the employee to an Internal/External Service provider for treatment;

7.3. However for the formal referral, the employee also provides written consent agreeing to allow councils Internal/External Service Providers, to disclose information to the relevant Supervisor regarding the progress of the employee.

8. IMPLEMENTATION OF THE POLICY

The implementation of this policy will be determined by council. (Effective from _____)

8.1. The EAP is a work site based intervention programme that is aimed at assisting the organisation in the early identification and resolving of employees personal and work-related problems, which may adversely affect their level of performance and productivity;

8.2. Personal and work-related problems may include, but are not limited to ,trauma, marital, family, health (including persons with disability),financial ,legal ,stress ,alcohol/drug abuse, absenteeism, low job satisfaction and personal conflict with the Supervisor/Colleague;

8.3. All employees are eligible to participate in the Employee Assistance Programme and it is voluntary;

8.4. Choosing to participate ,or not to participate ,will neither adversely affect an employees' job security and promotional opportunities ,nor excuse and employee from adherence to Council's policies and procedures concerning job performance;

8.5. Participation in the EAP does not replace Councils Disciplinary /Incapacity Procedures nor does it constitute employees being exempt from these procedures;

8.6. Participation in the EAP does not carry any negative implication for employee job security or career progression;

8.7. General Managers, Managers and Supervisors are responsible to implement Employee Assistance Programme.

9. LEAVE FOR TREATMENT

9.1. The employee shall ensure that s/he makes use of the appropriate leave (e.g. sick leave and vacation leave) when being referred by the EAP Section to an External Service Provider for treatment /rehabilitation.

9.1.1. ADDITIONAL PAID SICK LEAVE

9.1.1.2. If an employee has only taken 20 days of sick leave in a 3 year cycle then the employee will receive an additional 15 days sick leave subject to maximum of sick leave of 120 per sick leave cycle.

9.1.1.3. If the maximum period of sick leave to which an employee is entitled has been granted to him/ her, owing to reasons of ill health, and he is not able to resume duty, the municipal manager shall grant such employee an additional 60 working days sick leave in respect of chronic illness and or illness requiring hospitalization which shall be made up as follows:

- 30 working days on full pay
- 30 working days on half pay

The following conditions shall apply:

9.1.1.4. The employee shall be required to submit a medical certificate from a registered medical practitioner or any other person who is certified to diagnose and treat patients and who is registered with profession's council established by an Act of Parliament.

9.1.1.5. If an employee has exhausted all the sick leave to which he is entitled, the municipality will appoint a medical practitioner to evaluate the employee and will submit a report as to whether the medical condition has resulted in permanent or temporary incapacity.

9.1.1.6. If the employee is found to be permanently incapacitated, the municipality may convene an incapacity hearing in terms of Schedule 8 of the Labour Relations Act. If it is determined that the incapacity is of a temporary nature, the municipality may grant additional sick leave on application by any party for exemption to the Divisional Bargaining Council in terms of the exemption's provisions in this agreement.

9.2. MEASURES TO MANAGE THE TAKING AND ACCRUAL (CONVERSION OF SICK LEAVE)

9.2.1. The conversion of annual leave to sick leave when an employee is hospitalized: If an employee to whom annual leave has been granted is hospitalized and certified sick by a registered medical practitioner after his annual leave commenced, that part of the annual leave during which he was thus certified sick shall be converted into sick leave on submission of the prescribed medical certificate. A number of annual leave days equal to the number of sick days shall be credited in respect of the sick leave taken.

9.2.2. If an employee reports for duty and goes off within the first three hours of the working day, he must apply for sick leave at that point.

9.2.3. An employee who is off sick must notify the employer in terms of the acceptable means of notification and a agreed at the municipality within 3 hours of the normal workday/ shift commencing.

9.2.4. A medical certificate can only be issued by medical practitioner/traditional healer as registered in terms of the Medical and Dental Council as per the provisions of the BCEA.

10. FINANCIAL IMPLICATIONS

10.1. The Supervisor shall refer an employee to the EAP Section for assistance and monitor the progress of the employee. If the EAP Practitioner is of the opinion that the employee requires treatment from External Service Provider, the employee shall be referred to such a provider. ie State Institutions and /or privately owned organisations (e.g. Rehabilitation Centres and Practitioners ,i.e. Psychologists , Psychiatrists and Social Workers) as and when required.

11. PAYMENT FOR TREATMENT

11.1. If the employee who is a member of Medical Aid Scheme is referred for treatment, the employee shall use his/her Medical Aid for payment. Should the Medical Aid not cover full cost of the treatment, Council shall be responsible for the payments /part payments of the first five (5) sessions, thereafter if additional sessions are required, the employee will be responsible for payment.

11.2. Employees who are referred to Internal/External Service Providers for treatment, shall sign an undertaking to duly comply with the prescribed course of treatment and implications of non-compliance thereof.

11.3. If an employee who is not a member of Medical Aid Scheme is referred to an Internal/External Service Provider, to undergo treatment, Council shall be responsible for payment for a maximum of five (5) sessions for the first treatment per employee, thereafter if further additional sessions are required, the employee shall be responsible for payment.

11.4. Procurement of External Service Providers from which employees will be referred, will be in accordance with Supply Chain Management processes subject to Service Level Agreement, with the exception where the employee requires the specialized service of an External Service Provider and this shall be permissible with written motivation.

11.5. The costs for this treatment will be covered by the employee's medical fund. If the employee is not a member of a medical fund, or his/her medical cover is depleted, or the scheme does not

cover a specific referral, Council will pay for this service. If payment is done by Council, it will only be for one referral, period of one year.

12. DEFAULT IN TREATMENT

12.1. If an employee defaults on treatment provided by an Internal/External Service Provider, either voluntarily or due to poor participation and motivation on his/her part, any payments paid by Council on behalf of the employee shall be recovered from the employee.

12.2. Employee must be advised in writing of the outstanding amount. The amount must be paid to the Finance Component and proof of payment must be forwarded to the EAP.

13. DISCONTINUATION OF TREATMENT

123.1. Should any employee decide to discontinue with the recommended treatment by the Service Provider, he/she shall inform the Service Provider and he/she will be advised that any further difficulties which may arise regarding job performance, will be subjected to Council's Disciplinary Procedure and Code Collective Agreement.

14. TRANSPORTATION OF EMPLOYEES FOR TREATMENT

14.1. If any employee is required to attend counselling sessions offered by Council's Service Provider, each Department shall attend to the transportation of its own employees.

15. RELAPSE

15.1. In the event of a relapse, within 2 years after treatment, Management shall consider individual cases on merits in terms of enforcing Disciplinary Process or reinstating assistance to the employee.

15.2. If a relapse has occurred within 2 years after treatment and Management has decided to reinstate assistance to the employee, it would be subject to the following conditions:

15.3. The employee has a sufficient leave /sick leave available. If no leave is available, this will be unpaid leave.

15.4. The employee will be responsible for full payment for treatment.

15.5. The acceptance of the employee by the Service Provider offering treatment.

16. TRAINING SESSIONS FOR SUPERVISORS AND MANAGERS

16.1. Employee Assistance Programme should cover, at minimum;

16.2. The administrative role with respect to Employee Assistance Programme, the confidentiality aspects, and procedure for accessing the programme;

16.3. The administrative role in so far as the referrals are concerned;

16.4. The concept and methods that allow for early detection of problems that interfere with job performance;

16.5. Constructive methods to deal with employees experiencing performance problems due to personal or behavioural problems and;

16.6. Support approaches to assist the employees.

16.1.1. Supervisors and managers to adopt ODIR PRINCIPLE

- Observe
- Document
- Inform
- Refer

17. AWARENESS PROMOTION /MARKETING

17.1. Supervisors and Management are central to the EAP's success within the organisation.

17.2. The EAP shall be well known to all employees, and all contact details be communicated.

17.3. The goal is to ensure that the EAP is highly visible and presented in a positive light to encourage employees of the Municipality to fully utilize the programme services.

17.4. Appropriate marketing and promotion of the programme will ultimately impact on the healthy functioning of the Municipality and marketing will be ongoing, realistic, honest, specific and consistent.

17.5. The EAP will be marketed through employee orientation programmes, Municipal notice boards, newsletters, and employee meetings

18. PREVENTION ACTIVITIES

18.1. Consistent with the objectives of the Employee Assistance Programme Policy, preventative programmes will be held where possible to educate employees about personal problems related to life style and work environment and possible responses.

