



DRAKENSTEIN

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AMENDED BUDGET RELATED POLICIES 2023/2024

May 2023

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Unclaimed Deposits Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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Abbreviations

| | |
|-------|---|
| DM | Drakenstein Municipality |
| AO | Accounting Officer |
| ASB | Accounting Standards Board |
| CFO | Chief Financial Officer |
| CRR | Capital Replacement Reserve |
| GRAP | Generally Recognised Accounting Practise |
| IDP | Integrated Development Plan |
| MFMA | Municipal Finance Management Act |
| MSA | Municipal Systems Act |
| SDBIP | Service Delivery and Budget Implementation Plan |
| VAT | Value Added Tax |

1 DEFINITIONS

- 1.1 **“Council”** means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.
- 1.2 **“Creditor”** means a person to whom money is owed to by the municipality.
- 1.3 **“Customer”** means any person comprising:
- 1.3.2 Resident of the municipality;
 - 1.3.3 Ratepayer of the municipality;
 - 1.3.4 Any civic organization involved in the municipality; and/or
 - 1.3.5 Any visitor or other people who make use of services or facilities provided by the municipality.
- 1.4 **“Prescription Act”** refers to the Prescription Act No. 68 of 1969.
- 1.5 **“Prescription Period”** refers to section 11 of the “Prescription Act” where by a period of three (3) years will be applicable.
- 1.6 **“Primary bank account”** means a bank account referred to in section 8(1) of the Municipal Finance Management Act.
- 1.7 **“Register”** means the official register kept to receipt all unclaimed deposits.
- 1.8 **“Municipality”** means the Drakenstein Municipality established in terms of section 155 of the Constitution.
- 1.9 **“VAT”** means Value Added Taxation.
- 1.10 **“SARS”** means the South African Revenue Service

2 INTRODUCTION

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash once received is safeguarded and banked promptly.

- 2.1 In terms of Section 64 (2) (e) (Revenue Management) of the Municipal Finance Management Act, Act 56 of 2003; “the municipality has and maintains a

management, accounting and information system which-

- 2.1.1 Recognises revenue when it is earned;
- 2.1.2 Accounts for debtors; and
- 2.1.3 Accounts for receipts of revenue;

Unclaimed monies is a challenge faced by the municipality where monies are deposited into the municipal primary bank account which cannot be identified nor are claimed by any consumer or creditor of the municipality.

- 2.2 Monies are unclaimed for various reasons and commonly arise amongst other things from the following:
 - 2.2.1 Monies deposited into the municipal bank accounts without any reference or documentary proof.
 - 2.2.2 Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
 - 2.2.3 Creditors/consumers are unaware of their legal right to the monies.
 - 2.2.4 Deposits cannot be identified and allocated to an account or vote.
 - 2.2.5 Deposits paid for utilisation of facilities not claimed by customer.

3 OBJECTIVES OF THE POLICY

- 3.1 The objectives of the policy are to:
 - 3.1.1 To provide a framework on how to deal with unknown or unclaimed deposits in the municipal bank account.
 - 3.1.2 To reduce the liability of the municipality.
 - 3.1.3 To provide guidelines to identify unidentified deposits in the municipal bank account.

4 LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, 56 of 2003.

5 IDENTIFICATION OF UNCLAIMED DEPOSITS

- 5.1 An unclaimed direct deposit is any amount of money legally paid into the municipal bank accounts without any traceable reference or documentary proof on how the

deposits should be allocated and that remains unclaimed for a period of three (3) months.

5.2 Unclaimed deposits are any specified amounts of money legally payable to a creditor and that have not been claimed or banked within a period of three (3) months.

5.3 An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which have not been claimed within a period of three (3) months.

6 REGISTER OF UNCLAIMED DEPOSITS

6.1 After all processes to identify the unallocated deposits have been exhausted and the period as mentioned in section 5 of this policy has expired all unclaimed and/or unallocated deposits will be receipted in a register kept by the municipality and reconciled monthly.

6.2 The register will be maintained and updated regularly and be kept for a period of three (3) years.

6.3 After the unclaimed and/or unallocated deposits have been deposited in the register the rightful owner thereof can claim the deposits within a period of three (3) years from date the deposits were deposited or become unclaimed subject to documentary proof being provided by the claimant of the deposits.

6.4 The value of unclaimed deposits and/or unallocated direct deposits will be recognized as a liability in the financial statements of the municipality.

7. UNCLAIMED DEPOSITS TO BE PAID AS PUBLIC REVENUE

Should unclaimed deposits not be claimed within the period of three (3) years ("Prescription Period") the deposits will be written off from the register and be receipted as revenue in that financial year and accordingly declaring output VAT and paying it over to SARS.

7.1 *Prescription Act*, Section 10 states:

(1) *Subject to the provisions of this Chapter and of Chapter IV, a Debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant laws applies in respect of the prescription of such Debt.*

(2) *By the prescription of a principal debt a subsidiary debt which arose from such principal debt shall also be extinguished by prescription.*

(3) Notwithstanding the provisions of subsection (1) and (2) payment by the Debtor of a debt after it has been extinguished by prescription in terms of either of the said subsections, shall be regarded as payment of debt.

7.2 Section 11 states that the periods of prescription of Debts shall be the following:

(d) Save where an Act of Parliament provides otherwise, three years in respect of any other Debt.

8. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and the operating requirements of the municipality.

9. SHORT TITLE

This policy shall be called the Unclaimed Deposits Policy of the Drakenstein Municipality.



Accounting Policies to the Annual Financial Statements

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior period annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note Changes in accounting policies.

These standards are summarised as follows:

| Reference | Topic |
|----------------|--|
| GRAP Framework | Framework for the preparation and presentation of financial statements |
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investment in Associates |
| GRAP 8 | Investment in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |

| Reference | Topic |
|------------------|--|
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 18 | Segment Reporting |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 20 | Related Party Disclosures |
| GRAP 21 | Impairment of Non-cash-generating Assets |
| GRAP 23 | Revenue from Non-exchange Transactions (Taxes and Transfers) |
| GRAP 24 | Presentation of Budget Information in Financial Statements |
| GRAP 25 | Employee Benefits |
| GRAP 26 | Impairment of Cash-generating Assets |
| GRAP 27 | Agriculture |
| GRAP 31 | Intangible Assets |
| GRAP 32 | Service Concession Arrangements: Grantor |
| GRAP 100 | Discontinued Operations |
| GRAP 103 | Heritage Assets |
| GRAP 104 | Financial Instruments |
| GRAP 108 | Statutory Receivables |
| GRAP 109 | Accounting by Principals and Agents |
| GRAP 110 | Living and Non-living Resources |
| IFRS 4 | Insurance contracts |
| IAS 12 | Income taxes |
| IGRAP 1 | Applying the Probability Test on Initial Recognition of Revenue |
| IGRAP 2 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IGRAP 3 | Determining Whether an Arrangement Contains a lease |
| IGRAP 4 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IGRAP 5 | Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies |
| IGRAP 6 | Loyalty Programmes |
| IGRAP 7 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IGRAP 8 | Agreements for the construction of Assets from Exchange Transactions |

| Reference | Topic |
|--------------|--|
| IGRAP 9 | Distributions of Non-cash Assets to Owners |
| IGRAP 10 | Assets Received from Customers |
| IGRAP 11 | Consolidation – Special Purpose Entities |
| IGRAP 12 | Jointly Controlled Entities – Non-monetary Contributions |
| IGRAP 13 | Operating Leases – Incentives |
| IGRAP 14 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| IGRAP 15 | Revenue – Barter Transactions Involving Advertising Services |
| IGRAP 16 | Intangible Assets – Website Costs |
| IGRAP 17 | Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest |
| IGRAP 18 | Recognition and Derecognition of Land |
| IGRAP 19 | Liabilities to Pay Levies |
| IGRAP 20 | Accounting for Adjustments to Revenue |
| IFRIC 12 | Service Concession Arrangements |
| SIC 25 | Income Taxes – Changes in the status of an enterprise or its shareholders |
| SIC 29 | Disclosure Service Concession |
| Directive 1 | Deletion of Transitional Provisions in Standards of GRAP |
| Directive 3 | Amended Transitional Provisions for High-Capacity Municipalities |
| Directive 5 | GRAP Reporting Framework |
| Directive 7 | The Application of Deemed Cost |
| Directive 11 | Changes in Measurement Bases following Initial Adoption of Standards of GRAP |
| Guideline | Accounting for Arrangements Undertaken i.t.o the National Housing Programme |
| Guideline | Accounting for Landfill Sites |
| Guideline | The Application of Materiality to Financial Statements |

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

2. NEW STANDARDS AND INTERPRETATIONS

Standards, amendments to standards and interpretations effective and adopted in the current year

No new Standards have been adopted.

Standards, amendments to standards and interpretations issued, but not yet effective

GRAP 25 on Employee Benefits and effective date for the reporting periods has not yet been set. The ASB agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The ASB decisions to depart are explained in the basis for conclusions. The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

GRAP 104 on Financial Instruments and effective date for the reporting periods has not yet been set. Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued (IFRS®) Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised IPSAS in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

All other standards as listed above will only be effective on the date it is announced by the Minister of Finance.

The Accounting Standards Board Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

3. PRESENTATION CURRENCY

These audited annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

4. GOING CONCERN ASSUMPTION

These audited annual financial statements have been prepared on a going concern basis.

5. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6. COMPARATIVE OF ACTUAL INFORMATION TO BUDGETED INFORMATION

Current year comparatives

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations (MBRR). The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts, based on the classifications as contained in the A Schedule, specifically Table A1 – Budget Summary. Actual performance is expressed based the budget classifications as contained in Budget Schedule A, table A1. A reconciliation of the base as presented in the Statement of Financial Performance and Cash Flow Statement is presented in the notes.

Explanatory comment is provided in the notes to the unaudited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the unaudited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

The annual budget figures included in the unaudited annual financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2021 to 30 June 2022.

Prior year comparatives

The comparative figures of one prior period is disclosed, where required. When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are restated. The nature and reasons for the reclassification are disclosed.

7. HOUSING DEVELOPMENT RESERVE

The Housing development fund was established in terms of the Housing Act (Act No. 107 of 1997).

Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development, development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with

the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.

- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year in the Statement of Financial Performance.

Un-realized housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

8. INTERNAL RESERVES AND REVALUATION RESERVE

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

9. PROVISIONS

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured

involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure and post monitoring cost, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

10. PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent values every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight- line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the

municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

| Asset class | Useful lives as applied in the AR (years) |
|---|--|
| Infrastructure | |
| Roads and storm water | 5-100 |
| Electricity | 5-75 |
| Water | 5-100 |
| Sewerage | 5-100 |
| Solid Waste | 5-100 |
| Buildings, structures and facilities | |
| Buildings | 30-50 |
| Recreational and sports facilities | 5-100 |
| Parks, gardens and cemeteries | 5-100 |
| Housing assets | 30-50 |
| Other structures and facilities | |
| Parks, gardens and facilities | 5-100 |
| Parking structures | 30-50 |
| Other structures | 5-50 |
| Communication assets | 30-50 |
| Leasehold improvements | 30-50 |
| Containerized structures | 5-50 |
| Other assets | |
| Transport Assets | 5-20 |
| Computer and other office equipment | 3-10 |
| Furniture & fittings | 5-10 |
| Machinery and equipment | 5-10 |

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Historical reviews have impacted the lives of the assets. The following table indicates the impact on the actual lives of the assets as a result of historical reviews and adjustments made:

| Asset class | Useful lives as applied in the AR (years) |
|--|--|
| Infrastructure | |
| Roads and storm water | 5-100 |
| Electricity | 5-100 |
| Water | 5-140 |
| Sewerage | 5-120 |
| Solid Waste | 5-100 |
| Buildings | |
| Buildings | 1-60 |
| Recreational and sports facilities | 1-100 |
| Resorts | 1-100 |
| Housing assets | 1-60 |
| Other structures and facilities | |
| Parks, gardens and facilities | 1-100 |
| Parking structures | 30-50 |
| Other structures | 5-50 |
| Communication assets | 30-50 |
| Leasehold improvements | 30-50 |
| Containerized structures | 5-50 |
| Other assets | |
| Transport Assets | 5-35 |
| Computer and other office equipment | 3-45 |
| Furniture & fittings | 5-45 |
| Machinery and equipment | 5-50 |

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

11. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

12. INVESTMENT PROPERTY

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

13. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as heritage assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

De-recognition of heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when

no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

14. INVENTORY

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised In the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory were sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Land inventory for BNG housing projects

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

In terms of the guideline, land currently controlled by the municipality and recognised as either property, plant and equipment or investment property, that has been designated for the purposes of a BNG housing development - in terms of Council's approved housing pipeline projects - meets the definition of inventory and requires reclassification to inventory.

The municipality only reclassifies the portion of land that it would not control after entering into an arrangement with the provincial Department of Human Settlements, to inventory.

Once the township development is completed, revisions that may need to be made to the values of the land initially reclassified as inventory is treated as a change in accounting estimate in terms of GRAP 3.

The carrying amount of the land up until the date of reclassification, as determined in accordance with the accounting policy of property, plant and equipment or investment property, is the cost amount on the date of reclassification.

Land inventory is derecognised once an agreement has been entered into with the provincial Department of Human Settlement, that passed control to the department.

15. LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation, whilst non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not be recognised as assets.

A living resource is regarded as an asset when the municipality controls the right or access to future economic benefits or service potential of the resource. This is done by considering whether the following indicators that conclude that control, exists:

- The intervention by a municipality in the management of the physical condition of the living resource.
- The ability to restrict the movement of living resource.
- The ability to direct the use of the living resource.

The municipality is in terms of its mandate responsible for management and/or conservation of the environment as a whole, inclusive of natural resources such as plants and trees within parks and recreational facilities, but it does not manage the physical condition of each individual plant within that environment. As a result, the municipality concludes that it does not control these trees and plants as living resources and does not regard them as separate assets.

Water rights are disclosed as non-living resources.

16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, INTANGIBLE ASSETS AND HERITAGE ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

17. EMPLOYEE BENEFITS

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Ex-gratia pension benefits

The municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl, Wellington, Gouda and Saron Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multiemployer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Provision for bonus

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

18. LEASES

Lease classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

19. BORROWING COSTS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

20. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

| Type of financial asset | Classification in terms of GRAP 104 |
|--|--|
| Finance lease receivables | Financial assets at amortised cost |
| Long-term receivables | Financial assets at amortised cost |
| Current portion of long-term receivables | Financial assets at amortised cost |
| Consumer debtors | Financial assets at amortised cost |
| Other debtors | Financial assets at amortised cost |
| Short-term investment deposit - Call | Financial assets at amortised cost |
| Bank balances and cash | Financial assets at amortised cost |
| Investments in stock | Financial assets at fair value |

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

| Type of financial liability | Classification in terms of GRAP 104 |
|--|--|
| Long-term liabilities | Financial liability at amortised cost |
| Current portion of long-term liabilities | Financial liability at amortised cost |
| Other creditors | Financial liability at amortised cost |
| Bank overdraft | Financial liability at amortised cost |
| Short-term loans | Financial liability at amortised cost |

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Initial recognition and measurement

Financial assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

Financial liabilities:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of financial performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest-bearing debt including finance

lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Long-term debtors

Housing loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

Other long-term loans

No provision for impairment is made for Other long-term loans, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

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 recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a

transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

21. STATUTORY RECEIVABLES

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables;
- Rates debtors;
- Traffic fine debtors;
- Availability charges debtors;
 - Electricity;
 - Water;
 - Waste; and
 - Waste water.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognized

Impairment of statutory receivables

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Rate debtors and availability charge debtors

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount

is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

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 recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of statutory receivables

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

22. REVENUE

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year- end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. Basic fees are calculated per the size of connection.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of pre-paid electricity are recognised at the point of sale. Revenue from the sale of prepaid electricity are recognised based on an estimate of the pre-paid electricity consumed as at the reporting date.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government grants and receipts

- Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

- Conditional grants and receipts

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality

with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

23. ACCOUNTING BY PRINCIPLE AND AGENTS

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

24. HOUSING ARRANGEMENTS

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Top structures

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in

profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Other transactions related to housing arrangements:

Other transactions may also arise from the Housing Arrangements and fall within the ambit of GRAP 11: Construction Contracts, others with GRAP 9: Revenue from Exchange Transactions, GRAP 23: Revenue from Non-exchange Transactions and GRAP 109: Principal Agent Arrangements.

- Income from grants pertaining to the planning and construction of civil services of a project is considered to be grants and subsidies in terms of GRAP 23: Revenue from Non-exchange transactions.
- Receipts directly attributable to the administration of beneficiaries are accounted for under Operational Revenue as Housing services rendered in terms of GRAP 9: Revenue from Exchange Transactions.
- Receipts that are received to register the title deed in the name of the beneficiary are regarded as receipts and payments on behalf of the beneficiaries in terms of GRAP 109: Principal Agent Arrangements, and as such the municipality is regarded as an agent.

25. VALUE ADDED TAX

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

26. GRANTS AND SUBSIDIES PAID

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the audited annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

27. UNAUTHORISED EXPENDITURE

Section 1 of the MFMA, defines Unauthorised expenditure as follows:

- 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 appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the MFMA also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular Expenditure is accounted for as an expense in the Statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

30. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

31. CHANGE IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

32. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

33. EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the audited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the audited annual financial statements.

34. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

35. SEGMENTAL REPORTING

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels.

The report will not be aggregated.

The municipality manages its assets and liability as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it's not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The assets and liabilities are not reviewed at all on a segregated basis.

The reporting measurement basis for the management reports is the same as that of the annual financial statements.

Key judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the audited annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these audited annual financial statements.

In preparation of the audited annual financial statements materiality has been considered in:

- Deciding what to report in the audited annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the audited annual financial statements

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

| Classes of Transactions | Base Rand | Level of Materiality Rand |
|-------------------------------------|---------------|---------------------------|
| Revenue | 2,599,632,211 | 12,998,161 |
| Capital and Operational Expenditure | 2,761,561,199 | 13,807,806 |
| Total Assets | 6,743,545,986 | 33,717,730 |
| Total Liabilities | 2,578,656,583 | 12,893,283 |
| Equity (Net Assets) | 4,164,889,403 | 20,824,447 |

Based on professional judgement the quantitative value of materiality for the 2022 financial year is set at R 12.9 million.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – Municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – Municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Classification of property as held for strategic purposes

The municipality classifies vacant land that is earmarked for future development in terms of the municipality's Spatial Development Framework, as property, plant and equipment, rather than investment property.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult are as follow:

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

Componentisation of infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

Determination of repairs and maintenance cost

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of receivables

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the

reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

Valuation of financial assets at fair value

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Assessment of control over land

Land is regarded under control of the municipality, where it holds legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land (substantive rights).

Land for which the municipality holds legal title, but is not recognised as under its control, include properties under the house selling schemes, or where a transfer/sales agreement has been entered into with a prospective buyer/transferee, that obtains the right control by means of a binding agreement, if specified that by that agreement that the right transfers before legal title transfers.

Land for which the municipality does not hold legal title or have custodian of land appointed in terms of legislation, but which is recognised as under the control of the municipality, are in instances where the municipality has existing infrastructure such as substations or waste water treatment works or permanent facilities, such as office buildings and community facilities, that it receives the sole economic and service potential from.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Valuation of land and buildings and fair value estimations of investment property

Land and buildings were valued and the fair value of investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental

obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue form exchange revenue - when goods are sold, whether the management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the municipality is entitled to collect was calculated as 97.6% of the value of the fines issued, whereas it was estimated that 83.7% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the audited annual financial statements.

Management also calculates and supplies some estimates to the calculation of:

- Water inventory;
- Bonus provision accrual;
- Performance bonus accrual;
- Staff leave accrual; and Prepaid electricity accrual.



Cash & Investment Management Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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1. DEFINITIONS

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

- 1.1 **“Accounting Officer”** is a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the City Manager for the Municipality;
- 1.2 **“Cashiers”** are any municipal official appointed to receive cash or any other form of payment(s) on behalf of Drakenstein Municipality at any of the receipting points within Drakenstein Municipality area.
- 1.3 **“Chief Financial Officer”** is an officer of the municipality appointed as the Head of the Finance Department and includes any person –
 - (a) Acting in such position; and
 - (b) To whom the Chief Financial Officer has delegated a power, function or duty in respective of such a delegated power, function or duty;
- 1.4 **“Council”** or **“Municipal Council”** is a Municipal Council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and for purposes of this policy, the Municipal Council of the Drakenstein Municipality;
- 1.5 **“Councillor”** is a member of the Municipal Council;
- 1.6 **“Investments”** is funds not immediately required for the defraying of expenses and invested at approved financial institutions;
- 1.7 **“City Manager”** is the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person –
 - (a) Acting in such position; and
 - (b) To whom the City Manager has delegated a power, function or duty in respective of such a delegated power, function or duty;

- 1.8 **“Municipality”** is the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein; and
- 1.9 **“Municipal Official or Official”** any employee of the Drakenstein Municipality;
- 1.10 **“Public funds”** are all monies received by the municipality to perform the functions allocated to them.

2. LEGAL FRAMEWORK

- 2.1 The Cash & Investment Management Policy is in accordance with the requirements of section 13 of the Municipal Finance Management Act and any further prescriptions made by the Minister of Finance.
- 2.2 The municipality shall at all times conduct its Cash and Investment Management Policy in compliance with the provisions and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.
- 2.3 The Local Government: Municipal Finance Management Act Municipal Investment Regulations have been promulgated and have effect as from 1 April 2005.

3. INVESTMENT POLICY OBJECTIVES

- 3.1 Drakenstein Municipality’s main objectives of this Policy are –
- (a) To ensure compliance with the relevant legal and statutory requirements relating to cash management;
 - (b) To ensure the preservation and safety of the municipality’s investments;
 - (c) To ensure diversification of the municipality’s investment portfolio across acceptable investees, permitted types of investments and investment maturities;
 - (d) To ensure timeous reporting of the investment portfolio as required by the Act in accordance with Generally Recognised Accounting Practice (GRAP); and
 - (e) To ensure that the liquidity needs of the municipality are properly addressed.

3.2 This Policy is aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenue is not needed for capital or operational purposes. The effectiveness of the Policy is dependent on the accuracy of the municipality's cash management programme, which has to identify the time when and period, for which such revenues are surplus.

3.3 It is Council's responsibility as a trustee of the community's revenue, to ensure that the money that is not immediately required should be invested in order to optimise the funds available to the municipality and cash resources are effectively and efficiently managed.

4. CASH MANAGEMENT

4.1 Bank Account Administration: (MFMA – Section 7, 8, 9 and 10)

4.1.1 Cash Management:

All cash that has been receipted at all receipting points within the Drakenstein Municipality area are deposited into the current primary bank account the following working day.

(a) Cash Surpluses and Shortages

(i) Surpluses: Cash Surpluses on hand after daily balancing of cashiers is to be paid in the next working day into a surplus vote number.

(ii) Shortages: Shortages with a value of R100 or less must be paid in by the cashier at end of their daily shifts. Amounts greater than R100 gets deducted once off from their next salary payment.

4.1.2 Delegations / Rights:

The incumbents of the following post are authorised to approve Electronic Fund Transfers (EFT's) payments on behalf of Council.

(a) Electronic Fund Transfers:

A-Signatories: City Manager;
Chief Financial Officer;
Senior Manager: Budget, Assets and Financial Reporting;
Senior Manager: Revenue and Expenditure;
Manager: Revenue;
Manager: Expenditure;

Manager: Financial Statements, Reporting and Cash Management;

Manager: Budget and Cost Accounting; and

Manager: Assets and Insurance Management.

B-Signatories: Chief Accountant: Financial Statements & Reporting;

Chief Accountant: Budgets;

Chief Accountant: Creditors Administration;

Chief Accountant: Cash Management;

Chief Accountant: Immovable Assets;

Senior Accountant: Water & Electricity Billing;

Senior Accountant: Property Rates, Sundries, Housing & Pre-Paid Billing; and

Senior Accountant: Credit Control, Customer Care, Indigent Support & Revenue Protection.

(b) Petty Cash:

Petty cashiers receive an amount (float) to reimburse employees for expenditure to a maximum amount as set out in the Petty Cash Policy.

(c) Control over bank accounts:

The City Manager will in writing authorise the Chief Financial Officer or any other senior financial official of the Municipality to exercise control over the investment or withdrawal of funds in any bank account of the Municipality.

(d) Receipting of money:

The following persons or institutions have delegated power to receive money on Council's behalf –

(i) Officials acting as municipal cashiers through the receiving of cash and other payment instruments at all receipting points within the Drakenstein Municipality area; and

(ii) 3rd Party Vendors as contracted as listed in Annexure A: Contracted 3rd Party Vendors.

Management will have the delegated right to review and amend Annexure A on an annual basis provided that all amendments must be reported to Council.

4.1.3 Private money:

No municipal employee is allowed to –

- (a) Use Council's cash funds at any stage to be replaced at a later stage; and
- (b) Safeguard private money amongst Council's cash (e.g. Cashier drawers, petty cash boxes, and safes, etcetera).

4.1.4 Management of cash flow:

The Chief Financial Officer shall maintain a cash flow system, and ensure that funds not immediately required are invested as required. All Departments or Directorates shall in this regard furnish the Chief Financial Officer with their respective cash flow needs on a monthly basis, clearly indicating possible future dates of payments, as well as any possible inflow of cash from other sources of finance arranged by Departments themselves.

4.1.5 Working Capital:

The provision for doubtful debts is calculated on a probability basis, which takes the following factors into account: Debtor type, age of debt, number of cut-off, whether the debtors has been handed over as well as the ownership status.

4.1.6 Cashier Floats

Cashiers receive an amount (float) which needs to be returned to the municipality at the end of each their individual shifts. These floats are used to give change to consumer after paying their municipal accounts, motor registrations, fines, etc.

Floats currently allocated:

- Supervisor (Chief Clerk): Float of R1,500 each;
- Cash Management Cashiers: Float of R500 each;
- Traffic Department Supervisor (Senior Clerk): Float of R2 000 each;
- Library Cashiers: Float of R500 each (except Simondium, Gouda, Saron and Hermon Library which has a R100 float);
- Swimming Pool Cashiers (in Season only): Float of R200 each; and
- Resorts Cashiers: Float of R500 each.

5. STANDARDS OF ETHICS, JUDGEMENT AND DUE CARE

5.1 In dealing with financial institutions, the following ethical principles must be observed –

- (a) The Chief Financial Officer shall not accede to any influence by or interference from councillors, investment agents, institutions or any other outsiders and will take reasonable steps to ensure the diversity of its investment portfolio across

investees, type of investments and investment maturity;

- (b) All investments made must be genuine investments and not investments made for speculation purposes;
- (c) All investments made on behalf of Drakenstein Municipality must be made in the name of the Municipality;
- (d) Under no circumstances may inducements to invest be accepted;
- (e) The CFO or any delegated official shall not as a general rule discuss nor disclose interest rates quoted by one institution to another institution while the investment transaction is in progress or any information regarding the current cash position or its projected future cash flows of the municipality to investees. After the transaction has been finalised, limited information such as interest rates quoted by one institution may be disclosed to another institution; and
- (f) The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

6. INVESTMENT PRINCIPLES AND PRACTICES

6.1 According to Government Gazette No. 27431 of 1 April 2005, the following are permitted investments which a municipality may invest in –

- (a) Securities issued by the national government;
- (b) Listed corporate bonds with an investment grade rating from a national or internationally recognised credit rating agency;
- (c) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- (d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- (e) Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) Banker's acceptance certificates or negotiable certificates of deposits of bank registered in terms of the Banks Act, 1990;

- (g) Guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) Repurchase agreement with banks registered in terms of the Banks Act, 1990;
- (i) Municipal bonds issued by a municipality; and
- (j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consulting with the Financial Services Board.

6.2 Taking the above-mentioned guidelines into account, the following guiding principles are to be adhered to in order to facilitate the administration of Council's investment portfolio.

6.2.1 Limit exposure to single institution

- (a) Investment of funds, where this involves large amounts, should be distributed over more than one institution in order to limit Council's risk exposure.
- (b) It is considered prudent that not more than 50% (thus implying 50.01% and more) of Council's investment portfolio should be held with any specific Institution, as identified in Annexure B: Preferred List of Investment Institutions, at time of investment.
- (c) Management will have the delegated right to review Annexure B on an annual basis and change (if necessary), provided that all changes should be reported to Council.

6.2.2 Risks and Return

- (a) Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate (long term being more than 12 months and/or short term being 12 months and less) on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.
- (b) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.

6.2.3 Borrowing for Re-Investment

- (a) Council should refrain from borrowing monies for the purpose of re-investment, as this is tantamount to speculation with public funds.

6.2.4 Nominee Accounts

- (a) All monies shall be invested directly with the relevant institutions. On no account may monies be placed in a nominee account.

6.2.5 Prohibited Investments

- (a) Drakenstein Municipality shall not be permitted to make investments in –
 - (i) Listed or unlisted shares, or unit trusts;
 - (ii) Stand-alone derivative instruments;
 - (iii) Investments denominated in, or linked to, foreign currencies;
 - (iv) Market linked endowment policies; or
 - (v) Credit linked notes.
- (b) The municipality shall not borrow for the purpose of investing.
- (c) The municipality shall not buy and sell money market instruments, to speculate with the view to making capital profits.

7. CASH MANAGEMENT PRINCIPLES AND PRACTICES

7.1 General

- 7.1.1. Should it be ascertained that surplus funds are available for investment; then written quotations should be obtained from financial institutions for various forms of investment, investment terms and rates of interest.
- 7.1.2. The investment shall be placed with an institution offering the most favourable rate provided such investment is in accordance with the terms and conditions of this policy.

7.1.3. Institutions should be advised that, in submitting quotations, they must offer their best rates of interest and that no further negotiation or discussion will be entered into with them after they have submitted their quotation.

7.2 Payment of Commission

7.2.1 A certificate shall be issued in respect of each and every investment made by the financial institution receiving the investment and no payment of any commission or payment in kind will be made to any party in respect of the investment so made.

7.3 Internal Investments

7.3.1 Before planning to invest funds externally, consideration must be given to whether the funds may be utilised at an equivalent rate to substitute external borrowing as there is normally a margin between the rate at which Council may borrow funds and the rate at which investments may be made over similar periods.

7.4 Cash at Bank

7.4.1 When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum, except if interest rate on current account is more or less the same than a call deposit account.

7.5 Credit Worthiness

7.5.1 Prior to investing in smaller registered financial institutions, the Financial Officer must ensure that the Council is not over-exposed and should satisfy itself as to the credit-worthiness and previous track record of the institution before placing funds.

7.6 Receipting Management (Section 64 of MFMA)

7.6.1 All moneys received and receipted must be deposited the next working day in Council's primary bank account.

7.6.2 All revenue received by the Municipality, including revenue received by any collecting agent on its behalf, is recorded at least on a weekly basis.

7.6.3 All monies collected by the Municipality on behalf of another organ of state must be transferred to that organ of state at least on a monthly basis.

7.7 Expenditure Management (Section 65(2)(d) of MFMA)

7.7.1 All payments by the Municipality are made –

- (a) Directly to the person to whom it is due unless otherwise for reasons as may be prescribed;
- (b) Either electronically or cash payments for exceptional reasons and only to an approved / prescribed limit; and
- (c) Creditor's payments must be paid within 30 days of the creditor's statement, with the exception of BBEEE's, where a seven-day payment cycle may apply.

7.7.2 Electronic payments must be approved by two authorised signatures, two A-signatories or one A-signatory and one B-signatory. Two B-signatories may not authorise electronic payments.