18.2. All problems minor/major, simple and complex will be dealt with and they will include, but not limited to:

- Stress related problems
- Work related problems
- Emotional and psychiatric difficulties
- Marital and relationships
- Family and child conflicts
- Alcohol and drug dependencies
- Bereavement
- Financial problems and critical incident stress

19. MONITORING AND EVALUATION

19.1. An integral part of an Employee Assistance Programme is the monitoring process which ensures that the service continues to operate effectively;

19.2. The monitoring, evaluation and review process requires Service Providers and employees alike to review operations of the EAP.

19.3. That the service is making contact with those in need of assistance, and such employees are receiving the benefits of the programme;

19.4. Information and education to promote the health and well-being of employees is provided;

19.5. That adequate emphasis is given to the preventative side of problems that become apparent.

20. DISPUTE ABOUT THE INTERPRETATION AND APPLICATION OF THE POLICY

20.1. Any dispute about the interpretation and application of this policy shall be dealt with in terms of South African Local Government Bargaining Councils Constitution.

uMNGENI MUNICIPALITY



TASK JOB EVALUATION POLICY FOR MUNICIPALITIES

CONTENTS	
CLAUSE	
1.	PREAMBLE
2.	DEFINITIONS
3.	SCOPE OF APPLICATION
4.	PURPOSE
5.	KEY PRINCIPLES
6	ROLE AND RESPONSIBILITIES OF THE MUNICIPAL MANAGERS
7.	JOB EVALUATION UNITS 7.1 ESTABLISHMENT AND COMPOSITION 7.2 TRADE UNION REPRESENTATION 7.3 TRAINING OF JOB EVALUATION UNIT MEMBERS 7.4 ROLES AND RESPONSIBILITIES
8.	PROVINCIAL AUDIT COMMITTEE (PAC) 7.1 COMPOSITION 7.2 RESPONSIBILITIES AND POWERS
9.	TASK IMPLEMENTATION REQUIREMENTS
10.	JOB EVALUATION PROCESS
11.	MEETING RULES OF THE JE UNITS AND PAC
12.	COSTS
13.	TASK REVIEW PROCESS
14.	TRANSITIONAL ARRANGEMENTS
15.	CONFIDENTIALITY
16.	ROLE OF PROVINCIAL STRUCTURES OF SALGA
17.	ADMINISTRATIVE ARRANGEMENTS

1. PREAMBLE

- 1.1 TASK is the recognised Job Evaluation System within the local government sector as approved by the National Executive Committee (NEC) of SALGA. Uniformity is essential for a variety of sector processes such as wage bargaining, comparative understanding of workforce established levels and organisational development, sector skills planning, employment equity and the organisation of education and training.
- 1.2 This policy must be read in the context of the TASK Job Evaluation Systems, for the local government sector.

2. DEFINITIONS

All expressions used in this Policy, which are defined in the Labour Relations Act, 1995 (Act No. 66 of 1995), shall bear the same meanings as in the Act and unless the contrary intention appears, words importing the masculine gender shall include the feminine;

- 2.1 **'Auditing'** shall mean a technical exercise in verifying that the TASK Systems is being consistently applied in terms of its own rules and any other rules and any other rules on implementation;
- 2.2 **"Audit Trail"** shall mean the report generated by the TASK System detailing the skill level and corresponding factor statements, weighting and points;
- 2.3 **"Designated Job Evaluation Manager"** shall mean the Manager appointed by the Municipal Manager to manage the implementation process;
- 2.4 **"Effective Date"** shall mean the date of implementation should a job be upgraded, and shall be the beginning of the calendar month following thirty (30) days after receipt of the grading requested by the JE Unit;
- 2.5 **"Factors"** shall mean be four TASK factors of Complexity, Knowledge, Influence and Pressure;

- 2.6 **“Job Description”** shall mean description of the content and duties of a post in terms of criteria and guidelines determined;
- 2.7 **“PAC”** shall mean Provincial Audit Committee;
- 2.8 **“Review”** shall mean an application by an employee or group of employees who are aggrieved with their Final Job Grade Outcome;
- 2.9 **“Review Procedure”** shall mean the process which the PAC’s shall follow to review grading results arrive at;
- 2.10 **“Skill Level”** shall mean the Basic, Discretionary, Specialised, Tactical and Strategic Levels as per the TASK System;
- 2.11 **“Sub-factors”** shall mean the fine-tuning of sub-factors in the TASK system;
- 2.12 **“TASK”** shall mean Tuned Assessment of Skill and Knowledge;
- 2.13 **“TASK System”** shall mean the TASK Job Evaluation System in terms of its rules, application, definition and terminology;

3. SCOPE OF APPLICATION

- 3.1 The terms of this policy are applicable to all municipalities in the in the Republic of South Africa except;
- 3.2 Municipal Managers and managers directly accountable to Municipal Managers in terms of Section 56 of the Local Government; Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended).

4. PURPOSE

- 4.1 To implement the Task Job Evaluation System within the local government sector to achieve uniform norms and standards in the description of similar jobs and their grading across the municipal sector;
- 4.2 To provide for the necessary structures, institutional arrangements and procedures for the evaluation of jobs in municipalities;

- 4.3 To ensure that a single job evaluation system is implemented to avoid remuneration disparities for similar categories of municipalities within the Local Government Sector;

5. KEY PRINCIPLES

- 5.1 The wage curves for the different categories of municipalities applicable at the time (SALGBC/SALGA) shall be utilized to determine the salaries of TASK grade jobs;
- 5.2 Any post which undergoes a permanent substantial change in Job content, shall be re-evaluated;
- 5.3 The job descriptions all posts shall be the responsibility of the Municipal Manager;
- 5.4 The compilation of job description shall be in the prescribed TASK format.
- 5.5 No post in the local government sector shall be advertised and filled without having been subjected to the TASK Job Evaluation process.

6. ROLE AND RESPONSIBILITIES OF THE MUNICIPAL MANAGER

- 6.1 The Municipal Manager is responsible for ensuring the implementation of the TASK Job Evaluation System in the Municipality;
- 6.2 The Municipal Manager must ensure that the designated JE Manager takes full responsibility for supporting and directing the Job Evaluation implementation and maintenance process;
- 6.3 The Municipal Manager shall ensure that sufficient staff and resources are allocated to support the process;
- 6.4 The Municipal Manager shall in terms of /section 66 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000 as

- amended) ensure that there is a job description for each post on the staff establishment of the municipality;
- 6.5 The Municipal Manager must ensure that the Municipality keeps custody of copies of job description for all posts;
 - 6.6 The Municipal Manager shall incorporate the responsibility for the compilation of the job description in the performance contract of every Manager (Municipality to determine);
 - 6.7 The Municipal Manager shall ensure that all staff are informed of the objectives of the TASK JE System as required in terms of Section 67 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended);
 - 6.8 The Municipal Managers for the cluster of Municipalities who are responsible for job evaluation at district level shall appoint appropriate persons to serve on the Job Evaluation Unit;
 - 6.9 Municipal Managers shall ensure that Job Evaluation Units are established and are functional.

7. JOB EVALUATION UNITS

- 7.1 Establishment and Composition
 - 7.1.1 The Municipal Manager shall establish a Job Evaluation Unit in a municipality, to take responsibility of implementing the job evaluation process;
 - 7.1.2 Job Evaluation Units may be established at a "District" level as agreed provincially by municipalities and due to capacity challenges;
 - 7.1.3 The Job Evaluation Unit established at a District level shall comprise of members from the relevant local municipalities;
 - 7.1.4 The composition of the JE Unit shall at least consist of the

following:

- (a) Head of JE Unit (or his/her nominee);
- (b) Administrative / secretarial support;
- (c) At least two (2) additional members to undertake the grading of jobs; and/or
- (d) Representatives from local municipalities (in the case of JE Unit which operates at district level);

7.2 Trade Union Representation

7.2.1 One Trade Union representative from each of the recognized trade unions may participate **as observers** in the Job Evaluation Unit;

7.3 Training of Job Evaluation Unit Members

7.3.1 All nominees for membership shall undergo TASK Job Evaluation System training.

7.4 Role and Responsibilities

7.4.1 The JE Unit shall conduct the evaluation of all jobs within the municipalities falling under its jurisdiction and present the outcomes for auditing by the Provincial Audit Committee (PAC)

7.4.2 The responsibility of a JE Unit is both administrative (planning, prioritizing grading programs, quality control, receiving checking and filing job descriptions etc.) and the

grading of jobs prior to submission to the Provincial Audit Committee (PAC);

7.4.3 For purpose of grading, a quorum shall consist of at least 50% plus 1 members of the JE Unit;

7.4.4 The JE Unit may invite both the incumbent of the job, as well as his/her manager and the Head of Department's input to confirm if the full particulars of the job were taken into account.