7.8 Withdrawals (Section 11 of MFMA)

7.8.1 Only a senior official(s) acting on the written authority of the Accounting Officer may withdraw money or authorise the withdrawal of money from any of the Municipality's bank accounts and may do so only –

- (a) To defray expenditure appropriated in terms of an approved budget;
- (b) To defray expenditure authorised in terms of section 26(4);
- (c) To defray unforeseeable and unavoidable expenditure authorised in terms of section 29 (1);
- (d) In the case of a bank account opened in terms of section 12, to make payments from the account in accordance with subsection (4) of that section;
- (e) To pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including –
 - (i) Money collected by the municipality on behalf of that person or organ of state by agreement; or
 - (ii) Any insurance or other payments received by the municipality for that person or organ of state;

- (f) To refund money incorrectly paid into a bank account;
- (g) To refund guarantees, sureties and security deposits;
- (h) For cash management and investment purposes in accordance with section 13;
- (i) To defray increased expenditure in terms of section 31; or
- (j) For such other purposes as may be prescribed.

7.8.2 Money may be withdrawn from a bank account in terms of subsection 7.8.1(b) to (j) without appropriation in terms of an approved budget.

7.8.3 The Accounting Officer must within 30 days after the end of each quarter –

- (a) Table in the municipal council a consolidated report of all withdrawals made in terms of subsection 7.8.1(b) to (j) during that quarter; and
- (b) Submit a copy of the report to the relevant provincial treasury and the Auditor-General.

7.9 Short Term Debt (Section 45 of MFMA)

7.9.1 A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act and only when necessary to bridge –

- (a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
- (b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.

7.9.2 A municipality may incur short-term debt only if –

- (a) A resolution of the municipal council, signed by the mayor, has approved the debt agreement; and
- (b) The Accounting Officer has signed the agreement or other document, which creates or acknowledges the debt.

- 7.9.3 For the purpose of subsection (2)(a), a municipal council may –
- (a) Approve a short-term debt transaction individually; or
 - (b) Approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that –
 - (i) The credit limit must be specified in the resolution of the council;
 - (ii) The terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and
 - (iii) If the council approves a credit facility that is limited to emergency use, the Accounting Officer must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.
- 7.9.4 A municipality –
- (a) Must pay off short-term debt within the financial year; and
 - (b) May not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.
- 7.9.5 A lender –
- (a) No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a).
 - (b) If a lender wilfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan.
- 7.9.6 Subsection (5)(b) does not apply if the lender –
- (a) Relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
 - (b) Did not know and has no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

7.10 Cash Procedures

7.10.1 Internal Controls

The supervisor checks floats of all the cashiers on daily basis.

7.10.2 Issuing of Receipts

Potential clients come to the cash office, provide cashier with a municipal account to make a payment, the cashier will then issue a receipt.

7.10.3 Cancellation of Receipts

If and when the cashier makes an error in respect of payment receipted, the cashier will call the supervisor, to cancel the receipt. This is done while the client is still at the cash office, and re-issues the correct receipt to the client. The cashier and the supervisor then sign the cancelled receipt.

7.10.4 Cash Balancing

After the end of each shift, the cashier will count the monies received, and do a daily cashier balancing. If the amounts entered by the cashier are correct the system automatically prints a balancing report, but if the amounts entered by the cashier are not correct, the supervisor is called. The supervisor will then re-count the money, as well as the cash float, enter the supervisor password to establish what the cash collected for the day should be. If short the cashier will then pay the monies in immediately (refer to section 4.1.1(a)(ii)), if there is a surplus the cashier will receipt the surplus on the next working day. If the cashier balance's with the first attempt the procedure is that the supervisors will re-count the cash collected for the day, do a supervisor balancing and a report is generated automatically. This then balances off the cashier for that day and the day is then closed off and no transactions can be done for that day.

7.10.5 Official Payment Receipting Methods

(a) Direct Deposits, EFT payments and ACB (debit orders)

(i) Client will do a direct deposit into municipal bank account via the Internet or by deposit slip via their bank, using municipal account number, traffic fine reference number or any other reference provided by the municipal officials as reference. This

information is extracted daily and when doing uploads from the bank is then credited against the clients' accounts or the correct vote number.

- (ii) Accounts are also paid by means of a ACB (debit orders) payment by consumer's banker.

(b) 3rd Parties

Clients do a payment at Pick & Pay, Shoprite, SPAR, etcetera – refer to Annexure A. Up load's is done daily from external service provider extracting the information and then crediting the various clients' accounts.

(c) Cheque Deposit (including cheques received via mail previously)

The municipality will no longer accept any cheque payments as an official form of payment. This is due to various fraudulent activities associated with cheques and financial institutions moving towards a system whereby they will also no longer be accepting and/or issuing cheques.

8. CONTROLS OVER MANAGEMENT OF CASH & INVESTMENT

- 8.1 A proper record must be maintained of all investments made indicating at least the Institution, fund, interest rate, and maturing date.
- 8.2 The Financial Officer must retain all quotations received for record and audit purposes.
- 8.3 Interest must be correctly calculated, received and recorded timeously.
- 8.4 All investment certificates to be received via email in order to be backed-up on the server and any hard copies received to be kept in a securities file which shall be safeguarded in a fire proof safe.
- 8.5 In respect of grant funds, a separate file must be kept of the letter of grant and other pertinent information. Regular reports must be submitted to all grant agencies.
- 8.6 The Chief Financial Officer must compile and will be responsible for the maintenance of an Investment Register complying with audit requirements.
- 8.7 The Chief Financial Officer shall every month submit a report to the Council on the

Council's Investment portfolio, including the type of investment, interest rates, period of investment and summary of the exposures to particular financial institutions.

9. DELEGATION OF AUTHORITY

9.1 The Council may, in terms of Section 59 of the Municipal Systems Act 2000, delegate any of its functions and responsibilities in respect of this policy to a Committee of the Council, the Municipal Manager, the Chief Financial Officer or any political functionary of the Council provided that such delegation will not absolve the person to whom such a function or responsibility has been delegated from complying with any statutory reporting requirement or such reporting requirement as may be contained in this policy.

10. SHORT TITLE

10.1 This policy is called the Drakenstein Municipality Cash and Investment Policy.

ANNEXURE A: CONTRACTED 3RD PARTY VENDORS

List of approved and contracted 3rd Party Vendors

1. Municipal Accounts –

Easy Pay receipting points at the following retail outlets:

- (i) Ackermans;
- (ii) Easypay Mobile;
- (iii) Easypay Website;
- (iv) Investec;
- (v) Massbuild;
- (vi) Masscash Retail;
- (vii) Massdiscounters Dion;
- (viii) Pick n Pay;
- (ix) Shoprite / Checkers / Usave;
- (x) SPAR;
- (xi) Woolworths;
- (xii) Boxers;
- (xiii) PEP Stores;
- (xiv) Massdiscounters Game;
- (xv) Lewis;
- (xvi) Saverite;
- (xvii) Cash & Carry; and
- (xviii) Wallet doc.

PayAt receipting by using a QR code printed on the statement for payment via Zapper, Snapscan or Scan to Pay options.

2. Traffic Fines –

- (a) Easy Pay receipting points; and
- (b) Traffic Management Technologies (“TMT”)

3. Pre-paid Electricity –

- (a) Pre-paid Electricity Vendors; and
- (b) Prepaid 24 website.

ANNEXURE B: PREFERRED LIST OF BANKING INSTITUTIONS

List of currently approved Investees

1. Deposit taking institutions –
 - (a) ABSA Bank;
 - (b) FirstRand Bank;
 - (c) Investec Bank;
 - (d) Nedbank;
 - (e) Standard Bank;
 - (f) Grindrod Bank;
 - (g) Public Investment Commissioners; and
 - (h) Corporation for Public Deposits.

2. Corporate bond issuers –
 - (a) None currently approved.

3. Municipal bond issuers –
 - (a) None currently approved.

4. Endowment policy issuers –
 - (a) None currently approved.

5. National Government / Parastatals –
 - (a) RSA fixed income stock; and
 - (b) Eskom fixed income stock.



DRAKENSTEIN

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Paarl | Wellington | Gouda | Saron | Simondium

VIREMENT POLICY

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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PREAMBLE

Whereas Section 15(a) and (b) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (hereinafter referred to as the Act) determines that a municipality may, except where otherwise provided for in the Act, incur expenditure only in terms of an approved budget (original and adjustments budgets) and within the limits of the amounts appropriated for the different votes in an approved budget;

And whereas Section 23(1) of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations (hereinafter referred to as the Regulations) determines that an adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year;

And whereas Section 23(2) of the Regulations determines that only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year;

And whereas there will always be a need to transfer funds within or between approved votes, as defined in the Act, due to changing circumstances and priorities during a financial year;

Now therefore the Municipal Council of the Drakenstein Municipality adopts the following Virement Policy:

1. DEFINITIONS

“Accounting Officer” means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, No 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, No 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, No 56 of 2003.

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

“Approved budget” means an annual budget:

(a) approved by a municipal council in terms of section 24 of the MFMA, or

(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

“Chief Financial Officer” means an official designated by the Accounting Officer as the Chief Financial Officer in terms of Section 80(2)(a) of the Act.

“Cost Centre” means a functional area which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

“Cost category” means a category of expenditure as set out in the approved budget.

“Cost item” means a line item of expenditure as set out in the approved budget.

“Financial Year” means the twelve (12) month period between 1 July and 30 June of the following year.

“Senior manager” means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the City Manager.

“Vote” means one of the main segments (departments) into which a budget of a municipality is divided for the appropriation of money for the different functional areas (cost centres) of the municipality which specifies the total amount that is appropriated for the purposes of the vote’s functional areas concerned.

“Virement” means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote or across a vote during a municipal financial year due to changed circumstances from which prevailed at the time of the previous budget adoption.

2. PURPOSE OF THIS POLICY

Drakenstein Municipality wishes to achieve the following objectives by adopting this Virement Policy:

- 2.1 To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.
- 2.2 To enable the Chief Financial Officer to advise the Accounting Officer and to assist senior managers in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.
- 2.3 To provide guidelines to the Accounting Officer and senior managers in the use of virements as a mechanism in their day-to-day management of their budget votes.
- 2.4 To empower the Accounting Officer and senior managers with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.

3. VIREMENT PRINCIPLES

Drakenstein Municipality wishes to record that the following virement principles will apply:

- 3.1 In order for the Accounting Officer to authorise the transfer of funds from one cost item or capital project to another cost item or capital project within or across a vote (department); a saving has to be identified within the monetary limitations and within a similar funding segment of the approved cost item or capital project allocations on the respective budgets (operational and capital).
- 3.2 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this Policy are to be considered for budgetary adoption via an adjustments budget (Section 28 of the Act).
- 3.3 In terms of Section 17 of the Act a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets.
- 3.4 Virements between votes (departments) will be permitted where the proposed shifts in funding facilitate sound risk and financial management.
- 3.5 Virements are not permitted in relation to the revenue side of the operational budget except where the Policy specifically caters for such virements.
- 3.6 Virements are not permitted in relation to the expenditure side of the operational budget except where the Policy specifically caters for such virements.

- 3.7 Virements are not permitted in relation to the expenditure side of the capital budget except where the Policy specifically caters for such virements.

4. OPERATING BUDGET VIREMENTS

Sound motivations should be provided for all virements, as provided for on the pro forma virements documentation attached as Annexure A to this Policy.

4.2 Cost categories

4.2.1 Employee Related Costs

- (a) Virements to and from this category of expenditure are not allowed.
- (b) Virements are allowed between cost items, cost centres and votes within these categories but only –
 - (i) To correct errors in the budget due to employees linked to an incorrect cost centre in the payroll system; and
 - (ii) To transfer unallocated funds budgeted for vacant positions to the cost centre where it was reprioritised.
- (c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

4.2.2 Labour Costs Charge Outs

- (a) Virements to and from this category of expenditure is not allowed.
- (b) Virements are allowed between cost items, cost centres and votes within this category but only to correct errors in the budget.
- (c) Virements within this expenditure category are subject to the approval of the Financial services division heads.

4.2.3 Remuneration of Councillors

- (a) Virements to and from this category of expenditure is not allowed.
- (b) Virements are allowed between cost items and cost centres within this category but only to correct errors in the budget.
- (c) Virements within this expenditure category are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

4.2.4 Provisions (Current and Non-Current) and Bad Debts Written Off

- (a) Virements to and from these categories of expenditure are not allowed.
- (b) Virements are allowed between cost items, cost centres and votes within this category of expenditure.
- (c) Virements within these expenditure categories are subject to the approval of the relevant senior manager and the Chief Financial Officer.

4.2.5 Contracted Services, Inventory Consumed, Operating Leases, Bulk Purchases, Operational Cost and Transfer and Subsidies

- (a) Virements to and from cost items, cost centres and votes within these categories of expenditure are allowed.
- (b) Virements within these expenditure categories within a single vote are subject to the approval of the relevant senior manager and the Chief Financial Officer.
- (c) Virements within these expenditure categories between votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.
- (d) Virements with regard to the correction of vote number allocations are subject to the approval of the financial services division heads.

4.2.6 Depreciation and Amortisation, Interest, Dividends and Rent on Land, Gains and Losses, Impairment Loss, Disposal of Fixed and Intangible Assets

- (a) Virements to and from as well as between cost items, cost centres and votes within these categories of expenditure are not allowed.
- (b) Virements are allowed between cost items, cost centres and votes within a single category of expenditure but only to correct budgeted errors due to incorrect allocations of budgeted funds.
- (c) Virements between the same cost item between cost centres and / or votes are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

4.3 Revenue categories

Virements are allowed within a revenue source but only to correct budget errors due to incorrect allocations of budgeted funds.

5. CAPITAL BUDGET VIREMENTS

- 5.1 No “new” capital projects onto the capital budget will be permitted except for where it is necessary to accelerate capital projects spending of capital projects already approved by Council in the IDP and capital budget of the indicative years.
- 5.2 No virements which relate to capital projects approved as part of the annual or adjustments budgets will be permitted except in cases where in the opinion of the Accounting Officer it is necessary to procure operational assets (vehicles, office equipment, computer equipment, computer software, tools and equipment, etcetera) from funds allocated to the administration to enable them to perform their duties effectively, efficiently and economically.
- 5.3 Motivations for virements in paragraph 5.1 and 5.2 above should clearly state the reason for the need of a new capital project/s on the budget as well as the saving/s within the approved capital project/s.
- 5.4 Virements to and from the various categories of funding sources are not allowed. Virements are permitted within a single category of funding source.
- 5.5 The categories of funding sources for capital projects are as follows –
 - (a) Capital Replacement Reserve (CRR) / Own funds;
 - (b) External loans;
 - (c) Conditional grants (IUDG, RBIG, INEP, etcetera);
 - (d) Landfill site provision;
 - (e) Development Contributions; and
 - (f) Other donations.
- 5.6 Virements within a department are subject to the approval of the relevant senior manager and Chief Financial.
- 5.7 Virements between departments are subject to the approval of the relevant senior manager, Chief Financial Officer and the Accounting Officer.

6. PROCESS AND ACCOUNTABILITY

- 6.1 Accountability, to ensure that virement application forms are completed in accordance with Council's Virement Policy and which is not in conflict with the department's strategic objectives, manifests with the senior manager of a department.
- 6.2 The relevant senior manager will ensure that the virement application form is duly completed, the virement duly motivated and signed by the senior manager. Supporting documentation, proving savings on a cost item/s, must accompany the application form that needs to be handed over to the budget office.
- 6.3 The budget office will verify the virement application form and the Chief Financial Officer will authorise the verified virement application should it comply with the Virement Policy of Council. If not, the virement application form will be returned to the relevant senior manager.
- 6.4 All relevant virement application forms verified by the budget office and authorised by the Chief Financial Officer will be submitted to the Accounting Officer by the budget office for final approval. The Accounting Officer may refuse to approve a virement application even if the Chief Financial Officer has authorised the virement application.
- 6.5 After receiving the final approval from the Chief Financial Officer or Accounting Officer where applicable the budget office may process the virement.
- 6.6 Completed virement documentation is to be kept by the Chief Financial Officer (budget office) for audit purposes.