8. PROVINCIAL AUDIT COMMITTEE (PAC)

8.1 Composition

8.1.1 The provincial structures of SALGA shall establish a Provincial Audit Committee to audit the outcomes of the JE results from the JE Units(s);

8.1.2 The PAC shall consist out of at least four (4) members who are trained and experienced in the TASK Job Evaluation System;

8.1.3 A quorum shall consist of at least 50% plus 1 of members of the Provincial Audit Committee (PAC);

8.1.4 Secretarial /administrative service will be provided by the provincial office of SALGA;

8.1.5 Members of the PAC shall serve on the panel for at least one year;

8.1.6 One Trade Union representative from each of the recognised trade unions may participate as observers in the TASK Job Evaluation Auditing Process;

8.1.7 The PAC shall convene on the ad hoc basis depending on the outcomes to be audited.

8.1.7 All nominees for membership may undergo additional training on how to conduct the TASK Job Evaluation Auditing Process.

8.2 Responsibilities and Powers

8.2.1 It is the responsibility of every member of a PAC to:

- (a) Conduct auditing with due regard to the integrity of the TASK Job Evaluation System, its accepted rules, applications, definitions and terminology;
- (b) Request any information relevant to the task which the PAC has to perform;
- (c) Decide on the outcome of the evaluation results which will be final and binding.

9. TASK IMPLEMENTATION REQUIREMENTS

9.1 The critical elements required to implement the TASK Job Evaluation System in a municipality are as follows:

- (a) An approved staff establishment recording the position of all jobs and their designation;
- (b) Job Descriptions written in the prescribed TASK format;
- (c) That (a) and (b) at minimum have been used to evaluate the job using the Task Software to determine a TASK Grade.

9.2 The TASK Job Evaluation Policy shall be strictly adhered to by all concerned to ensure both consistency and adequate implementation;

9.3 SALGA shall communicate the list of all evaluated jobs from other municipalities to all Municipal Managers for purposes of assisting JE Units in the grading of jobs;

10. JOB EVALUATION PROCESS

- 10.1 Every job on the staff establishment of a municipality must have a written job description.
- 10.2 The municipality must keep a record of all updated job descriptions for all posts.
- 10.3 The incumbent or the representative of that job and the immediate supervisor or supervisor representative of that job and the immediate supervisor or supervisor representative of that job in consultation with the relevant head of department and the human resources department must develop, and where appropriate, review a job description when there are substantial changes to the job.
- 10.4 A job description must contain at least the job title, purpose of the job, the location of the job on the staff establishment, key responsibilities competencies and minimum requirements of the relevant job.
- 10.5 A job description may be reviewed at least once every five years following the reorganisation of the municipal administration resulting in permanent substantial changes to the jobs to ensure that the job description remains relevant and current.
- 10.6 The TASK Job Evaluation Process shall be done on a continuous basis by the JE Unit for as long as there are new posts being added to the staff establishment of the municipality as per Section 66 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended);
- 10.7 If required, the JE Unit shall gather the relevant facts from both the incumbent of the job as well as the relevant manager and the Head of Department of the job in question to ensure adequate information is available for the evaluation of the post;
- 10.8 The incumbent of the post as well as the relevant manager and the Head of Department shall be required to sign off the job description prior to the JE Unit grading job on the TASK Job Evaluation System;
- 10.9 In the event of no consensus reached, the Municipal Manager or his/her nominee will determine the content of the job description;

10.10 The evaluation takes place by:

- (a) Determination of the skill level of the post:
- (b) The scoring of the factors relating to Complexity, Knowledge, Influence and Pressure;
- (c) The scoring of the sub-factors relating Complexity, Knowledge, Influence and Pressure.

10.11 The JE Unit shall then compile a JE Outcome Report for the PAC with appropriate audit trail;

10.12 The PAC shall be furnished with all relevant documentation within seven (7) working days prior to the date of the PAC meeting to ensure sufficient time for preparation;

10.13 A representative of the JE Unit shall present the results to the PAC.

10.14 The Chairperson of the PAC shall sign off the results of the job evaluation process prior to the JE Unit communicating same to the Municipal Manager for implementation on the effective date.

10.1.1 ESTABLISHMENT OF STANDARDS FOR JOB DISCRIPTIONS

- (a) The Minister may develop guidelines and criteria for job descriptions, called and promote the use of sample job descriptions reflective of the spectrum of jobs in local government, and
- (b) Identify generic jobs, benchmark critical jobs and encourage the adoption by municipalities of common national job description and job designations.

10.1.2 JOB EVALUATION

- (a) All jobs in a municipality must be graded through a job evaluation process.

- (b) Job evaluation is the grading of jobs according to a specifically, planned procedure and reliable methodology in order to determine the relative worth of each job in the municipality.
- (c) Job evaluation process involves the evaluation of the job and not the person performing the job.
- (d) Jobs must be evaluated-
 1. Upon completion of the review of the staff establishment:
 2. Within six months of a material change to the job content or job requirements; or
 3. Before a new post is filled.
- a. A detailed job description needs to be available before initiating the process of job evaluation
Job evaluation must be conducted based on actual and current activities of the job and not on future projections.
- (e) Job evaluations must:
 1. Provide the basis for the accurate measurement of defined activities or roles
 2. Establish a job worth hierarchy in terms of where jobs should be placed in the municipal staff establishment,
 3. Provide a rational basis for designing and maintaining an equitable pay structure,
 4. Provide the basis to manage internal relativity of jobs according to different levels of complexity of jobs, and
 5. Provide the basis for consistent decision-making processes regarding the grading of jobs.

11. MEETING RULES OF THE JE UNITS AND PAC

- 11.1 The JE Units and the PAC shall appoint a chairperson / convenor.
- 11.2 The JE Units and PAC shall function in terms of normally understood rules of meeting procedures;
- 11.3 An agenda must be prepared for every meeting;
- 11.4 The proceedings of all meetings must be recorded with a particular reference to all prescribed administrative requirements.

12. COSTS

- 12.1 Municipalities shall bear the proportional costs associated with Job Evaluation and auditing of results;
- 12.2 Municipalities shall bear the cost of the training of JE Unit members.

13. TASK REVIEW PROCESS

- 13.1 All employees shall be furnished with the JE outcomes for the positions they occupy – Task Grades.
- 13.2 An employee may lodge a review application no later than 30 working days from date of notification of the JE results. The onus shall be on the employee to prove that the Task System was inconsistently applied when the post was graded.
- 13.3 Employees may request the re-evaluation of their position only if:
 - 13.3.1 *The job description utilized is not the same as the job the employee performs or there has been some changes;*
 - 13.3.2 *The employee has added responsibilities which are not covered in the job description;*
- 13.4 Re-evaluation applications shall be referred to the JE Unit (convenor) for an evaluation to be undertaken and submitted to the PAC for auditing of the provisional grade outcome.
- 13.5 The PAC shall ensure effective “bench-marking” is done for consistency and uniformity purposes.

14. TRANSITIONAL ARRANGEMENTS

All grading matters listed hereunder arising from the previous National Task Job Evaluation Collective Agreement shall be given priority and processed as follows:

- 14.1 Conversion of the remaining municipalities to the TASK Job Evaluation System and the publication of a FOR by the PAC for these municipalities.
- 14.2 All posts that are recorded as outstanding the TASK Job Evaluation Final Outcomes Report shall be moderated and published by the PAC and staff may lodge review applications in accordance with the procedures described in paragraph 13 above.
- 14.3 Appeal applications that were submitted in terms of the previous TASK Job Evaluation Collective Agreement which have not been processed by the previous National Appeals Commission shall be processed by the PAC and the results published in a TASK Review Outcomes Report for each municipality.

15. CONFIDENTIALITY

- 15.1 Members of the JE Unit and the PAC, as well as observers shall maintain confidentiality on all scores and grading outcomes prior to formal notification and shall otherwise avoid disclosing information obtained in the process of job evaluation in a manner that may prejudice effective implementation.