7. DELEGATIONS

- 7.1 Any official acting in a position of a senior manager, the Chief Financial Officer and the City Manager will have the delegated powers to authorise or approve virement applications.
- 7.2 For operational reasons the Chief Financial Officer may delegate his authorisation rights to senior managers within the financial management, budget, accounting and reporting branch. These delegations must be in writing and kept by the budget office for audit purposes.
- 7.3 For operational reasons the City Manager may delegate his final approval rights to the Chief Financial Officer with the proviso that the Chief Financial Officer may not

authorise and approve the virement application at the same time. This delegation must be in writing and kept by the budget office for audit purposes.

- 7.4 For operational reasons senior managers may delegate their authorisation rights to managers within the relevant department. These delegations must be in writing and kept by the budget office for audit purposes.

8. SHORT TITLE

This policy is the Virement Policy of the Drakenstein Municipality.

| DRAKENSTEIN MUNICIPALITY | | | | | | | | | | | | | | | | | | |
|--|--|------------------|----------|--|--|-------------|--|--|------|-----------|---------|--|------|------|--------|--|------------------|---------------|
| ANNEXURE A: Application Form for the Virement of Budgeted Funds in terms of Virement Policy | | | | | | | | | | | | | | | | | | |
| Financial Year: 2023/2024 | | | | | | | | | | | | | | | | | | |
| FROM: Vote number/s | | | | | | | | | | | | | | | | | | |
| Cost Centre | | | Category | | | Item Number | | | Fund | | Project | | Cost | | Region | | Item Description | Amount (Rand) |
| | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | |
| TO: Vote number/s | | | | | | | | | | | | | | | | | | |
| Cost Centre | | | Category | | | Item Number | | | Fund | | Project | | Cost | | Region | | Item Description | Amount (Rand) |
| | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | |
| VIREMENT MOTIVATION | | | | | | | | | | | | | | | | | | |
| (G0040 Solar Printouts must be Attached to Virement Application Form for Verification and Approval Purposes) | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | |
| FOR AUTHORISATION PURPOSES | | | | | | | | | | | | | | | | | | |
| Action | | Name of Official | | | | Designation | | | | Signature | | | | Date | | | | |
| Requested by Senior Manager / Delegated Official | | | | | | | | | | | | | | | | | | |
| Verified by Budget Office: | | | | | | | | | | | | | | | | | | |
| Authorised by CFO / delegated official: | | | | | | | | | | | | | | | | | | |
| VIREMENTS BETWEEN DEPARTMENTS MUST BE APPROVED BY THE CITY MANAGER | | | | | | | | | | | | | | | | | | |
| Approved by Accounting Officer / delegated official: | | | | | | | | | | | | | | | | | | |
| FOR BUDGET OFFICE USE ONLY | | | | | | | | | | | | | | | | | | |
| Processed by: | | | | | | | | | | | | | | | | | | |



DRAKENSTEIN

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Paarl | Wellington | Gouda | Saron | Simondium

Financial Asset Management Policy

Effective from 31 May 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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1. INTRODUCTION

- 1.1 This document indicates the policy of Drakenstein Municipality (DM) for the management of its assets (which excludes financial assets such as receivables and cash), and it commits the Municipality to –
- a) Managing and maintaining municipal assets in a way that is aligned with the Municipality’s strategic objectives and recognised good practice; and
 - b) Establishing and maintaining an asset register that complies with the latest accounting standards.
- 1.2 These assets must be safeguarded and maintained over their useful lives and may be:
- Used in the production or supply of goods and services or for administrative purposes;
 - Held to earn rentals or for capital appreciation or both; or
 - Held indefinitely for the benefit of present and future generations, due to its cultural, environmental, historical, natural, scientific, technological or artistic significance.
- 1.3 Since 2004, when the Municipal Finance Management Act No 56 of 2003 (MFMA) was promulgated, municipalities have been required to align the planning, management, reporting and auditing of their finances in accordance with the strict requirements of the MFMA and related legislation.
- 1.4 Section 63(2)(b) of the MFMA requires a Municipality’s assets to be valued according to standards of generally recognised accounting practice (GRAP) and section 122(3) determines the preparation of annual financial statements in accordance with GRAP.
- 1.5 Regarding the disposal of assets, sections 14 and 90 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) sets out certain requirements, while the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has also been issued.

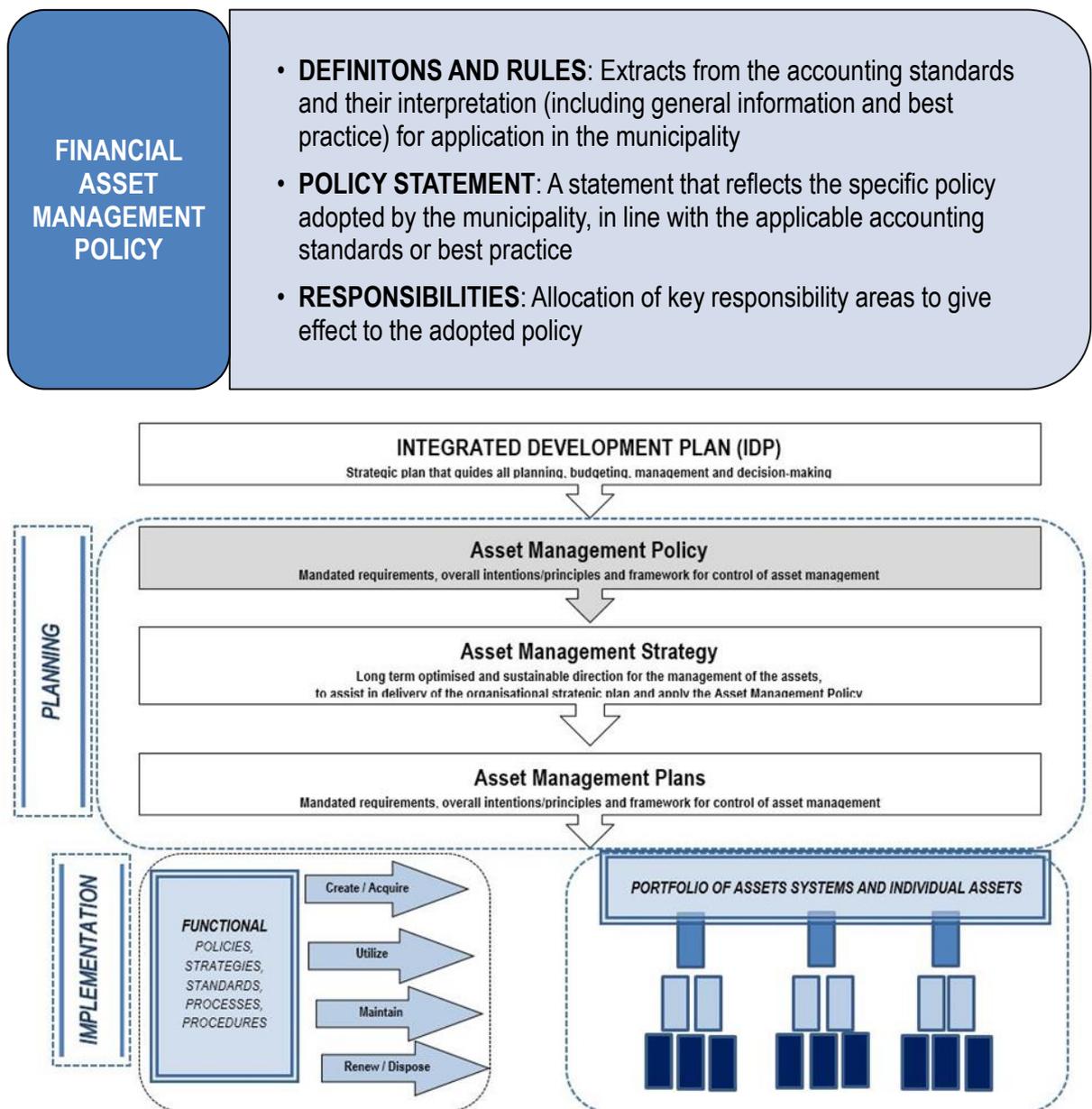
2. SCOPE AND APPLICATION

2.1 Policy objective

- 2.1.1 The policy has been designed to provide guidance during the development of an asset management strategy, asset management plans and asset management procedures. Detailed procedures, to ensure that management and employees within the Municipality understand their respective responsibilities and duties, are provided in a separate document.
- 2.1.2 The objective of this policy is to ensure that assets of the DM are properly managed and accounted for by –
- (a) Applying asset management principles in a consistent manner and in accordance with legal requirements and recognised good practice;
 - (b) Compliance with the Council’s accounting policies and Generally Recognised Accounting Practices;
 - (c) The accurate recording of essential asset information;
 - (d) The accurate recording of asset movements;
 - (e) Treating the assets correctly in the Municipality’s financial statements;
 - (f) Providing accurate and meaningful management information;
 - (g) Adequate insuring of assets;
 - (h) Maintenance of Council’s assets;
 - (i) Ensuring that management are aware of their responsibilities with regard to assets;
 - (j) Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss; and
 - (k) Exercising strict physical controls over all assets.

2.2 Policy format

- 2.2.1 The policy approach has mainly been to focus on the financial treatment of assets, which needs to be consistent across both the movable and immovable assets. The Asset Management Policy sets out the overall intentions, principles and framework for control of asset management.
- 2.2.2 The following figures give an overview to the format of presentation of this policy document, and how it links to separate documents that provide the strategy, plans and any procedures that may arise in terms of this policy:



2.3 Relationship with other policies

2.3.1 This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following –

- (a) Asset Management Policy: Defining the municipality’s vision and intent regarding all aspects of asset management;
- (b) Delegation of Powers (Delegations Register): Identifying the processes surrounding the establishment of delegated authority;
- (c) SCM Policy: Regulating all processes and procedures relating to acquisitions;
- (d) Budget Policy: The processes to be followed during the budget process as well as pre-determined prioritisation methodology;
- (e) Accounting Policies: Governed by the Accounting Standards, the accounting policies determine the basis of recognition, measurement and recording of all transactions;
- (f) Policy on Management and Disposal of Assets;
- (g) Fleet Management Policy; and
- (h) Insurance Management Policy.

2.3.2 This policy does not overrule the requirement to comply with other policies. The Chief Financial Officer (CFO) will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

2.4 Application

2.4.1 This document is applicable to all officials of the Drakenstein Municipality.

2.5 Approval and Effective date

2.5.1 The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the City Manager. The effective date for implementation of the policy is 31 May 2023.

2.6 Policy Implementation and Amendment

2.6.1 Detailed procedures shall be prepared and is to be adopted by the City Manager, in consultation with the CFO and Executive Directors, to give effect to this policy.

2.6.2 This policy will be reviewed annually as part of the review of budget related policies, and it will be updated whenever legislative or accounting standard amendments significantly change the requirements pertaining to asset management in general and the administration of Council's assets. Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the City Manager in consultation with the CFO and respective Executive Directors. The recommendations of the CFO shall be considered for adoption by Council.

3. ABBREVIATIONS AND DEFINITIONS

3.1 Abbreviations

The following abbreviations are used in this document:

| Abbreviation | Description |
|--------------|---|
| AM | Asset Management |
| AR | Asset Register |
| CFO | Chief financial officer |
| DM | Drakenstein Municipality |
| EUL | Estimated useful life |
| GRAP | Generally recognised accounting practices |
| HA | Heritage Assets |
| IA | Intangible Assets |
| IP | Investment Property |
| MFMA | Municipal Finance Management Act (No. 56 of 2003) |
| MSA | Municipal Systems Act (No. 32 of 2000) |
| PPE | Property, Plant and Equipment |
| RUL | Remaining useful life |
| SCM | Supply Chain Management |

3.2 Definitions

For purposes of this policy, unless otherwise stated, the definitions in part 5 of this document shall apply.

4. CONTEXT AND REFERENCES

This policy has been developed with due consideration of statutory requirements and asset management guidelines.

4.1 Statutory requirements

4.1.1 This policy must comply with all relevant legislative requirements including –

- (a) The Constitution of the Republic of South Africa, 1996;
- (b) The Municipal Systems Act, 2000; and
- (c) The Municipal Finance Management Act, 2003

4.1.2 The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects –

- (a) Providing democratic and accountable government for local communities;
- (b) Ensuring the provision of services to communities in a sustainable manner;
- (c) Promoting social and economic development;
- (d) Promoting a safe and healthy environment; and
- (e) Encouraging the involvement of communities and community organisations in matter of local government.

4.1.3 The manner in which a Municipality manages its assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable. Section 55(2) of the MSA also emphasizes the responsibility and accountability of the City Manager, as accounting officer of the Municipality, for all assets of the Municipality.

4.1.4 The Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the City Manager by the requirement to ensure that –

- (a) The Municipality has and maintains a management, accounting and information system that accounts for its assets and liabilities;
- (b) The Municipality's assets are valued in accordance with standards of generally recognised accounting practice; and

(c) The Municipality has and maintains a system of internal control of assets and liabilities.

4.1.5 Differentiation regarding asset disposals are set out in sections 14 and 90 of the MFMA while section 75(1)(h) requires that certain information regarding assets disposed of is placed on the Municipality's website. Also developed in terms of the MFMA, the Municipal Asset Transfer Regulations is applicable to all municipalities and municipal entities transferring and disposing of capital assets, or granting a right to use, control or manage capital assets.

4.1.6 In addition, the Municipal Supply Chain Management Regulation no. 27636 has specific requirements regarding the disposal of capital assets.

4.1.7 The Occupational Health and Safety Act requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

4.1 **Accounting Standards**

4.2.1 MFMA requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The following Standards and interpretations of GRAP significantly impacts on the recognition and measurement of assets within the municipal environment –

(a) GRAP 12 – Inventories;

(b) GRAP 13 – Leases and more specifically, deemed finance leases;

(c) GRAP 16 – Identification of items to be treated as Investment Properties;

(d) GRAP 17 – Property Plant and Equipment;

(e) GRAP 21 – Impairment of non-cash-generating assets;

(f) GRAP 26 – Impairment of cash-generating assets;

(g) GRAP 27 – Agriculture;

(h) GRAP 31 – Intangible assets and more specifically the treatment of items of software; and

- (i) GRAP 103 – Heritage assets
- (j) IGRAP 18 – Recognition and De-recognition of Land

4.2 Rationale for asset management

4.2.1 Municipal assets are the means by which the Municipality delivers a range of essential municipal services. The principal objective of asset management is therefore to enable the Municipality to meet its service delivery objectives efficiently and effectively. Good asset management facilitates the provision of services in a financially sustainable manner requiring adequate automation of critical processes within the asset management cycle.

4.2.2 Typical to an effective and efficient system at least the following functions need to be addressed by the minimum business process requirements –

- (a) Safeguarding of assets, e.g. asset tracking, numbering and locations;
- (b) Maintaining assets, planned and unplanned maintenance which needs to also incorporate capital asset renewal;
- (c) Maintenance costing as an input into asset replacement plans;
- (d) Establishing and maintaining a management, accounting and information system that accounts for the assets of the Municipality;
- (e) Asset valuation principles in accordance with Generally Recognised Accounting Practice;
- (f) Establishing and maintaining systems of internal controls over assets;
- (g) Establishing and maintaining an asset register;
- (h) Clarifying responsibilities and accountabilities for the asset management process; and
- (i) Insurance of assets.

4.2.3 On behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in municipal assets. Municipal rules, described in

approved policies, are required to ensure the enforcement of appropriate stewardship of municipal assets. Stewardship has two components being the –

- (a) Physical administration by the Executive Directors of relevant departments and the Manager: Assets and Insurance Management; and
- (b) Financial administration by the Chief Financial Officer.

4.2.4 To this end, statutory provisions have been implemented to protect public property against arbitrary and inappropriate management or disposal by a local government, and accounting standards have been promulgated to ensure the appropriate financial treatment for different types of assets.

4.2.5 The requirements of these accounting standards include –

- (a) The compilation of asset registers covering all property, plant and equipment controlled by the Municipality; and
- (b) Accounting treatment for the acquisition, disposal, recording and subsequent measurement of assets.

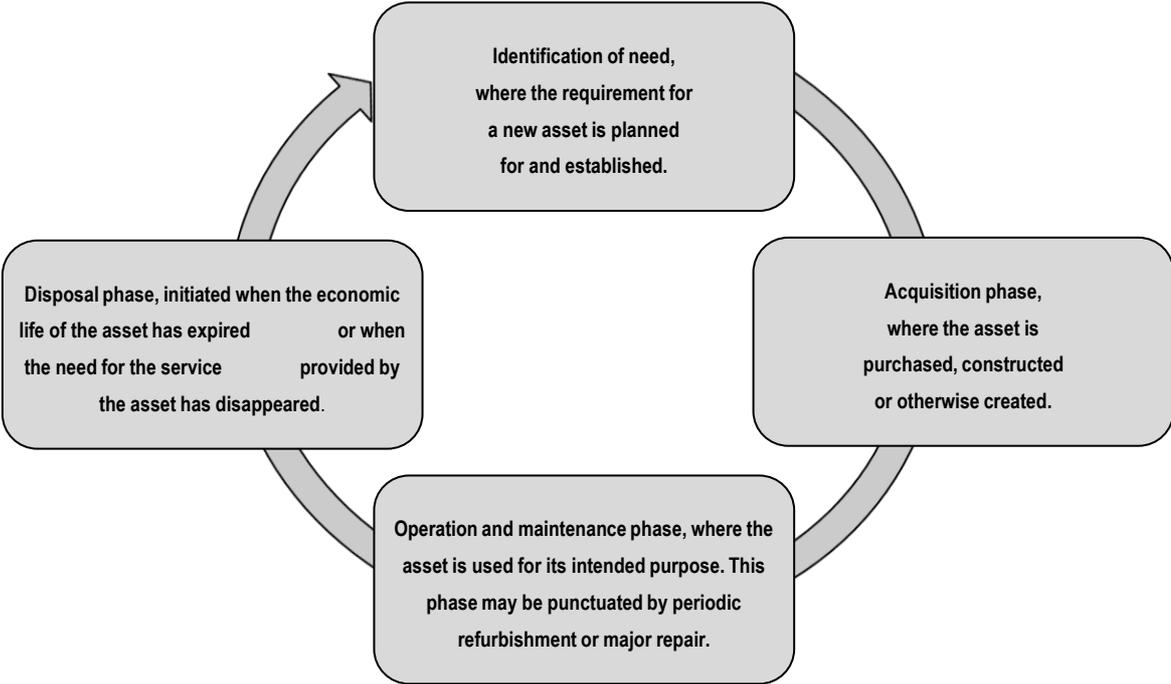
4.2.6 The Financial Asset Management Policy describes the appropriate financial treatment for different types of assets.

4.3 **The Asset Lifecycle and Management of Infrastructure Assets**

4.3.1 The main challenges associated with managing assets can be characterised as follows –

- (a) Movable assets – controlling acquisition, location, use, and disposal (over a relatively short-term lifespan); and
- (b) Immovable assets – life-cycle management (over a relatively long-term lifespan).

4.3.2 The phases through which an asset passes during its life are –



4.3.3 Effective management of immovable assets such as infrastructure and community facilities are central to the Municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Councillors and officials are custodians on behalf of the public of infrastructure assets, the replacement value of which amounts to several billion Rand.

4.3.4 Consequently, the management of such assets is critical to meeting the strategic objectives of the Municipality and in measuring its performance.

4.3.5 There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintenance and renewing existing infrastructure whilst also addressing backlogs in basic services and facing ongoing changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of departments of the Municipality.

4.3.6 Accordingly, the asset register adopted by a Municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

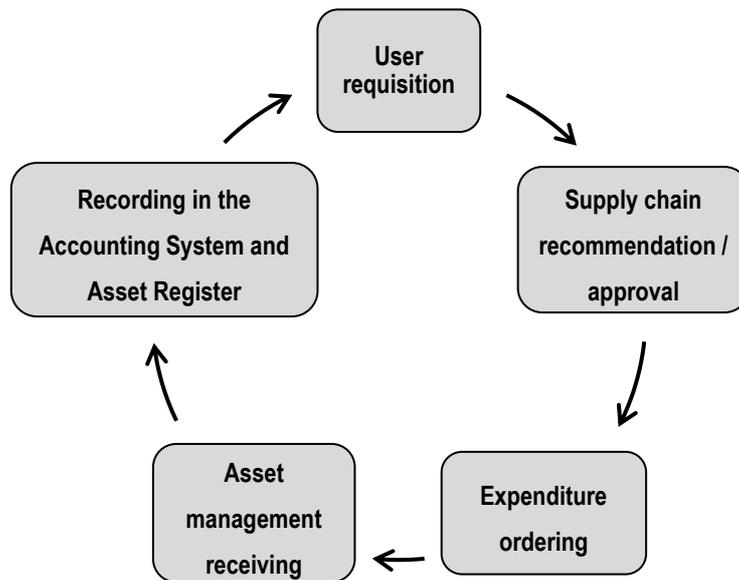
5. POLICY STATEMENT FOR ASSET ACCOUNTING

5.1 Asset Acquisition

5.1.1 Definitions and rules

(a) Acquisition

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing. The date of acquisition of assets is deemed to be the time when control or legal title passes to the Municipality. The *Process Flow* during asset acquisition can be illustrated as follows –



(b) Creation of new infrastructure assets

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the Municipality in the past.

(c) Self-constructed assets

Self-constructed assets relate to all assets constructed by the Municipality itself or another party on instructions from the Municipality.

(d) Donated assets

A donated asset is an item that has been given to the Municipality by a third party in government or outside government without paying or actual or implied exchange.

5.1.2 Policy Statement

- (a) Should the Municipality decide to acquire a capital asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset –
- (i) The purpose for which the asset is required is in keeping with the objectives of the Municipality and will provide significant, direct and tangible benefit to it;
 - (ii) The asset meets the definition of a capital asset (as defined in GRAP 16, GRAP 17, GRAP 27, GRAP 31 and GRAP 103);
 - (iii) The asset has been budgeted for;
 - (iv) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
 - (v) The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
 - (vi) The asset is appropriate to the task or requirement and is cost-effective over the life of the asset;
 - (vii) The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
 - (viii) Space and other necessary facilities to accommodate the asset are in place; and
 - (ix) The most suitable and appropriate type, brand, model, etc. has been selected.
- (b) The cost of all **new infrastructure facilities** (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.
- (c) **Work in progress** shall be indicated as such in the asset register until such time that the facility is completed. Depreciation will commence when the

construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management, which may in rare instances be deemed to be only after the defects liability period. Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- (d) All assets that can be classified as assets and that are **constructed by the Municipality** shall be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be indicated as such in the asset register until such time that the facility is completed.
- (e) **Donated assets** shall be valued at fair value, reflected in the asset register, and depreciated as normal assets. All donated assets shall be approved by the City Manager and ratified by Council prior to acceptance.

5.1.3 Responsibilities

- (a) Before a capital project is included in the budget for approval, the Executive Director of the relevant department must demonstrate that they have considered –
 - (i) The projected cost over all the financial years until the project is operational;
 - (ii) The future operational costs and revenue on the project, including tax and tariff implications;
 - (iii) The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
 - (iv) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation; and
 - (v) The inclusion of this capital project in the integrated development plan and future budgets.
- (b) The CFO is accountable to ensure the Executive Director of the relevant department receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

- (c) Executive Directors shall ensure that details of all capital work in progress is completed and submitted to the Manager: Assets and Insurance Management (or delegated official).
- (d) Each Executive Director shall guide the service provider to submit invoices of work in progress as per the components and classification of assets as in the asset register.
- (e) Each Executive Director shall ensure that proper records of staff time, transport costs and material costs are retained such that all costs associated with the construction of these assets are completely and accurately accounted for.
- (f) Each Executive Director shall notify the Manager: Assets and Insurance Management (or delegated official) when the works have been completed and separate componentised assets can be recognised on the asset register (unbundled).
- (g) On completion of the infrastructure project, the Executive Directors shall ensure that all costs (both direct and indirect) associated with the construction of the assets be summed and be capitalised to the assets that make up the project.
- (h) Executive Directors must evaluate the future operational costs of donated assets and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the Municipality.
- (i) Executive Directors must ensure that approval is obtained from the City Manager prior to acceptance of a donated asset.

5.2 Asset Recognition

5.2.1 Definitions and Rules

(a) Assets

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits or service potential associated with the item will flow to the entity.

- (b) Control
An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.
- (c) Past transactions or events
Assets are only recognised from the point when some event or transaction transferred control to an entity.
- (d) Probability of the flow of benefits or service potential
The degree of certainty that any economic benefits or service potential associated with an item will flow to the Municipality is based on the judgement. The City Manager shall exercise such judgement on behalf of the Municipality, in consultation with the CFO and respective Executive Director.
- (e) Reliable measurement
Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.
- (f) Economic benefits
Economic benefits are derived from assets that generate net cash inflow.
- (g) Service Potential
An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the Municipality, such as the provision of services.
- (h) Non-current asset
A “non-current asset” is an asset with an expected useful life of greater than 12 months.
- (i) Immovable assets
Immovable assets are structures such as buildings and roads. A plant that is built-in to the structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

(j) Spares and standby equipment

Spares and materials used on a regular basis in the ordinary course of operations are usually carried as inventory (i.e. they are not usually considered assets) and are expensed when consumed. Spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE immediately that they are available for use and in a location and condition necessary for it to be capable of operating in a manner intended by management. Tangible items that are used in the production or supply of goods or services on an irregular basis (such as standby equipment) are recognised as items of PPE.

(k) Leased assets

A lease is an agreement whereby the lessor conveys to the lessee (in this case, the Municipality) the right to use as asset for an agreed period of time in return for a payment. Leases are categorised into finance and operating leases. A finance lease transfers substantially all risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the assets are substantially transferred to the Municipality, the lease is regarded as a finance lease recognised by the Municipality. Where there is no substantial transfer of risks and rewards of ownership to the Municipality, the lease is considered an operating lease and payment are expensed in the income statement on a systematic basis (straight-line basis over the lease term).

(l) Asset custodian

The department that controls an asset, as well as the individual (asset custodian) that is responsible for the operations associated with such asset in the department, is identified by the respective Executive Director, recorded, and communicated on recognition of the asset.

(m) Capitalisation Threshold

(i) The capitalisation threshold is a policy decision of the Municipality and is the value above which assets are capitalised and reported in the statement of financial position as tangible or intangible capital assets as opposed to being expensed in the year of acquisition (accelerated depreciation). As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. However, the capitalisation threshold is regarded as a deviation from GRAP standards and should be determined annually by comparison against materiality and must be determined at a level that will ensure that

the Municipality does not deviate materially from the requirements of GRAP.

- (ii) The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset. The Municipality has taken the following into account when considering a capitalisation threshold –
 - (aa) The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
 - (bb) The cost of maintaining financial and management information on assets when the threshold is very low;
 - (cc) The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied; and
 - (dd) The size of the Municipality or the size of its service areas when setting a capitalisation threshold level.

5.2.2 Policy Statement

- (a) A capital asset shall be recognised as an asset in the financial and asset records when –
 - (i) It is probable that future economic benefits or potential service delivery associated with the item will flow to the Municipality;
 - (ii) The cost or fair value of the item to the Municipality can be measured reliably;
 - (iii) The cost is above the municipal capitalisation threshold (if any); and
 - (iv) The item is expected to be used during more than one financial year.
- (b) The Municipality shall recognise all assets existing at the time of adoption of this policy and the development of new, upgraded and renewed assets on an on-going basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

- (c) The capitalisation threshold is set at R 500 (five hundred rand), (excluding VAT where applicable), but the application thereof will be determined annually by the Municipality. Assets with a cost not exceeding the capitalisation threshold shall be expensed in the statement of financial performance and not be capitalised. These assets shall not be depreciated or tested for impairment and shall not generate any further transactions. The Municipality (City Manager or delegated official) can however determine with an internal memorandum which assets under the threshold should be classified as capital assets.
- (d) Certain types of assets, as listed in **Annexure B**, shall not be capitalised, either because these are not typically expected to have operating lives exceeding one year, or because it is difficult to maintain control for asset register purposes, in terms of verifying existence and location.
- (e) While assets described in (c) and (d) above are not included in the asset register, control over these items shall be the responsibility of the relevant Executive Director.

5.2.3 Responsibilities

- (a) The CFO, in consultation with the City Manager and Executive Directors, shall determine effective procedures for the recognition of new assets and subsequent capital expenditure on existing assets.
- (b) Every Executive Director shall ensure that all assets under their control are correctly recognised as assets, and that control is exercised over items as described above in 5.2.2 (c) and (d).
- (c) The CFO shall keep a lease register with the following minimum information - name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.
- (d) Every Executive Director shall ensure that all assets under their control are correctly capitalised and the capitalisation threshold applied as and when applicable.

5.3 CLASSIFICATION OF ASSETS

5.3.1 Definitions and rules

(a) Asset Categories

The accounting categories of assets are as follows –

- (i) Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the Municipality's operations, that is shown as a single class for the purposes of disclosure in the financial statements);
- (ii) Investment property;
- (iii) Intangible assets;
- (iv) Heritage assets;
- (v) Biological assets; and
- (vi) Land Inventories (land or buildings owned or acquired with the intention of selling or distributing such property in the ordinary course of business).

In the case of an asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

(b) Class of assets

A class of assets is defined as a group of assets of a similar nature or function in the Municipality's operations. The total balance of each class of assets is disclosed in the notes to the financial statement.

(c) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to other, or for administrative purposes; and are expected to be used during more than one period. This includes items necessary for environment or safety reasons to leverage the economic benefits or service potential from other assets. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the Municipality's operations for the purpose of disclosure in the financial statements.

(d) PPE asset hierarchy

An assets hierarchy is adopted for PPE which enables separate accounting of parts (or components) of the asset that are considered significant to the Municipality from a financial point of view, and for other reasons determined by the Municipality including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the Municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the Municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and component.

(e) PPE Land

PPE Land comprises any land held by the Municipality to be used in the production or supply of goods or for administrative purposes. The intention is not to develop or sell the property in the normal course of business. Land held for a currently undetermined future use, should not be included in PPE, but should be included in Investment Properties.

(f) PPE Buildings facilities

(i) Buildings assets are buildings that are used for municipal operations such as operational buildings held by the Municipality to be used in the production or supply of goods or for administrative purposes and rental stock or housing not held for capital gain, as well as community halls and other municipal buildings utilised for the general well-being of the Municipality.

(ii) Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

(g) PPE – Other assets

Facility assets which do not form part of a completed operational building facility. Other structures and facilities assets include other municipal structures and community facilities such as parks, gardens, cemeteries, as well as recreational facilities.

(h) PPE Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets. Infrastructure Assets comprise assets used for the delivery of

infrastructure-based services. At DM these assets include Electricity networks, Water Networks, Sewerage (Sanitation) Networks, Roads (including storm water assets) and Solid Waste (Landfill site).

(i) Component approach

(i) The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

(aa) Significant cost; and

(bb) Considerable difference in useful life.

(ii) If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

(j) Level of detail of componentisation

(i) For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are very numerous in nature e.g. street signs, street lights, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below –

(aa) Level 1: Service level (e.g. Drakenstein Roads Infrastructure);

(bb) Level 2: Network level (e.g. Paarl Roads Network);

(cc) Level 3: Facility level (e.g. Paarl Berg River Boulevard);

(dd) Level 4: Maintenance item level (e.g. Traffic sign in Paarl Berg River Boulevard); and

(ee) Level 5: Component level (e.g. U-bolt on Traffic sign in Paarl Berg River Boulevard).