16. ROLE OF PROVINCIAL STRUCTURES OF SALGA

- 16.1 Establish a Provincial Audit Committee to deal with auditing of JE Results comprising of JE specialists;
- 16.2 Such representatives should preferably be active JE Unit members but shall in any event have undergone training in the TASK Job Evaluation System;
- 16.3 Negotiate with the service provider for the acquiring of licenses for JE Units and the PAC;
- 16.4 All jobs evaluated after the implementation of the Policy shall be forwarded to SALGA for archiving and ease of reference;

- 16.5 Responsible for monitoring the implementation and maintenance of the TASK Job Evaluation System;
- 16.6 With respect to issues of the establishment of standards for the content and quality of job descriptions and uniform national job designations, SALGA shall;
- (a) Develop guidelines and criteria for job description writing and collecting and promote the use sample job description reflective of the spectrum;
 - (b) Develop a common framework for the designation and identification of jobs in the local government sector;
 - (c) Identify generic and critical benchmark jobs and encourage the adoption by municipalities of common national job description and job designations;
 - (d) Analyse stand-alone jobs in particular municipalities in the national and encourage the adoption of more generic national standards in the designation and description of such jobs.

17. ADMINISTRATIVE ARRANGEMENTS

The following conditions apply when placing staff on a new TASK grade and salary scale;

- 17.1 Employees will be placed on the salary notch on the new pay scale for the applicable TASK grade which is the closed higher salary notch to their existing salary notch;
- 17.2 Employees whose existing basic salary is higher than the new TASK grade maximum will retain their existing basic salary *on a personal to holder basis*;
- 17.3 In the event the Clause 14.3 above, annual cost of living adjustments as determined by the South African Local Government Bargaining Council

will be applied to the salary rate as retained by employee from the date on which such adjustment is applicable;

- 17.4 The implementation date for a new task JE outcome will be the 1st of the month following the month when the final authority has approved the new grade.

uMNGENI MUNICIPALITY



LEAVE POLICY

Date of Adoption: 29 MARCH 2023

Date of Implementation: 1 JULY 2023

INDEX

Paragraph

1. PURPOSE
2. OBJECTIVES
3. SCOPE OF APPLICATION
4. LEGISLATIVE FRAMEWORK
5. DEFINITION OF TERMS
6. LEAVE CONDITIONS AND REQUIREMENTS
7. LEAVE RECORD
8. CLASSIFICATION OF LEAVE
9. GRANTING OF LEAVE
10. SERVICE FOR LEAVE PURPOSE
11. ANNUAL LEAVE
12. ACCUMULATION OF LEAVE
13. ENCASHMENT OF LEAVE
14. PAYMENT PROCEDURE
15. SPECIAL LEAVE
16. FAMILY RESPONSIBILITY LEAVE
17. MATERNITY AND ADOPTIVE LEAVE
18. AN EMPLOYEE MAY COMMENCE MATERNITY LEAVE
19. PROCEDURE
20. PARENTAL LEAVE
21. SICK LEAVE
22. SPECIAL SICK LEAVE

23. ADDITIONAL PAID SICK LEAVE
24. MEASURES TO MANAGE THE TAKING AND ACCRUAL (CONVERSION) OF SICK LEAVE
25. EXAMINATION AND STUDY LEAVE
26. LONG SERVICE BONUS LEAVE
27. SHOP STEWARD LEAVE
28. TIME OFF IN LIEU OF OVERTIME WORKED
29. TIME UNAUTHORISED ABSENCE FROM WORK
30. PAYING OUT OF ACCUMULATED VACATION LEAVE AND SALARY CALCULATION
31. DEVIATION FROM THIS POLICY FRAMEWORK
32. DISPUTE ABOUT THE APPLICATION AND INTERPRETATION OF THIS POLICY
33. PERIOD OF OPERATION

1. PURPOSE

- 1.1 The main purpose of this policy is to regulate taking of leave by employees of uMngeni Local Municipality, having regard of the relevant statutory provisions regarding leave.
- 1.2 To ensure that all services rendered by uMngeni Local Municipality to the community it serves, are efficient, effective and uninterrupted.

2. OBJECTIVES

- 2.1 Ensure continuity in operational requirements of the organization while other employees are on leave.
- 2.2 To develop a better understanding regarding leave policy and procedure.
- 2.3 Ensure the development of clearly written administrative policy and procedure.
- 2.4 To ensure proper and accurate record keeping.
- 2.5 To ensure that the private and confidential information is maintained.
- 2.6 Ensure that leave policy respond effectively to crisis and emergency situations

3. SCOPE OF APPLICATION

- 3.1 This policy shall apply to all employees of the uMngeni Local Municipality excluding section 54 and 56 employees appointed in terms of the Municipal Systems Act, 32 of 2000 as amended.

4. LEGISLATIVE FRAMEWORK

- 4.1 SALGBC Main Collective Agreement
- 4.2 SALGBC KZN Collective Agreement

- 4.3 The Basic Conditions of Employment Act (Act 75 of 1997 updated 2005)
- 4.4 Labour Relation Act (Act no 66 of 1995)
- 4.5 Employment equity Act (Act no 55 of 1998)
- 4..6 Compensation for Occupational Injuries and Diseases Act (Act no 130 of 1993)
- 4.6 Employee Assistance Programme Policy
- 5 DEFINITION OF TERMS

“Employee” means any person, excluding an independent contractor, who works for the uMngeni Local Municipality and who receives, or is entitled to receive any remuneration.

“Employer” means the uMngeni Local Municipality.

“Immediate family member” means spouse or life partner, children or any legal dependent of the employee. Any family dependent other than a spouse or life partner, children or legal dependent should reside in the same household with an employee to be eligible for the service.

“Labour Organisations” means uMngeni Local Municipality recognised Unions (IMATU and SAMWU).

“People with disabilities” means people who have a long-term or recurring physical or mental impairment which substantially limits their prospects of entry into, or advancement in, employment.

“External service provider” means a person or organisation that would have entered into a working agreement with the uMngeni Local Municipality to assist with the resolution of employees’ personal, work and health problems for an agreed fee.

“Troubled employee” means an individual whose problems, such as alcoholism, drug addiction, marital difficulties, emotional distress, preoccupy them to the extent that in either their own or their Supervisor’s judgement, work performance is disrupted.

“Workplace” refers to the place of work as contemplated in the Labour Relations Act 1995 (Act No. 66 of 1995).

An “Annual Leave Cycle” means period of twelve months employment with Council immediately following an employee’s commencement of employment or following completion of that employee’s existing leave

A “Sick leave cycle” means the period of thirty-six (36) months employment with council immediately following employee’s commencement of employment or following the completion of that employee’s existing leave cycle.

“Calendar days” refers to the period from Monday to Friday

“Month” means a calendar month

“Long Service Leave” means leave granted by the municipality in recognition of long service to an employee with the municipality and which is not classified as annual leave.

“Per annum” means January to December of the same year

“Medical Practitioner” for purposes of the policy includes a practitioner as defined by the Health Professions Council of South Africa, and who is legally certified to diagnose and treat patients.

“Financial year” means the financial year of a Municipality commencing on 01 July each year and ending on 30 June of the following year.

“Shop Steward leave” means leave granted to shop stewards in terms of the organisational rights agreement.

“Leave in lieu of overtime worked” for the purpose of this refers to the threshold as prescribed in the Basic Conditions of Employment Act.

6. LEAVE CONDITIONS AND REQUIREMENTS

6.1 Granting of leave must first be recommended by the Manager concerned and approved by the Head of Department.

6.2 Employees shall apply for leave in advance so as to enable in the Departments to ensure that delivery of services is not interrupted. Example (1 month leave be applied for 1 month in advance, 1 week be applied for in one week).

6.3 If an employee's application for leave of absence is cancelled, postponed or interrupted, the reasons must be recorded and the employee must be credited with such cancelled, postponed or interrupted, on condition that should such leave credit arise from the postponement or interruption of an employee's leave, it is placed to the credit of the employee on the same basis, and the period for which such leave is valid is extended by a maximum of 6 months.

6.4 An employee absent on approved leave, may not voluntarily resume duty before the full period for such leave has expired, unless he/she receives permission to do so beforehand after his/her Manager has submitted an application in this regard to the Head of Department. In the event of the employee being unable to apply for such leave in advance, personal contact by the employee with his/her Department preferably through his/her immediate superior, must be made within 24 hours of taking such leave.

6.5 An employee must take annual leave not later than six months after the end of the annual leave cycle.

6.6 Leave granted may be cancelled or postponed at any time by authority which granted it,

or an employee who is on leave may be recalled if this is deemed to be in the best interest of council.

6.7 An employee who is recalled while on leave, shall be entitled to take non-expired portion of his leave at a later date, as may be arranged.

6.8 An employee shall be compensated by council for any irrecoverable expenses or obligations incurred by him before he was notified of such cancellation or postponement or before he was recalled from leave, and if an employee whose leave has been interrupted, has to travel in order to resume his duties, any reasonable expenses, with due consideration of the circumstances, for the journey there and back, shall be paid and he shall be deemed to be on duty during anytime spent travelling. Any cancellation or postponement of leave shall be notified to the employee in writing. The employee will be reimbursed subject to submission of proof thereof.