- (ii) The preferred level of detail for the accounting and technical management of infrastructure is level 4 above.
 - (iii) The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the Municipality.
- (j) PPE – Movable assets
Movable assets are ordinary operational assets such as vehicles, equipment as well as furniture and fittings.
- (k) Investment Property
Investment property is defined as property (land and/or a building, or a part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operation).
- (l) Intangible Assets
Intangible assets are defined as identifiable non-monetary assets without physical substance. Example are licenses/right, (such as water licenses), servitudes and software.
- (m) Heritage Assets
- (i) Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art. Some heritage assets have more than one purpose, e.g. a historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The Municipality needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such assessment. The asset should be accounted for as a heritage asset if, and only, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. If a significant portion is used for production, administrative purpose or supply of services or goods, the asset shall be accounted for in accordance with GRAP 17 on PPE.
 - (ii) If the Municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition

criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

(n) Biological assets

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or procreating which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the Municipality from its ownership or control of the asset.

(o) Land Inventories

Inventory Property comprises any land owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land owned or acquired by the Municipality with the intention of developing such property for the purpose of selling or distributing it in the ordinary course of business.

5.3.2 Policy Statement

- (a) The accounting groups specified by GRAP and asset classes as set out below shall be adhered to as a minimum standard. An extended asset classification, as set out in **Annexure A**, has been adopted.

| Accounting Group | Asset Class |
|-------------------------------|---|
| Property, plant and equipment | Land |
| | Building facilities |
| | Other assets |
| | Infrastructure (assets which are part of a network of similar assets) |
| | Movable assets (ordinary operational assets) |
| Heritage assets | Statues, monuments and memorials |
| | Historic buildings and sites |
| | Works of art, regalia and collections |
| | Conservation areas and nature reserves |

| | |
|-------------------|-------------------------------|
| Intangible Assets | Capitalised development cost |
| | Plans and designs |
| | Computer software and systems |
| | Licences and rights |

| Accounting Group | Asset Class |
|---------------------|--|
| Investment property | Commercial property |
| | Residential property |
| | Land held for appreciation or development purposes |
| | Land with undetermined use |

- (b) An extended asset classification, as set out in **Annexure A**, has been adopted, and asset hierarchies shall be progressively applied for each of the asset classes, separately identifying items at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant.
- (c) PPE – Library Books
- (i) The books in a library book collection shall be documented and recorded in the library computer systems.
- (ii) Where exact costs are not available, the value of the library book collection shall be determined by applying a standard rate to the quantities of different library books of different ages. Where library books of a particular value or importance are kept in the library these shall be separately recorded and valued.
- (d) Assets Treated as Inventory
- (i) Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the Municipality’s statement of financial position.
- (ii) Such inventories shall, however, be recorded in an inventory register in the same manner as other assets.

(e) Investment Properties

- (i) Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE. If the Council of the Municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

- (ii) The following types of Municipal Property **will be classified** as Investment Property –
 - (aa) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations which council intends to sell at a beneficial time in the future.
 - (bb) Land held for a currently undetermined future use.
 - (cc) A building owned by the Municipality (or held by the Municipality under a finance lease) and leased out under one or more operating leases on a commercial basis.
 - (dd) A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
 - (ee) Property that is being constructed or developed for future use as investment property.

- (iii) The following types of Municipal Property will **not be classified** as Investment Property –
 - (aa) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale. This property is treated as inventory.
 - (bb) Property being constructed or developed on behalf of the Provincial Government Housing Department.
 - (cc) Owner-occupied property which is defined as property which is held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes as per definition criteria of GRAP 17 which includes all council buildings used for administration purposes.
 - (dd) Property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) are also regarded to be owner-occupied property.
 - (ee) Property that is leased to another entity under a finance lease.

- (ff) Property held to provide a social service and which also generates cash inflows. For example, if council holds housing stock (letting units) used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.
- (gg) Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation.
- (hh) Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.
- (ii) Properties held to provide services considered to be part of the municipalities mandated function.

5.3.3 Responsibilities

- (a) The CFO shall ensure that the classification of assets adopted by the Municipality complies with the statutory requirements.
- (b) The CFO shall ensure that the classifications indicated in **Annexure A** are applied, and in the case of an item of assets not appearing in the annexure, the classification applicable to the asset most closely comparable.
- (c) When required, the CFO shall consult with the Executive Directors responsible for assets to ensure an effective and appropriate asset hierarchy is determined for each class of assets to component level.
- (d) Every Executive Director shall ensure that all assets under their control are classified correctly and shall advise the CFO when assets should be re-classified.

5.4 Identification of Assets

5.4.1 Definitions and Rules

- (a) Asset identification system
An asset identification system is a means to uniquely identify each asset in the Municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system

by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location.

5.4.2 Policy Statement

- (a) An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number - in the case of movable assets, if this identification number is not a barcode number due to impracticability of affixing such a tag to the asset, the serial number of the asset will be used as the unique identification number.

5.4.3 Responsibilities

- (a) The Manager: Assets and Insurance Management, in consultation with the CFO and Executive Directors, shall develop and implement an asset identification system to meet the policy objective.
- (b) Executive Directors shall ensure that all the assets under their control are correctly barcoded or otherwise identifiable in the asset register.

5.5 Asset Register

5.5.1 Definitions and Rules

- (a) Asset Register

An asset register is a database with information relating to each asset. The asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standard for each of the asset classes, and the strategic and operational asset management needs of the Municipality.

- (b) Updating data in the Asset Register

The asset register is updated by the Asset Officers only when authorised and instructed to do so by the Manager: Assets and Insurance Management.

5.5.2 Policy Statement

- (a) An asset register shall be established and maintained to provide the data required to apply the applicable accounting standards, as well as other data considered by the Municipality to be necessary to support strategic asset

management planning and operational management needs. The asset register shall reflect at least the following information –

- (i) A brief but meaningful description of each asset;
 - (ii) The date on which the asset was acquired or commissioned into use;
 - (iii) The location of the asset;
 - (iv) The responsible department(s) or vote(s) within which the assets will be used;
 - (v) The title deed number, in the case of property;
 - (vi) The stand number, in the case of property;
 - (vii) Where applicable, the identification number;
 - (viii) The initial measurement basis used (Cost or Fair Value);
 - (ix) The original estimated useful life;
 - (x) The revised useful life;
 - (xi) The residual value;
 - (xii) The original cost, or the revalued amount or the fair value if no costs are available;
 - (xiii) The (last) revaluation date of the assets subject to revaluation;
 - (xiv) The revalued value of such assets;
 - (xv) Accumulated depreciation to date;
 - (xvi) The depreciation charge for the current financial year;
 - (xvii) The carrying value of the asset;
 - (xviii) Impairment losses incurred during the financial year (and the reversal of such losses, where applicable);
 - (xix) Increases or the decreases resulting from revaluations (if applicable);
 - (xx) The date on which the asset is disposed of;
 - (xxi) The disposal price (if any); and
 - (xxii) The date on which the asset is retired from use, if not disposed of.
- (b) The asset register shall be updated and reconciled to the general ledger on a regular basis.
- (c) Certain assets are not included individually in the asset register, but are listed in sub-registers, with a reference thereto in the main asset register – these types of assets are listed in **Annexure C**.

5.5.3 Responsibilities

- (a) The Manager: Assets and Insurance Management, in consultation with the CFO and Executive Directors, shall define the format of the asset register, and shall ensure that the format complies with the prevailing accounting standards.

- (b) Executive Directors shall provide the CFO with the data required to establish and update the asset register in a timely fashion.
- (c) The CFO shall establish procedures to control the completeness and integrity of the asset register data, and ensure proper application of the control procedures.

5.6 Measurement at Recognition

5.6.1 Definitions and Rules

(a) Calculation of initial cost price

- (i) Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the Municipality is not allowed to claim input VAT paid on acquisition of such assets. In such an instance, the Municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:
 - (aa) Costs of employee benefits (as defined GRAP 25) arising directly from the construction or acquisition of the item of the capital asset;
 - (bb) The cost of site preparation;
 - (cc) Initial delivery and handling costs;
 - (dd) Installation costs;
 - (ee) Professional fees such as for architects and engineers; and
 - (ff) The estimated cost of dismantling and removing the asset and restoring the site.
- (ii) When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

(b) Input Tax (VAT)

- (i) In order for a Municipality to claim input tax, goods and services must be acquired by the Municipality for the purpose of consumption, use or supply in the course of making taxable supplies. It follows that a Municipality may not claim input tax where goods or services are

acquired for the purposes of making exempt or other non-taxable supplies. The following are denied to be claimed as input tax –

- (aa) Entertainment;
- (bb) Motor Vehicles as defined in the VAT Act 89 of 1991; and
- (cc) Goods and services it acquired as an agent on behalf of someone else.

(c) Measurement at recognition of PPE

An item of PPE that qualifies for recognition is measured at cost. Where an asset is required at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as on recognising PPE for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

(d) Measurement at recognition of heritage assets

Heritage assets will be measured at cost at initial recognition. However, where a heritage asset was acquired through a non-exchange transaction its cost is its fair value at the date of acquisition.

(e) Measurement at recognition of investment property

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

(f) Measurement at recognition of intangible assets

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the data acquired.

(g) Fair Value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for asset (for example - land and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciation replacement cost (DRC) approach may be used. Assessment of fair values is to be made by a professional with qualifications and appropriate knowledge and experience in valuation of the respective assets.

- (h) Cost of an item of infrastructure
The capitalisation value comprises (i) purchase price and (ii) any directly attributable cost necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the Municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
VAT is excluded (unless the Municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the Municipality should capitalise the cost of the asset together with VAT).
- (i) Cost associated with heritage assets
Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.
- (j) Directly Attributable Costs
- (i) Directly attributable costs are defined as –
 - (aa) Cost of employee benefits arising directly from the construction or acquisition of the item;
 - (bb) Costs of site preparation;
 - (cc) Initial delivery and handling;
 - (dd) Installation and assembly costs, cost of testing whether the asset is functioning properly, after deduction the net proceeds from selling any item produced while bringing the asset to that location and condition;
 - (ee) Commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling an item produced while bringing the asset to its current condition and location); and
 - (ff) Professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes).
- (k) Changes in the existing decommissioning costs or restoration costs included in the costs of an item
- (i) 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 –
 - (aa) If the cost model is used –

- (i) Changes in the liability shall be added to or deducted from the cost of the related asset;
 - (ii) If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit; and / or
 - (iii) If the adjustment results in an additional to the cost of an asset, the Municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the Municipality should test the asset for impairment.
- (bb) If the revaluation model is used –
- (i) 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;
 - (ii) 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;
 - (iii) If the decrease in liability exceeds the carrying amount that would have recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit; and / or
 - (iv) If the change in liability is an indication the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

(l) Exchanges of Assets

In cases where assets are exchanged, the cost is deemed to be fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

(m) Finance Leases

A finance lease is recognised by the Municipality (the lessee) at the commencement of a lease as an asset and liability in the statement of financial position at equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

(n) Depreciated replacement cost

(i) The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion cost (DRC) is established by proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life.

Accordingly, the following formula is used –

$$\text{DRC} = (\text{CRC} - \text{RV}) \times \text{RUL} / \text{EUL} + \text{RV}$$

(ii) Capital unit costs vary from site to site and provision is made for site specific influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as "supply-and-demand", economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of assets for escalation to the valuation date are applied.

(o) Self-constructed PPE

Self-constructed assets relate to all assets constructed by the Municipality itself or another party on instructions from the Municipality. All assets that can be classified as assets and that are constructed by the Municipality should be recorded in the asset register and each component that is part of this asset should be depreciated over its estimated useful life for that category of asset. Proper records are kept such that all costs associated with the construction of these are completely and accurately accounted for as capital under

construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

(p) Construction of future investment property

If property is developed for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use- then it shall be classified as an investment property.

(q) Deferred payment

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit.

5.6.2 Policy Statement

- (a) An asset that qualifies for recognition shall be capitalised at cost. Interest on deferred payment will be expensed.
- (b) In cases where complete cost data is not available or cannot be reliably linked to specific assets, the fair value of assets shall be adopted on the following basis:
 - (i) **PPE infrastructure, PPE other assets, PPE movable assets** - depreciated replacement cost;
 - (ii) **PPE land and PPE buildings** - values from the valuation roll (or in the event that such is not available, market value);
 - (iii) **Heritage assets** - market value (or in the event that such is not available, no value shall be indicated, but the existence of such heritage assets shall be disclosed by means of an appropriate note); if the cost or value of heritage assets cannot be measured reliably, a description of the nature of the asset and the fact that the cost cannot be measured reliably should be disclosed;
 - (iv) **Investment property** - values from the valuation roll (or in the event that such is not available, market value); and
 - (v) **Intangible assets** - depreciated replacement cost.

5.6.3 Responsibilities

- (a) The CFO, in consultation with the City Manager and Executive Directors, shall determine effective procedures for the capitalisation of assets on recognition.
- (b) Every Executive Director shall ensure that all assets under their control are correctly capitalised.
- (c) Every Executive Director shall advise the CFO of any deferred payments from the Municipality, providing the relevant details of such.

5.7 Measurement after recognition

5.7.1 Definitions and Rules

- (a) Accounting models
 - (i) Accounting standards allow measurement after recognition of assets as follows –
 - (aa) PPE, Heritage assets and Intangible assets - on either a cost or revaluation model; and
 - (bb) Investment Property - either cost model or the fair value model.
 - (ii) Different models can be applied, providing the treatment is consistent per asset class.
- (b) Cost Model

When the cost model is adopted, an asset is carried after recognition at its cost (or deemed cost) less any accumulated depreciated and any accumulated impairment losses.
- (c) Revaluation Model
 - (i) When the revaluation model is adopted an asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
 - (ii) Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous

revaluations if the re-valued amount decreases from the previous re-valued amount) in the Revaluation Reserve.

- (iii) The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the Municipality's Accumulated Surplus/Deficit Account. An adjustment of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional depreciation expenses form a charge, in the first instance, against the balance in any Revaluation Reserve previously created for such asset, and to the extent that such balance is sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

(d) Investment Property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair the fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year.

(e) Subsequent Expenses

- (i) The Municipality should not recognise the costs of day-to-day servicing of the item in the carrying amount of an item of capital asset. These costs are recognised as expenditure as and when incurred. Day-to-day costs are primarily the costs of labour and consumables and may include the costs of small parts. The purpose of these expenditures is usually for the 'repair and maintenance' of the capital asset.
- (ii) Expenses incurred in the maintenance or repair (reinstatement) of assets that ensures that the useful operating life of the asset is attained, are

considered as operating expenses and not capitalised, irrespective of the quantum of the expenses concerned.

- (iii) Parts of some capital assets may require replacement at regular intervals. For example, a road may need resurfacing every few years. It may be necessary to make less-frequently recurring replacement of parts, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle, an entity recognises in the carrying amount of the capital asset the cost of replacing the part of such an item when that cost is incurred if the recognition criteria are met. At the same time the part to be replaced should be derecognised.

(f) Rehabilitation / Enhancements/Renewals of capital assets

- (i) Expenses incurred in the enhancement of assets (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of assets are capitalised. Such expenses are recognised once the Municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) - prior to this, the expenses are recorded as work-in-progress.
- (ii) Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if –
 - (aa) The expenditure satisfies the recognition criteria;
 - (bb) That expenditure is enhancing the service provision of that capital asset beyond its original expectation and either that expenditure –
 - (i) Increases the useful life of that capital asset (beyond its original useful life);
 - (ii) Increases the capital asset capacity (beyond its original capacity);
 - (iii) Increases the performance of the capital asset (beyond the original performance);
 - (iv) Increases the functionality of that capital asset;
 - (v) Reduces the future ownership costs of that capital asset significantly; or
 - (vi) Increases the size of the asset or changes its shape.
- (iii) The expenditure to restore the functionality of the capital asset to its original level is a maintenance or refurbishment expense and will not be capitalised to the carrying value of the capital asset. The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

5.7.2 Policy Statement

(a) Measurement after recognition shall be on the following basis –

(i) PPE excluding land and buildings facilities.