6.9 Any leave or portion of leave granted to an employee may be cancelled at his request at any time before he proceeds on leave, by the authority which granted it and he shall be credited in the leave register/ online leave with any leave not taken

6.10. No leave will be granted to any employees prior or during a strike called by the unions.

7.1 All leave due, leave granted and leave taken, shall be recorded online or on the official

leave application form. The official appointed for this purpose, shall be in charge of such

records, which shall be open for inspection by any employees at all reasonable times during

office hours.

8 CLASSIFICATION OF LEAVE

Leave of absence from duty on working days is classified as follows:-

- ☐ Annual leave
- ☐ Study leave
- ☐ Special leave
- ☐ Maternity leave
- ☐ Family responsibility leave
- ☐ Sick leave
- ☐ Special Sick Leave
- ☐ Shop Steward Leave
- ☐ Time Off in Lieu of overtime
- ☐ Parental Leave

9

GRANTING OF LEAVE

9.1 The final approval of leave application for all employees has to be granted by the

Head of Department or his/her delegated appointee.

10

SERVICE FOR LEAVE PURPOSES

10.1 All employees on any type of leave shall be deemed to be in the service of the municipality during the time of the leave taken.

11

ANNUAL LEAVE

11.1 Employees are classified in the following groups in respect of annual leave

11.1.1 Twenty-four (24) days per annum for a 5-day worker, and

11.1.2 Twenty-seven (27) days per annum for a 6-day worker

11.1.3 An employee is required to take leave within each leave cycle as follows:-

11.1.4 A five-day worker shall take a minimum of sixteen (16) days leave; and

11.1.5 A six-day worker shall take a minimum of nineteen (19) days leave.

11.1.6 Annual leave is to be taken within six months after the end of an individual leave cycle.

11.1.7 Annual Leave submissions should be made with notice period equivalent to the number of days leave to be taken:

e.g. If an employee applies for one (1) day leave, the leave application should be submitted one (1) day in advance.

11.1.8 Notwithstanding the provisions of the abovementioned clause, an employee is entitled to retain a maximum of forty-eight (48) days of accumulated leave

12 ACCUMULATION OF LEAVE

12.1 Annual leave shall only be accumulated to a maximum of forty eight (48) working days

12.2 Within six months of the end of a leave cycle, an employee may not have more than 48 days annual to his / her credit.

13 LEAVE ENCASHMENT

13.1 Any leave in excess of forty –eight (48) working days may be encashed should the employee be unable to take such leave, despite applying and because the employer refused to grant him/her such leave, as a result of the employer’s operational requirements. If, despite, being afforded an opportunity to take leave, an employee fails, refuses or neglects to take the remaining leave due to him/her during this period, such remaining leave shall fall away

13.2 All applications for encashment of leave must be authorized by the respective Head of Department.

13.3 In the event of the termination of service, an employee shall be paid his/her leave

entitlement in terms of the policy, calculated in terms of the relevant provisions of the Basic

Conditions of Employment Act (Act No: 75 of 1997) as amended.

14 PAYMENT PROCEDURE

14.1 All leave encashment will be processed through the payroll and be paid electronically into the employee's bank account at the end of the month.

15 SPECIAL LEAVE

15. 1 Special leave is limited to maximum of fifteen (15) days per annum and cannot accumulate.

15.2 Application for such leave shall be made to the Head of Department / Manager concerned or his/her consideration and approval.

15. 3 This leave may only be granted in the event of;

15.3.1 Study purposes (one day study leave of writing the examination and one day before writing the examination for each enrolled module for the academic year);

15. 3.2 Court appearance by employees as a witness; and

15.3.3 National and provincial sports representation by recognised sporting bodies

15.3.4 The application for special leave must be accompanied by the relevant supporting documentation.

15.3.5 When subpoenaed to appear as a witness in Court, special leave for the period the employee is required to be present in Court and the minimum period it takes to travel to and from court is granted, provided that it does not exceed the maximum number of days special leave.

16 FAMILY RESPONSIBILITY LEAVE

16.1 Subject to the conditions that an employee has been with the Council for

longer than four (4) months, the Council will, on request, grant an employee five

(5) days paid leave, which the employee is entitled to take, either when:-

16.2 the employee's child is born

16.3 the employee's child is sick

16.4 the employee's spouse or life partner is sick;

16.5 in the event of death of:

- the employee's spouse or life partner, or

- the employee's parent, adoptive parent, parents' in-law, grandparent, child, adoptive child, grandchild or sibling.

16.6 An employee may take family responsibility leave for the whole or a part of a day.

16.7 Before granting an employee paid leave for family responsibilities, the Council

may require reasonable proof of an event specified above.

16.8 An employee's unused entitlement to family responsibility leave lapses at the end

of the annual leave cycle in which it accrues.

17 MATERNITY AND ADOPTIVE LEAVE

17.1 An employee shall be entitled to receive three (3) months paid maternity leave with no limitation to the number of confinements (pregnancies) or adoption leave with no limits to the number of confinements or adoptions. This leave provision shall also apply to an employee whose child is a still born. Should the employee opt to take the additional one (1) month, it will then be subject to the maternity benefits as determined by the minister subject to the provisions of the Unemployment Insurance Act, 1966 (Act No 30 of 1966).

17.2 Maternity leave may commence four (4) weeks before confinement.

17.3 To qualify for paid maternity leave an employee must have at least one (1) year uninterrupted service with the Municipality. An employee who was on contract and is successful to become permanent employee, provided that there was no break in service from the date the contract terminated and the permanent appointment took place, will also qualify for maternity leave in terms of clause 11.1 above.

11.3 An employee, including an employee adopting a child under the age of three (3) months, shall be entitled to receive three (3) months paid maternity, with no limit to the number of confinements or adoption. This leave provision shall also apply for a person whose child is still born.

18 EMPLOYEE MAY COMMENCE MATERNITY
LEAVE:

18.1 At any time from four weeks before the expected date of birth, unless otherwise

agreed; or

18.2 On a date from which a medical practitioner or a midwife certifies that it is necessary for the employee's health or that of the unborn child.

18.3 No employee may work for six (6) weeks after the birth of her child, unless a medical

practitioner or midwife certifies that she is fit to do so.

18.4 An employee who has a miscarriage during the third trimester of pregnancy or

bears a stillborn child is entitled to maternity leave for six (6) weeks after miscarriage or

stillbirth, whether or not the employee had commenced maternity leave at the time of

the miscarriage or stillbirth;

18.5 An employee must notify an employer in writing, unless the employee is unable to do

so, of the date on which the employee intends to;-

18.5.1 Commence maternity leave; and

18.5.2 Return to work after maternity leave.

18.5.3 Notification in terms of subsection 18.4 must be given

18.5.4 At least four weeks before the employee intends to commence maternity

leave; or

18.7.5 If it is not reasonably practicable to do so, as soon as is reasonably practicable.

18.6. Ante and Post Natal Care

18.6.1 All pregnant female employees may within the first seven (7) months of pregnancy be granted one day every four weeks without loss of salary to attend a clinic or visit a doctor

18.6.2 During the last two (2) months of pregnancy she may visit a clinic or doctor twice every 4 weeks without loss of salary.

18.6.3 Where clinics are attended at or on the premises of council, the employee must return to work immediately after being attended to at the clinic.

18.7 Protection of employees before and after childbirth

18.7.1 No employer may require or permit a pregnant employee or employee who is

nursing a child to perform work that is hazardous to her health or health of her child.

19 PROCEDURE _____

19.1 An employee may commence maternity leave after it has been recommended by approved by the Head of Department at any time from 4 weeks before the expected date of birth or;

19.2 On a date from which a medical practitioner or a midwife certifies that it is necessary for the employee's health or that of her unborn child.

19.3 No employee may work for six (6) weeks after the birth of her child, unless a medical practitioner or midwife certifies that she is fit to do so.

19.4 An employee must notify an employer in writing, unless the employee is unable to do so, of the date on which the employee intends to return to work after maternity leave.

19.5 Notification must be given at least two weeks before the employees return to work or as soon as reasonably practicable.

20. PARENTAL LEAVE

20.1 An employee will be entitled to Parental Leave if she/he has been in employment for more than 4 months.

20.2 Parental leave will entitled an employee who is a parent of a child to at least ten (10) consecutive day's parental leave. This leave must commence from the day the child is born; or the date that the adoption order is granted or an adoption order in respect of that child, whichever date occurs.