Cost Model – assets are stated at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

(ii) Land and buildings facilities PPE

Revaluation Model – *Land* and *Buildings* are stated at fair value less accumulated depreciation and accumulated impairment losses subsequent to initial recognition. Depreciation is charged against *Buildings, structures and facilities* over their expected useful lives. Land is not depreciated as it is deemed to have an indefinite useful life. Changes in asset value as a result of revaluation shall be reflected in a Revaluation Reserve.

(iii) Investment Property

Fair value Model – after initial recognition, all investment property shall be measured at fair value, which reflects market conditions at the reporting date. Gains or Losses arising from changes in the fair value of investment property are included in the statement of financial performance in the year in which they arise.

(iv) Intangible Assets

Cost Model – assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset.

(v) Heritage Assets excluding land and buildings

Cost Model – these assets are stated at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated impairment losses. These heritage assets are not re-valued. If an asset that might be regarded as a heritage asset cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

(vi) Land and buildings Heritage Assets

Revaluation Model – Heritage assets are stated at fair value less accumulated depreciation and accumulated impairment losses subsequent to initial recognition.

(vii) Biological assets

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

(viii) Inventory property

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the Municipality's asset register or statement of financial position. Inventory property shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for –

(aa) Distribution at no charge or for a nominal charge, or

(bb) Consumption in the production process of goods to be distributed at no charge or for a nominal charge:

Then they shall be measured at the lower of cost and current replacement cost.

5.7.3 Responsibilities

- (a) The Manager: Assets and Insurance Management, in consultation with the CFO and Executive Directors, shall determine effective procedures for the capitalisation of assets on recognition.
- (b) Every Executive Director shall ensure that all assets under their control are correctly capitalised.
- (c) Every Executive Director shall ensure that revaluations are conducted where applicable to assets under their control.

5.8 Depreciation and Estimated Useful Lives

5.8.1 Definitions and Rules

(a) Depreciation

- (i) Depreciation is the systematic allocation of the depreciation amount of an asset over its remaining useful life. The amortisation of intangible assets is identical.
 - (ii) Land, servitudes and heritage assets are considered to have unlimited life and are not depreciated.
- (b) Useful life
- (i) Useful life is defined as the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.
 - (ii) The expected useful life of a depreciable asset is the total expected period (or number of production units) for which an asset can be used economically by the Municipality. The remaining useful life of a depreciable asset is the time remaining until an asset ceases to provide required standard of performance or economic usefulness.
 - (iii) Although various guidelines exist that includes directives for useful lives of assets, GRAP requires municipalities to use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for particular classes of assets. The calculation of useful life is based on a particular level of planned maintenance.
- (c) Residual value
- (i) The residual value is the estimated amount that the Municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
 - (ii) The residual values of most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of municipal assets are hardly ever recovered through sale i.e. disposed of for amounts that are significant, but rather recovered through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained, as these assets will most probably be replaced in its entirety.
 - (iii) Assets typically not sold by the Municipality are land, buildings, other structures and facilities, and infrastructure assets, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. Residual values will only be applicable to assets that are

normally disposed of by selling them once the Municipality does not have a need for such assets anymore, e.g. motor vehicles. Past experiences of municipal auctions held revealed that furniture, computer equipment and other movable assets does not reach selling prices that are material.

(d) Depreciation Method

Depreciation of assets is applied at the component level. A range of depreciation methods exist and can be selected to model consumption of service potential or economic benefit (for example the straight-line method, diminishing amount method, percentage on reducing balance method, sum of the year digits method, production unit method). The approach used should reflect the consumption of the future economic benefits or services potential, and should be reviewed annually where there has been a change in the pattern of consumption.

(e) Remaining useful life

(i) The remaining useful life of a depreciable asset is the time remaining until an asset ceases to provide required standard of performance or economic usefulness.

(ii) The remaining useful lives of all depreciable assets at initial recognition are the same as the expected useful lives.

(f) Review of remaining useful life

The remaining useful lives of depreciable PPE and Intangible assets are assessed every year at the reporting date for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the expected useful life shall be revised accordingly.

Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments (as contemplated in Section 5.9 of this policy). Depreciation and amortisation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

(g) Depreciation charge

Depreciation starts once an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when it is de-recognised. Depreciation is initially calculated from the day when an asset item is acquired or - in the case of construction works and plants and machinery - the day when it is in the

location and condition necessary for it to be capable of operating in the manner intended by management, until the end of the calendar month concerned. Depreciation charges are calculated monthly.

(h) Carrying Amount

The carrying amount is the cost price/fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

(i) Spares

The depreciation of capital spares commences immediately when it is available and, in the location, and condition necessary for it to be capable of operating in the manner intended by management. The depreciation continues once they are placed in services, or subsequently removed from services.

(j) Finance Lease

Depreciation assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with GRAP 17 on Property, Plant and Equipment. If there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term, the asset will be fully depreciated over the shorter of the lease term and the asset's useful life.

5.8.2 Policy Statement

(a) Depreciation

(i) All PPE except land shall be depreciated over their remaining useful lives. Intangible assets (except servitudes) will be amortised over their remaining useful life.

(ii) The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other PPE.

(iii) Depreciation shall generally take the form of an expense both calculated and debited on an annual basis against the appropriate line item in the department or vote in which the item of PPE is used or consumed.

(b) Useful lives

- (i) The expected useful lives applied at DM are indicated in **Annexure A**. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions and operating conditions), the life-cycle strategy of the Municipality, potential technical obsolescence, and legal limits on the use of the assets.
- (ii) The remaining useful lives of depreciable PPE and Intangible assets are assessed annually for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the expected useful life and/or residual value are revised accordingly. Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments. Depreciation and amortisation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.
- (iii) During annual physical verification of movable assets, an assessment of condition and use shall determine the appropriateness of the remaining useful lives, while for infrastructure assets, the useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets.

(c) Depreciation method

The method of depreciation shall be reviewed on an annual basis, though the straight-line basis shall be used in all cases unless determined otherwise.

(d) Residual values

- (i) Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the Municipality does not have a need for such assets anymore, e.g. motor vehicles and earthmoving equipment. The basis of the residual value estimates shall be determined by the results of past sales of these types of assets at auctions when it reaches the end of its useful lives.
- (ii) The residual value of assets shall be assessed annually for any indication that the expectations have changed since the preceding reporting date. If any such indication exists, the residual value shall be revised accordingly if significantly different from values previously determined. Changes in

depreciation charges emanating from such reviews shall be accounted for as a change in accounting estimates in terms of GRAP 3.

5.8.3 Responsibilities

- (a) Every Executive Director shall ensure that a budgetary provision is made for the depreciation of assets under their control in the ensuing financial year, in consultation with the CFO.
- (b) The Manager: Assets and Insurance Management, in consultation with the CFO and Executive Directors, shall assign a useful operating life to each depreciable asset item recorded on the Municipality's asset register. In determining such a useful life, the useful lives set out in the **Annexure A** to this document shall be used as a guideline.
- (c) In the case of an asset item which is not listed in **Annexure A**, the Manager: Assets and Insurance Management shall determine a useful operating life, if necessary in consultation with the Executive Director controlling or using the item in question, and shall be guided in determining such useful life by the likely pattern in which the item's economic benefits or service potential will be consumed.
- (d) The CFO shall ensure that the expected useful lives stated in **Annexure A** are applied.
- (e) Depreciation rates (expected useful lives) used shall be included in the approved accounting policy.
- (f) Every Executive Director shall be directly responsible for ensuring that all assets are properly maintained and, in a manner, which will ensure that such item attain their useful operating lives.
- (g) The CFO shall indicate an annual date for the review of the remaining useful life of assets under the control of the respective Executive Directors.
- (h) The Manager: Assets and Insurance Management, in consultation with the CFO and Executive Directors, shall ensure that the useful lives of all depreciable assets in the asset register are annually reviewed.
- (i) Every Executive Director shall ensure that the expected useful lives of all assets under their control are annually reviewed.

- (j) The Manager: Assets and Insurance Management shall annually review the residual values of assets that are normally disposed of by selling them, and which reach selling prices that are material.
- (k) The Manager: Assets and Insurance Management shall ensure that depreciation calculations are correctly applied and posted in the general ledger.
- (l) The Manager: Assets and Insurance Management shall ensure that depreciation charges are debited on a regular basis (preferably monthly) and that the asset register is reconciled with the general ledger.

5.9 Impairment

5.9.1 Definitions and Rules

(a) Impairment

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the assets future economic benefits or service potential through depreciation.

(b) Indications of impairment

(i) The Municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

(aa) External Sources of Information –

- (i) Decline or cessation in demand;
- (ii) Changes in the technological. Legal or government policy environment;
- (iii) The carrying amount on the net assets of the entity is more than its market capitalisation; or
- (iv) Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.

(bb) A halt in construction could indicate impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

(cc) Internal Sources of Information –

- (i) Evidence of physical damage;
- (ii) Evidence of obsolescence;
- (iii) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- (iv) Cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- (v) The actual net cash flow or operating profit or loss flowing from an asset ate significantly worse than those budgeted;
- (vi) A significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss; flowing from the asset;
- (vii) Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future; or
- (viii) Other indications, such as loss of market value.

(c) Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postpones to a specific future date, the project may be treated as work in progress and is not considered as halted.

(d) Intangible assets

The Municipality must test all intangible assets not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period it is performed at the same time every year.

(e) Significant and Enduring Nature

The Municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the Municipality must estimate the recoverable services amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

- (f) Impairment loss
- (i) An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.
 - (ii) An impairment loss of a cash-generating unit (smallest group of assets that generate cash flows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.
- (g) Non-cash generating units
- Non-cash-generating units are those assets (or group of assets) that are not held the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit.
- (h) Cash-generating unit
- Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.
- (i) Judgement
- The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be non-cash generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating or a cash-generating asset. Judgement is needed in these circumstances.
- (j) Recognition of impairment
- (i) The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment

is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the assets revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

- (ii) When no future economic benefit is likely to flow ab asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Standard of Financial Performance as a “Loss on Disposal of Asset”.
- (iii) In the event of compensation received for damage to an item of immovable PPE, the compensation is considered as the assets ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/de-recognised.

(k) Reversing the impairment loss

The Municipality must assess each year from the source of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increase to its recoverable amount (providing that it does not exceed the carrying amount that would have determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

5.9.2 Policy Statement

- (a) Assets shall be reviewed annually for impairment indicators. If any of the indicators are present, the Municipality shall make an estimate of the recoverable service amount.
- (b) Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.
- (c) In this regard, the Municipality considers itself an entity whose primary objective is to provide goods and services for community or social benefits, and where positive cash flows are generated (such as from sale of trading services such as water services), these are with view to support the primary objective rather than for financial return to equity holders. Consequently, the

Municipality adopts the impairment treatment for non-cash generating units in the impairment of its PPE, Heritage assets and Intangible assets.

- (d) Impairment of assets shall be recognised as an expense in the Statement of Financial Performance when it occurs, unless it reverses a previous revaluation in which case it shall be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as an income.

5.9.3 Responsibilities

- (a) The CFO shall indicate an annual date for the review of any impairment that may have occurred on assets under the control of the respective Executive Directors.
- (b) The Executive Directors shall review any impairment on the assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material negative effect on the performance of these assets. The Executive Directors shall motivate to the CFO proposed changes to the performance of such assets and the necessary impairment that needs to be recognised on such assets.
- (c) The Executive Directors should evaluate all assets for impairment, taking into consideration any discussions with the Manager: Assets and Insurance Management and other Operating Managers.
- (d) The Manager: Assets and Insurance Management shall ensure that the asset register is updated with the information received, relating to the impairment, from the financial system where the impairment journal has been processed.

5.10 De-recognition

5.10.1 Definition and Rules

- (a) Alienation / Disposal
 - (i) Alienation / Disposal (alienation) is the process of disowning assets by transferring ownership or title to another owner, which is external to the Municipality. The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of capital assets.

- (ii) Government Gazette no 31346 sets out the regulations regarding municipal asset transferred and disposals, for example type of assets that need approval to be disposed or transferred, timeframes and Council approval.
 - (iii) Disposal of assets should be approved by Council and where applicable at market-related value (or at auction / per tender in the case of movable assets). Section 14 of the MFMA prohibits the disposal of assets needed to provide the minimum level of basic municipal services.
 - (iv) 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.
- (b) De-recognition
- (i) Assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. An asset will remain in the asset register for as long as it is in physical existence or is yet to be written off.
 - (ii) The profit or loss on disposal (difference between carrying amount of the asset and the net disposal proceeds [or cost of de-commissioning and/or disposal of the asset]) shall be included in the statement of financial performance when the item is derecognised.

5.10.2 Policy Statement

- (a) The only reasons for de-recognising assets, other than the alienation of such assets, shall be the loss, theft, destruction, material impairment, or decommissioning of the asset in question.
- (b) Assets for which no future economic benefits or service potential are expected shall be identified and method of disposal and the association costs or income considered by Council, taking into account SCM regulations and the Municipality's Asset Transfer Policy. The carrying amount of the asset shall be de-recognised and the profit or loss on disposal shall be included in the statement of financial performance.

- (c) External Transfer of assets
 - (i) When assets are transferred to other Government Departments or municipalities, a document with specific authorisation should be tied to the asset to ensure the validity of the transfer.
 - (ii) The document should also include –
 - (aa) Asset description;
 - (bb) Cost of the asset;
 - (cc) Date of acquisition;
 - (dd) Unique asset number;
 - (ee) Effective date of transfer;
 - (ff) Quantity; and
 - (gg) Authorisation by both transferor and transferee.

5.10.3 Responsibilities

- (a) Assets shall be disposed of (alienated) only on the recommendation of the Executive Director of the department controlling the asset.
- (b) If the value of an item of PPE or intangible assets has been reduced to such an extent that it has no or a negligible further useful operating life or value such item shall be fully depreciated in the financial year in which such decrease in value occurs.
- (c) Similarly, if an item of PPE has been lost, stolen or damaged beyond repair, it shall be impaired in the financial year in which such event occurs, and if the item has physically ceased to exist, it shall be de-recognised in the asset register.
- (d) Every Executive Director shall report to the CFO on 31 October and 30 April of each financial year on assets which such Executive Director wishes to have de-recognised, stating in full the reason for such recommendation, indicating whether or not the assets are associated with the provision of basic services.
- (e) The Manager: Assets and Insurance Management shall report to the CFO (or delegated official) on 31 July of each financial year on lost or stolen assets, i.e.

assets identified through insurance claims or movable assets not verified during annual verification and not located after follow-up with the asset custodian, and after thorough investigation of incidents.

- (f) The CFO (or delegated official) shall consolidate all such reports, and shall promptly make a submission to the City Manager or Council on the assets to be de-recognised, the proposed method of disposal, and the estimated cost or income from such disposal.
- (g) Council shall delegate to the City Manager the authority to approve the alienation of any movable asset with a carrying value less than R 50,000 (fifty thousand rand). Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R 50 000 (fifty thousand rand) takes place in compliance with Section 14 of the MFMA.
- (h) Council shall consider the submission for approval or, in cases where the carrying value of movable assets do not exceed R 50 000, the City Manager shall consider the submission and make recommendation to the Council for adoption.
- (i) Assets that are replaced in the normal course of the life-cycle renewal should be de-recognised and removed from the asset register. In this regard, Executive Directors shall provide details to the Manager: Assets and Insurance Management (or delegated official) in order to accurately identify in the asset register the assets replaced.
- (j) The Manager: Assets and Insurance Management shall de-recognise all assets disposed of (including assets replaced and written off) and update the asset register.

5.11 Insurance

5.11.1 Definition and Rules

- (a) Insurance provides selected coverage for the accidental loss of asset value.
- (b) Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The Municipality can however elect to insure certain infrastructure risks.