21. SICK LEAVE

21.1 Sick leave will be granted on the grounds of incapacity to work due to sickness or injury.

21.2 In terms of our collective agreement, the uMngeni Local Municipality will currently permit eighty (80) days sick leave in a three (3) year leave cycle, provided that in respect of new appointments an employee may not take more than 30 days sick leave in the first year of employment.

21.3 An employee of the uMngeni Local Municipality who needs to be absent from work for reasons of sickness or injury, must either personally, or through another person, notify his/her department immediately or before 10:00am on such a day of the reasons for the absence and the expected duration of the absence.

The employer is further not required to pay an employee if an employee is absent on more than two occasions during an eight-week period, and on request by the employer, does not produce a medical certificate stating that the employee's absence on account of sickness or injury.

21.4 The department must be provided with a certificate from a registered medical practitioner or any other person who is certified to diagnose and treat patients and who is registered with a professions council established by an Act of Parliament, immediately upon return to work, failing which the department may decline to pay for sick leave taken.

21.5 The medical certificate is to state the nature of the sickness or injury, the date upon which the member became unfit to work and the date when he/she is fit to resume work.

21.6 The medical certificate must also clearly indicate the name, telephone number and address of the medical practitioner consulted.

21.7 An employee granted sick leave without pay in terms of this agreement and who has the necessary period for annual leave to his/her credit, may elect to take such annual leave instead of sick leave without pay.

21.8 If during his/her annual leave, an employee develops indisposition or contracts a disease not due to his/her wilful or negligence and produces a certificate from a registered medical practitioner stating the nature of the disease or complaint was such to make it essential for the employee not to attend work in order to recover, the number of working days of such period of the annual leave for which the employee was thus required to recover, shall be converted into sick leave and his/her annual leave shall be credited with the number of days referred to.

21.9 If an employee is absent regularly from work on a Monday or a Friday due to illness or an accident, his/her supervisor may require such employee to produce a medical certificate stating that s/he was unable to work due to illness. On refusal to submit medical certificate, Council will not be required to pay such an employee for the day/taken until medical certificate is produced or reasonable explanation is given to the Manager.

21.10 The sick leave provisions do not apply to an inability to work caused by an accident or occupational disease as defined in Compensation for Occupational Injuries Diseases Act, 1993 (Act No. 130 of 1993), except for any period during which no compensation is payable in terms of this Act.

22. SPECIAL SICK LEAVE

22.1 INJURY ON DUTY

22.1.1 If an employee suffers an injury on duty or contracts an occupational disease arising out of or in course of his / her official duties such as to entitle the employee to compensation in terms of the Compensation for Occupational Injuries and Diseases Act 1993, shall be granted paid special leave for the period of incapacitation.

22.1.2 The municipality shall grant the employee who was injured on duty or suffers from an occupational disease, special leave on full pay for the period during which he/she is incapacitated or disabled as provided for in the OSH Act.

22.1.3 This clause shall not detract from the employer's right to terminate the employment contract for a fair reason and having followed the correct procedures.

23. ADDITIONAL PAID SICK LEAVE

23.1 If an employee has only taken 20 days of sick leave in a 3-year cycle then the employee will receive an additional 15 days sick leave subject to a maximum of sick leave of 120 per sick leave cycle.

23.2 If the maximum period of sick leave to which an employee is entitled has been granted to him / her, owing to reasons of ill health, and he / she is not able to resume duty, the municipal

manager shall grant such employee and additional 60 working days sick leave in respect of chronic illness and or illness requiring hospitalization which shall be made up as follows:

- 30 working days on full pay
- 30 working days on half pay

The employee shall be required to submit a medical certificate from a registered medical practitioner or any other person who is certified to diagnose and treat patients and who is registered with a profession's council established by an Act of Parliament.

23.3 If an employee has exhausted all the sick leave to which he / she is entitled, the municipality will appoint a medical practitioner to evaluate the employee and will submit a report as to whether the medical condition has resulted in permanent or temporary incapacity.

23.4 If the employee is found to be permanently incapacitated, the municipality may convene an incapacity hearing in terms of Schedule 8 of the Labour Relations Act. If it is determined that the incapacity is of a temporary nature, the municipality may grant additional sick leave on application by any party for exemption to the Divisional Bargaining Council in terms of the exemption's provisions in this agreement.

24. MEASURES TO MANAGE THE TAKING AND ACCRUAL (CONVERSION) OF SICK LEAVE

24.1 The conversion of annual leave to sick leave when an employee is hospitalised: if an employee to whom annual leave has been granted is hospitalised and certified sick by a registered medical practitioner after his / her annual leave commenced, that part of the annual leave during which he/she was thus certified sick shall be converted into sick leave on submission of the prescribed medical certificate. A number of annual leave days equal to the number of sick days shall be credited in respect of the sick leave taken.

24.2 If an employee reports for duty and goes off within the first three hours of

the working day, he/she must apply for sick leave at that point.

25. EXAMINATION AND STUDY LEAVE

25.1 uMngeni Local Municipality recognizes the need and desirability for its employees to improve their knowledge and skill. To this end, it offers Tuition Financial Assistance for assistance for specific, approved study courses and may grant study leave for such specific, approved and work-related courses as follows:

25.1.1 Study leave must be planned and organized well in advance and in consultation with the relevant superior.

25.1.2 The employee must apply for study leave online or on the prescribed leave form obtainable from the department and Human Resources Offices.

25.1.3 A copy of the examination timetable from the tertiary institution must accompany the leave form stipulating the day/s that the employee will be writing the said examinations.

25.1.4 Employees may take one working day's study leave for the day on which the actual examination is written, or test undertaken.

25.1.4 Employees may take one working day's leave to prepare for the examination.

25.4.5 When the examination date falls on a Monday, the employee will be granted the preceding Friday as study leave.

25.1.5 Should the examination dates be on consecutive days the employee will be granted the day/s equivalent to the actual examination days.

26. LONG SERVICE BONUS LEAVE

26.1 An employee shall qualify once for the following long service leave at the completion of the following periods from date of this agreement.

5 years' service -	05 days
10 years' service -	10 days
15 years' service -	20 days
20 years' service -	30 days
25 years' service -	30 days
30 years' service -	30 days
35 years' service -	30 days
40 years' service -	30 days
45 years' service -	30 days

26.2 The encashment or taking of the leave must take place in the same year that employee

qualifies for the long service leave subject to operational requirements where the employee

elects to take leave.

26.3 An employee with five (05) or more years' service with the municipality and leaves the

service of the Municipality for any reason whatsoever excluding reasons relating to

misconduct shall receive a pro-rata long service bonus for any uncompleted period stipulated

to clause 26.1 above.

27. SHOP STEWARD LEAVE

27.1 Shop stewards shall be entitled to fifteen (15) days per year with full pay for trade union activities and training.

27.2 Six (6) days of each shop steward's annual entitlement of time-off shall be pooled and re-allocated at the trade union's discretion, provided that no single shop steward may take more than twenty one (21) days off per year and the total days in the pool are not exceeded.

27.3 Further requests for time off for shop stewards shall not be unreasonably refused.

28. TIME OFF IN LIEU OF OVERTIME WORKED

28.1 In terms of section 6(3) of the Basic Conditions of Employment Act, the Minister of Labour on the advice of the Commission, is required to make a determination that all employees earning in excess of the annual threshold be excluded from certain sections, including being remunerated for overtime worked.

28.2 Any employee whose earnings is above the threshold and has agreed to work overtime will thus be granted time off instead of remuneration.

28.3 The employer must grant the time off in terms of 22.2 above within three (3) month of the employee becoming entitled to it.

28.4 Time-off as per 22.2 above will only be granted once proof of overtime is submitted.

28.5 Under no circumstances will time off in lieu of overtime worked be converted to the cash value and paid out to the employee

29. TIME UNAUTHORISED ABSENCE FROM WORK

29.1 If an employee is absent from work without permission:-

i. Such absenteeism will be regarded as leave without pay

ii. The employee will be regarded as having deserted his or her post and therefore resigned

1. If the period exceeds ten (10) consecutive days disciplinary measures will be instituted and in the case of Senior Managers, if the period exceeds fifteen (15) consecutive days

2. If the municipality has taken reasonable steps to trace the Senior Manager without success.

30. Paying Out Of Accumulated Vacation Leave and Salary Calculation

Calculation of leave payment

30.1 Payment for leave shall be calculated in accordance with the following formula:

$$A \times B$$

249 days

Which represents the following:

A = the annual salary on the last working day

B = Is the employee's vacation leave credit on that day

and

249 = the number of working days per annum

The salary calculation

The salary of an employee shall be calculated as follows

$$\text{Monthly Salary} = \frac{\text{Annual Salary}}{12}$$

$$\text{Weekly Salary} = \frac{\text{Annual Salary}}{52}$$

$$\text{Daily Salary} = \frac{\text{Annual Salary}}{249}$$

Salary 249

Hourly Rate = Annual Salary x 1
249

31. DEVIATION FROM THIS POLICY FRAMEWORK

31.1 The Municipal Manager may deviate from the provisions of this policy where there is an existence of a bona fide organisational requirement, but it must be motivated in writing and filed.

32. DISPUTE ABOUT APPLICATION AND INTERPRETATION OF THIS POLICY

32.1 If there is any dispute about the application and interpretation of the Policy, this must be referred to the Municipal Manager.

33. PERIOD OF OPERATION

33.1 This policy shall come into operation on the date to be determined by the Council (28 May 2021)

uMNGENI MUNICIPALITY



ACTING POLICY

DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

Table of Contents

1	Introduction	3
2	Purpose	4
3	Scope of application	4
4	Definition	4-5
5	Legislative Frameworks	5
6	General Policy Provisions	5-6
7	Acting in the Post for Manager's reporting directly to the Municipal Manager	7
8	Acting in other permanent positions	8-9
9	Required Skills & Expertise	9
10	Interpretation & Application of the Policy	9

INTRODUCTION

Council acknowledges that from time to time an employee, due to certain circumstances such as leave, may not be in a position to discharge his/her duties and responsibilities in terms of the contract of employment.

Council also acknowledge that from time to time there may be vacancies due to certain circumstances such as terminations, and creation of new posts in the organogram.

Council further recognises that from time to time there would be a need to appoint another employee to discharge the duties of that particular employee in their absence, hence the need to enter into an Acting arrangement.

In this regard the following is applicable: -

- An employee is deemed to be acting in another post when he/she is duly appointed by the Municipal Manager or his nominee, to do so.
- An employee who acts in another post must be required to execute his/her original duties, functions and powers.

PURPOSE

To ensure continuity of operations in the municipality is maintained during the absence of the incumbent or where the post is vacant

To promote on-the-job experience and exposure to other employees

To provide a policy guidance for handling of acting arrangements in various positions within Council.

3. SCOPE OF APPLICATION

- 3.1. This policy shall apply to all employees and employers who fall within the registered scope of the KZN Divisional Bargaining Council, excluding section 54A and 56 employees appointed in terms of the Municipal Systems Act, 32 of 2000 as amended.

4. DEFINITIONS

“Acting” this refers to where an employee by written approval of the Municipal Manager or Manager reporting to the Municipal Manager acts in a higher post.

“Section 57 Employees” means a Municipal Manager or Manager reporting to Municipal Manager appointed in terms of Section 54A and Section 56 of the Municipal Systems Act, 32 of 2000, as amended.

“Suitable qualified” means to have the necessary qualifications or abilities / experience to perform the task.

“Vacancy” means a vacant post on the staff structure of the Municipality.

“Local Council” means the municipal council of a local municipality as defined in the local government Municipal Structures Act, 117 of 1998.

“Calender Days” refers to a period from Monday to Sunday.

“Days” refers to working days and means Monday to Friday for 5 day worker and Monday to Saturday for 6 days worker.

5. LEGISLATIVE FRAMEWORK

The Municipality remains responsible to continually align this policy content with all the relevant legislation.

- Labour Relations Act 66 of 1995
- Basic Conditions of Employment Act, 75 of 1997
- Employment Equity Act, 55 of 1998
- Skills Development Act, 97 of 1998
- KZN Divisional Conditions of Service Collective Agreement

6. GENERAL POLICY PROVISIONS

- 6.1 The powers of Council and the Municipal Manager in terms of this policy may be delegated as Council or the Municipal Manager may determine.
- 6.2 Any acting appointment to act in a higher post must be made in writing, by a person duly authorised to do so and the incumbent must accept the acting appointment in writing before the acting commences

- 6.3 In cases of emergencies such as, sick leave and family responsibility, acting may commence upon a verbal agreement between the Head of Department and an employee on condition that the written appointment, and acceptance is finalised within two (2) days from the day of verbal appointment.
- 6.4 An official who has been appointed to act in accordance with the provisions of this policy may only act in a higher post for a maximum period permissible and under the conditions stipulated in the policy after which the arrangement shall be reviewed.
- 6.5 The individual to be appointed to act should generally be the next in line in terms of seniority and Council should try and avoid appointing employees lower in line unless valid reasons exist for such appointments.
- 6.6 In line with Council's Employment Equity Plan, acting may be used, where appropriate, to advance the goals of the municipality towards the achievement of Employment Equity Targets.
- 6.7 An official acting in a vacant position should not expect to be automatically appointed permanently when the sourcing and placement measures for the position are undertaken.
- 6.8 Acting allowance will be paid in the month following the period in which the acting took place.

6.9 Where practically possible, acting must be on a rotational basis.

ACTING IN THE POST FOR MANAGERS REPORTING DIRECTLY TO THE MUNICIPAL MANAGER

In the absence of a Head of Department, the Municipal Manager may appoint an employee to act in the post of Head of Department reporting to the Municipal Manager.

Any person appointed to act as Head of Department must at least have skills, expertise, competency and qualifications as prescribed.

The Municipal Manager must authorise the payment of an acting allowance to an employee who acts as a Head of Department during the absence of the Head of Department concerned.

An acting allowance shall only be payable when an employee acts as a Head of Department for a minimum of ten (10) uninterrupted consecutive working days.

The maximum period which a permanent employee may act in a Section 56 position is limited to three (3) months, which three (3) months period can be extended by further three (3) months upon application being made to the MEC of COGTA.

The acting allowance payable, where a permanent employee acts in the post of Head of Department reporting directly to the Municipal Manager, shall be a non-pensionable allowance of 10.5% of total cost to employer remunerations of the Head of Department.

The acting allowance payable in terms of this policy shall be fully taxable and included in the monthly salary of the acting employee and be paid on the day of the month following the conclusion of the acting period.

ACTING IN OTHER PERMANENT POSITIONS

An Acting allowance shall be paid to an employee acting in a higher post subject to:-

Written confirmation of acting appointment by Municipal Manager or his/her nominee prior to acting.

The employee acting in a post for an uninterrupted period of ten (10) working days

The acting allowance will be a non-pensionable amount payable being the difference between the current salary of the employee acting and the minimum notch of the salary scale pertaining to the post in which the employee is acting or 10,5% of basic salary of the post in which the employee is acting – whichever is greater.

An employer shall not require an employee to act for longer than six (6) Months in the post where after the post must be advertised and filled on a competitive basis in terms of the employment practices policy of the municipality.

In the event that the post is not filled, application must be made for an exemption by the municipality to the KZN Division of SALGBC to enable the employee to continue acting. During the period of the application for exemption and subject to such application for exemption being made prior to expiry of the 6 months period the employee will continue to receive an acting allowance.

Any employee permanently employed on an indefinite contract that act in post of a Section 54A and 56 employees shall be paid an acting allowance of 10.5% of total cost of employer remuneration of Sec 54A and 56 employee.

The maximum period that a permanent employee may act in a Section 56 post is limited to a maximum period of 3 months, which three (3) month period can be extended by a further 3 months upon application being made to the MEC of COGTA.

Any acting appointment does not guarantee permanent appointment to that particular position.

REQUIRED SKILLS AND EXPERTISE

The skills of the individual considered for the acting position must meet the requirements reflected in the competency profile related to the position.

INTERPRETATION AND APPLICATION OF THE POLICY

If there is any grievance that may arise with regard to the interpretation and application of this policy, it shall be handled in terms of the Main Collective Agreement.

uMNGENI MUNICIPALITY



OVERTIME POLICY

DATE OF ADOPTION: 29 MARCH 2023

DATE OF IMPLEMENTATION: 1 JULY 2023

OVERTIME POLICY

Definitions

For the purpose of this policy unless the context otherwise indicates:-

1.1 **“BCOEA”** means the Basic Conditions of Employment Act No 75 of 1997.

1.2 **uMngeni Municipality**” means a Municipal Council referred to in Section 157(1) of the Constitution.

1.3 **“Heads of Departments”** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 of 2000.

1.4 **“Supervisors”** means a person who supervises his/her subordinates in terms of the TASK Job Evaluation System.

1.5 **“Employees”** all persons in the employment of the Municipality whether full/part-time.

1.6 **“Earning Threshold”** refers to the earning threshold determined by Minister of Labour in terms of Section 6 (3) of the Basic Conditions of employment Act 75 of 1997, as amended.

1.7 **“Earning”** means gross pay before deductions.

1.8 **“Emergency work”** refers to work that must be done without delay because of circumstances for which the employer could not reasonably have been expected to make provision and which cannot be performed by employees during their ordinary hours of work. Emergency work excludes the performance routine maintenance work outside normal working hours.

1.9 **“Overtime”** means the time that an employee works during a day or a week in excess of ordinary hours of work (8hours) including Saturdays, Sundays and Public holidays.

1.10 **“Essential Services”** means a service the interruption of which can endanger the life, personal safety or health of the whole or any part of the population.

1.11 **“Remuneration”** means compensation in money or time off for overtime worked.

1.12 **“SALGBC”** means South African Local Government Bargaining Council.

2. GOAL

2.1 To respond to communities urgent needs in an effective, efficient and sustainable manner.

3. OBJECTIVES

- 3.1 To ensure that overtime policy respond effectively to crisis and emergency situations with regard to the provision of services.
- 3.2 To ensure that Departments do not overspend the allocation of overtime budget.
- 3.3 To define a clearly written procedure in performing of overtime.
- 3.4 To eliminate the abuse of overtime.

4. SCOPE AND APPLICATION

- 4.1 The Policy should be applied by taking into consideration the stipulations in the BCOEA as well as the Divisional Conditions of Service Collective Agreement.
 - 4.1.1 This policy apply to all Municipal employees but the payment of overtime does not apply to the following categories of employees:
 - 4.1.2 Workers in senior management
 - 4.1.3 Workers who earn more than the threshold per annum as determined by the Minister of Labour from time to time
 - 4.1.4 Workers who work less than 24 hours in a month.

5. REGULATION OF WORKING OVERTIME HOURS

- 5.1 An employer may not require or permit an employee:
 - 5.1.1 To work overtime except in accordance with an agreement, either on a day on which an employee would do ordinary work, Saturdays, Sundays or Public holidays.
 - 5.1.2 To work more than three hours overtime a day.
 - 5.1.3 To work more than ten hours overtime a week except the employees who perform/provide essential services e.g. electricity, water, health, environmental health, traffic, radio control, switchboard operator, cashiers, refuse removal and refuse disposal.
 - 5.1.4 A Collective Agreement may increase the maximum permitted overtime to fifteen (15) hours a week. (Section (10)(6)(a) of the BCOEA) for up to two (2) months a year.
- 5.2 Employees earning more than the threshold per annum are required to receive paid time-off in lieu of overtime worked.
 - 5.2.1 If the agreement is reached at municipal level to pay overtime to employees earning the above threshold, then an application must be made to the SALGBC Divisional Exemption Committee to pay these employees.

5.2.2 Where no collective agreement exist to regulate the payment for employees earning in excess of threshold then parties could agree at municipal level in terms of the payment and such be regulated in a policy.

5.3 An employer must grant paid time-off within one month of the employee becoming entitled to it.

5.4 An agreement in writing may increase the period to six (6) months.

5.5 An agreement concluded with an employee when the employee commences overtime lapses after six (6) months.

6. PAY FOR OVERTIME (MONDAYS TO SATURDAYS)

6.1 An employer must pay an employee at least one and one-half times the employees wage for overtime worked.

7. PAY FOR WORK ON SUNDAYS

7.1 An employer must pay an employee who works on a Sunday a double of the employees wage for each hour worked, unless the employee ordinarily works on a Sunday, in which case the employer must pay the employee at one and one-half times the employees wage for each hour worked.

8. PAY FOR PUBLIC HOLIDAYS

8.1 An employer must pay an employee who does not work public holidays double the employees wage for each hour worked.

9. PROCEDURE

9.1 Before the employees perform overtime work, Supervisors/ Section Heads must identify the need for a particular task to be performed as well as the volume of work in order to determine the number of hours, taking into account that employees do not deliberately leave work incomplete for the sake of getting overtime.

9.2 After the identification of the need for a particular task to be performed, Supervisors must fill-in a request for authority to work overtime form, indicating the name/s of employees to perform the task, nature of the job to be performed and a place.

9.3 Supervisors must make recommendation to the Section Heads/Managers for approval and authorization.

- 9.4 No overtime may be worked without the express prior authorization of the Head of Department/ Section Manager concerned.
- 9.5 No claim for overtime pay may be made unless a copy of the permission or instruction authorizing that overtime to be worked accompanies it.

10. EMERGENCY

- 10.1 In case of emergency, filling a form in advance may be practically impossible, and Supervisors must immediately after the execution of a task/ (within 24 hours) ensure that the procedure in terms of overtime policy has been followed.

11. EMERGENCY PERSONNEL AND EMERGENCY WORK

- 11.1 They shall work a 45 hour working week.
- 11.2 An employee may be required to perform emergency work that cannot be performed during normal working hours.
- 11.3 Employee involved in the emergency work are not limited by the overtime restrictions as well as ordinary hours' limitations in terms of the BCEA.
- 11.4 Any additional hours of work over and above 45 hours per week shall be deemed to be overtime.

12. NIGHT WORK ALLOWANCE

- 12.1 This applies to an employee who is required to work some or all of his normal hours of duty between the hours of 18:00 and 06:00 and such employee shall be paid a night work allowance.
- 12.2 All employees will be entitled to a night allowance but in the event that employee's earnings are above the Basic Conditions of Employment Act 75 of 1997 threshold as determined from time to time but currently at R205 433.30 then the employee will be paid at the BCEA threshold in terms of the determination of the hourly rate as per clause 12.3
- 12.3 The employee be paid a maximum of 12% of hourly rate, *pro rata* to the actual completed normal hours worked (excluding any part of an hour) between the hours of 18:00 and 06:00 in a particular month.

NOTE: Annual Salary / 249 number of working days / 8 hours per day X 12% = hourly night work allowance.

- 12.4 Any employee who is entitled to this night work allowance shall not be entitled to a shift allowance in addition thereto.

- 12.5 In terms of section 6(2) of the Basic Conditions of Employment Act Section 9, 10 (1), 14(1), 15(1), 17(2) and 18(1) shall not apply to work that must be done without delay due to circumstances which the employer could not reasonably be expected to provide for and which could not be performed by employees during their normal working hours. Section 17(2) deals with the payment of a night work allowance.
- 12.6 A municipality may only require or permit an employee to perform night work, if so agreed and provided that transportation is available between the employee's place of residence and the workplace at the commencement and conclusion of the employee's night work (between the hours of 18:00 and 6:00)

13. SHIFT ALLOWANCE

- 13.1 A shift allowance will be paid to employees who is involved in continuous process work where operations are running on a 24 hours 7 days a week system.
- 13.2 A non-pensionable allowance of 10% of the employees' basic monthly salary shall be paid on a monthly basis.
(For example: Employee who earns R9 000 pm will be paid: R9 000 x 10%/ 100 = R 900 pm extra as shift allowance).
- 13.3 Employees who receive a shift allowance are not entitled to night allowance.

14. STANDBY ALLOWANCE

- 14.1 If a municipality require an employee to be available for the performance of duty outside normal working hours to the employee shall be entitled to a standby allowance.
- 14.2 The standby allowance shall not affect or be affected by any remuneration for over employee during the period of standby duty.

- 14.3 Standby allowance will be calculated in accordance with the following formula:

$$\frac{\text{Annual Salary}}{249} = \text{daily}$$

$$\frac{\text{Daily Salary}}{3} = \text{this is the daily standard allowance}$$

14.4 If the employee is required to be on standby on Saturdays, the employer shall pay that employee one and one-half times the normal standby allowance.

14.5 If the employee is required to be on standby on Sundays and Public Holidays, the employer shall pay that employee at least double the amount of the normal standby allowance.

15. DETERMINATION OF EARNINGS THRESHOLD

15.1 The increase of earnings threshold per annum will be determined by the Minister of Labour from time to time

16. FORMULA OF CALCULATING OVERTIME

16.1 Annual salary divided by 250 days = daily rate divided by 8 = hourly rate x normal overtime (1.5) or double time (x2)

17 DISPUTES ABOUT THE APPLICATION AND INTERPRETATION OF THIS POLICY

17.1 Any dispute regarding the application and interpretation of this policy will be referred to the Municipal Manager.

18. IMPLEMENTATION OF THE POLICY

18.1 This policy will apply and be effective on the date to be determined and approved by the Council.