- (c) The Municipality's *Insurance Management Policy* describes the rules and responsibilities **regarding the insuring of municipal assets.**

5.12 Funding Sources

5.12.1 Definition and Rules

- (a) The MFMA provides guidelines on how to utilize funds in financing assets (Section 19 of MFMA). The Municipality utilise any of the following sources to acquire and / or purchase assets –
 - (i) Grants, Subsidies and Public Contributions;
 - (ii) Revenue Contributions;
 - (iii) Capital Replacement Reserve (CRR);
 - (iv) Self-Insurance Reserve (SIR);
 - (v) Cash Surplus; and / or
 - (vi) External / Donor Funds.

5.12.2 Policy Statement

- (a) The annual capital budget shall be funded and the sources of finance disclosed as part of the Council's budget.
- (b) It is the policy of Council to maintain and annually make contributions to a CRR to ensure that the CRR remains a capital funding source for the future. The Municipality will determine its future capital financing requirements and transfer sufficient cash to its CRR in terms of this determination. The IDP, the Municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.

5.12.3 Responsibilities

- (a) The CFO shall ensure that in respect of all assets financed from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of assets donated to the Municipality, a grants reserve or public contribution reserve for future depreciation is created equal in value to the capitalised value of each asset item in question.

- (b) The CFO shall thereafter ensure that in the case of depreciable assets an amount equal to the annual depreciation expenses of the items concerned are transferred.
- (c) The CFO shall ensure that in respect of all assets financed from the CRR, whenever an asset (including land) is sold by the Municipality, the proceeds on the sale of the assets are transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets, and whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased, is transferred from the CRR into accumulated surplus.
- (d) The CFO shall annually determine the amount to be transferred from the Accumulated Surplus to the Self-Insurance Reserve.

6. POLICY STATEMENT FOR ASSET SAFEGUARDING

6.1 Definitions and Rules

- (a) The Municipality applies control and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage.
- (b) The existence of assets is physically verified from time-to-time, and measures adopted to control their use. Budgetary constraints may however restrict the measures adopted.
- (c) The Municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such in the asset register.

6.2 Policy Statement

- (a) Asset safeguarding directives and procedures shall be prepared for all assets indicating measures that are considered effective to ensure that all assets under control of the Municipality are appropriately safeguarded from inappropriate use or loss, including access controls at municipal buildings and sites. Day-to-day duties relating to such control, verification and safekeeping may be allocated to asset custodians.
- (b) The existence, condition and location of assets are physically verified from time-to-time (annually for movable assets), including a condition assessment

to identify indicators of impairment and determine the impact on an asset's remaining useful life.

- (c) No asset may be moved without the prior consent of the respective Executive Director and notification of the Manager: Assets and Insurance Management.

6.3 Responsibilities

- (a) The Manager: Assets and Insurance Management shall prepare and submit to the CFO procedures to be implemented and standard forms to be utilised for the effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and reporting of damage, in consultation with the Executive Directors.
- (b) Executive Directors shall enforce the application of the procedures for controlling and safeguarding the Municipality's assets, including the movement of assets and confirmation of verified assets during annual verification, as prescribed by the CFO.
- (c) It is the responsibility of all municipal staff to adhere and practice strict physical controls of the assets around their work area.
- (d) Executive Directors shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- (e) Malicious damage, theft, and break-ins must be reported to the City Manager or delegated person within 48 hours of its occurrence or awareness by the respective Executive Director.
- (f) The City Manager must report criminal activities to the South African Police Services.

7. RESPONSIBILITIES

7.1 This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the City Manager and other responsible officials as well as between the Council and the Mayor and the Council and the City Manager.

7.2 In accordance with the Municipal Finance Management Act, the City Manager is the accounting officer of the Municipality and therefore all designated officials are

accountable to him / her. The City Manager is therefore accountable for all transactions entered into by his / her designates.

7.3 The overall responsibility of asset management lies with the City Manager. However, the day to day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing.

7.3.1 City Manager

- (a) The City Manager is responsible for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.
- (b) The City Manager shall ensure that –
 - (i) An Asset Management Committee is established, through which all asset processes and procedures will be implemented;
 - (ii) The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality;
 - (iii) The Municipality's assets are valued in accordance with the standards of generally recognised accounting practice (GRAP);
 - (iv) The Municipality has and maintains a system of internal control of assets, including an asset register; and
 - (v) The Executive Directors and their teams comply with this policy.
- (c) As Accounting Officer of the Municipality, the City Manager shall be the principal custodian of all the Municipality's assets, and shall be responsible for ensuring that this policy is effectively applied upon adoption by Council. To this end, the City Manager shall be responsible for the preparation, in consultation with the CFO and Executive Directors, of procedures to effectively and efficiently apply this policy.

7.3.2 Chief Financial Officer

- (a) The Chief Financial Officer (CFO) is responsible to the City Manager to ensure that the financial investment made in the municipal assets is safeguarded and maintained.

- (b) The CFO shall also ensure, in exercising his / her financial responsibilities, that–
- (i) Appropriate systems of financial management and internal control are established and carried out for all assets;
 - (ii) Processes are established to ensure the appropriate measurement and valuation of different asset types as required by relevant standards of GRAP;
 - (iii) The financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently;
 - (iv) All revenue due to the Municipality related to municipal assets is collected, for example rental income from leasing of immovable assets;
 - (v) The systems, procedures and registers required to substantiate the financial values of the municipalities’ assets are maintained to standards sufficient to satisfy the requirements of effective management;
 - (vi) Financial processes are established and maintained to ensure the Municipality’s financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
 - (vii) The City Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
 - (viii) The Executive Directors and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
 - (ix) All acquisitions of assets are in accordance with the Supply Chain Management Policy; and
 - (x) This policy and support procedures are established, maintained and effectively communicated.
- (c) The CFO may delegate or otherwise assign responsibilities for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the asset registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised asset register is

maintained. No amendments, deletions or additions to the asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

7.3.3 Executive Directors

- (a) Executive Directors (the managers directly accountable to the City Manager) shall ensure that –
- (i) Appropriate systems of physical management and control are established and carried out for all assets;
 - (ii) The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
 - (iii) Procedures are adopted and implemented in conformity with this policy to produce reliable data to be captured into the municipal asset register;
 - (iv) All employees in their departments adhere to the approved Financial Asset Management Policy and Procedures;
 - (v) Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
 - (vi) The asset management system, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
 - (vii) They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the Municipality's strategic objectives; and
 - (viii) They manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.
- (b) The Executive Directors may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring these activities are performed.

7.3.4 Manager: Assets and Insurance Management

- (a) The CFO shall delegate the following duties to the Manager: Assets and Insurance Management –
- (i) Ensuring that council assets are accounted for in accordance with Generally Recognised Accounting Practice (GRAP);

- (ii) Ensuring that the general ledger is reconciled to the asset register;
 - (iii) Reviewing the reconciliation between the general ledger and the asset register; and
 - (iv) Providing the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.
- (b) No amendments to the asset register shall be made other than those authorised by the Manager: Assets and Insurance Management and the Chief Financial Officer.
- (c) The Manager: Assets and Insurance Management, together with the Asset Management Section, shall be responsible for ensuring that –
- (i) A centralised asset register is implemented and maintained;
 - (ii) Physical asset verification is performed annually to verify movable assets on the asset register. The results of this verification must be reported to the CFO (or delegated official);
 - (iii) Proper accounting processes and procedures are implemented in conformity with the municipal financial policies and the MFMA to produce reliable data for inclusion in the municipal asset register; and
 - (iv) The asset management systems, processes and controls can provide an accurate, reliable and up-to-date account of assets under their control.

The Manager: Assets and Insurance Management may delegate or otherwise assign responsibility for performing these functions, but he / she will remain accountable for ensuring that these activities are performed.

7.3.5 Manager: Budgets and Cost Accounting

- (a) The Manager: Budgets and Cost Accounting, together with the Budgeting Section, shall be responsible for ensuring that –
- (i) A clear description is provided with each project and the appropriate funding source is identified; and
 - (ii) Capital funds are released only after receiving written authority and a clear and concise description of the item to be purchased.

7.3.6 Manager: Expenditure

- (a) The Manager: Expenditure, together with the Expenditure Section, shall be responsible for ensuring that –
 - (i) Invoices authorised for payment are matched to a confirmation of goods or services received before processing such payment.

7.3.7 Manager: Supply Chain Management

- (a) The Manager: SCM, together with the SCM Division, shall be responsible for ensuring that –
 - (i) Correct procedures are followed in asset acquisitions as per the Municipality's Supply Chain Management Policy; and
 - (ii) The Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee comply with and be constituted in accordance with the Supply Chain Management Policy.

7.3.8 Manager: Human Resources

- (a) The Manager: Human Resources, together with his / her division, shall be responsible for ensuring that –
 - (i) On termination of service of an employee, the Asset Management Section is informed in writing of the termination and the date of the final working day of the employee, to ensure that verification of assets under the custodianship of the employee is performed.
 - (ii) No monies are paid out on termination of service of an employee without receiving the relevant asset checklist form signed off by the Manager: Assets and Insurance Management.

8. ANNEXURES

ANNEXURE A: ASSET CLASSIFICATION

| PROPERTY, PLANT AND EQUIPMENT | | | |
|-------------------------------|---------------------------|----------------------------|-----------------------|
| PPE - INFRASTRUCTURE ASSETS | | | |
| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
| ELECTRICITY | WORK IN PROGRESS | | n/a |
| ELECTRICITY | HIGH VOLTAGE | HV OVERHEAD LINE | 50 |
| ELECTRICITY | HIGH VOLTAGE | HV UNDERGROUND CABLE | 50 |
| ELECTRICITY | HIGH VOLTAGE | OTHER ASSETS | 15-50 |
| ELECTRICITY | HIGH VOLTAGE | RING MAIN UNIT | 45 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | OTHER ASSETS | 10 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | HV SWITCHGEAR | 50 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | OTHER ASSETS | 15-50 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | BUILDING STRUCTURES | 15-50 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | ELECTRICAL PLANT | 10-35 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | OUTDOOR AIS ISOLATOR | 50 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | OUTDOOR AIS ISOLATOR PANTO | 50 |
| ELECTRICITY | HIGH VOLTAGE SUBSTATION | PANELS | 45 |
| ELECTRICITY | MEDIUM VOLTAGE | DISTRIBUTION TRANSFORMER | 50 |
| ELECTRICITY | MEDIUM VOLTAGE | MINI SUBSTATION | 50 |
| ELECTRICITY | MEDIUM VOLTAGE | MV OVERHEAD LINE | 50 |
| ELECTRICITY | MEDIUM VOLTAGE | MV UNDERGROUND CABLE | 50 |
| ELECTRICITY | MEDIUM VOLTAGE | RING MAIN UNIT | 45 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | DISTRIBUTION TRANSFORMER | 50 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | MV SWITCHGEAR | 50 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | OTHER ASSETS | 10-50 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | BUILDING STRUCTURES | 15-50 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | PROTECTION PANEL | 45 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | RING MAIN UNIT | 45 |
| ELECTRICITY | MEDIUM VOLTAGE SUBSTATION | ELECTRICAL PLANT | 10-35 |
| ELECTRICITY | LOW VOLTAGE | LV OVERHEAD LINE | 50 |
| ELECTRICITY | LOW VOLTAGE | LV UNDERGROUND CABLE | 50 |
| ELECTRICITY | LOW VOLTAGE | CONSUMER CONNECTION CABLE | 50 |
| ELECTRICITY | LOW VOLTAGE | ELECTRICAL PLANT | 10-35 |
| ELECTRICITY | LOW VOLTAGE | STREET LIGHT | 25 |
| ELECTRICITY | LOW VOLTAGE | CONSUMER CONNECTION POINT | 50 |
| ELECTRICITY | LOW VOLTAGE | STREET LIGHT CABLE | 50 |

| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
|-------------------|----------------------|---------------------|-----------------------|
| WATER SUPPLY | WORK IN PROGRESS | | n/a |
| WATER SUPPLY | BOREHOLE | CIVIL STRUCTURE | 5-50 |
| WATER SUPPLY | BOREHOLE | MECHANICAL PLANT | 15-30 |
| WATER SUPPLY | BOREHOLE | CIVIL STRUCTURE | 15-100 |
| WATER SUPPLY | BOREHOLE | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | BOREHOLE | OTHER ASSETS | 5-50 |
| WATER SUPPLY | BOREHOLE | BUILDING STRUCTURES | 15-50 |
| WATER SUPPLY | BULK WATER PIPELINE | CIVIL STRUCTURE | 20-50 |
| WATER SUPPLY | BULK WATER PIPELINE | ELECTRICAL PLANT | 15 |
| WATER SUPPLY | BULK WATER PIPELINE | MECHANICAL PLANT | 15 |
| WATER SUPPLY | BULK WATER PIPELINE | PIPES | 20-100 |
| WATER SUPPLY | CONSUMER CONNECTIONS | ELECTRICAL PLANT | 50 |
| WATER SUPPLY | CONSUMER CONNECTIONS | OTHER ASSETS | 50 |
| WATER SUPPLY | DAM | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | DAM | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | DAM | MECHANICAL PLANT | 1-50 |
| WATER SUPPLY | DAM | OTHER ASSETS | 10-50 |
| WATER SUPPLY | DAM | BUILDING STRUCTURES | 15-50 |
| WATER SUPPLY | DAM | OTHER ASSETS | 5-20 |
| WATER SUPPLY | SPRING | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | SPRING | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | SPRING | MECHANICAL PLANT | 1-50 |
| WATER SUPPLY | SPRING | OTHER ASSETS | 5-50 |
| WATER SUPPLY | SPRING | BUILDING STRUCTURES | 15-50 |
| WATER SUPPLY | WATER CHANNEL | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | WATER CHANNEL | MECHANICAL PLANT | 15 |
| WATER SUPPLY | WATER CHANNEL | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | WATER CHANNEL | OTHER ASSETS | 15-50 |
| WATER SUPPLY | WATER PIPELINE | CIVIL STRUCTURE | 20-50 |
| WATER SUPPLY | WATER PIPELINE | ELECTRICAL PLANT | 15 |
| WATER SUPPLY | WATER PIPELINE | MECHANICAL PLANT | 15 |
| WATER SUPPLY | WATER PIPELINE | PIPES | 20-100 |
| WATER SUPPLY | WEIR | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | WEIR | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | WEIR | MECHANICAL PLANT | 15-50 |
| WATER SUPPLY | WEIR | OTHER ASSETS | 5-50 |
| WATER SUPPLY | WEIR | BUILDING STRUCTURES | 10-50 |
| WATER SUPPLY | PUMP STATION | CIVIL STRUCTURE | 5-100 |

| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
|-------------------|------------------------|---------------------|-----------------------|
| WATER SUPPLY | PUMP STATION | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | PUMP STATION | MECHANICAL PLANT | 1-50 |
| WATER SUPPLY | PUMP STATION | OTHER ASSETS | 5-50 |
| WATER SUPPLY | PUMP STATION | BUILDING STRUCTURES | 15-50 |
| WATER SUPPLY | RESERVOIR | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | RESERVOIR | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | RESERVOIR | MECHANICAL PLANT | 1-50 |
| WATER SUPPLY | RESERVOIR | OTHER ASSETS | 5-50 |
| WATER SUPPLY | RESERVOIR | BUILDING STRUCTURES | 15-50 |
| WATER SUPPLY | WATER TREATMENT WORKS | CIVIL STRUCTURE | 5-100 |
| WATER SUPPLY | WATER TREATMENT WORKS | ELECTRICAL PLANT | 5-50 |
| WATER SUPPLY | WATER TREATMENT WORKS | MECHANICAL PLANT | 1-50 |
| WATER SUPPLY | WATER TREATMENT WORKS | OTHER ASSETS | 5-50 |
| WATER SUPPLY | WATER TREATMENT WORKS | BUILDING STRUCTURES | 15-50 |
| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
| SANITATION | WORK IN PROGRESS | | n/a |
| SANITATION | BULK SEWER PIPELINE | CIVIL STRUCTURE | 20-50 |
| SANITATION | BULK SEWER PIPELINE | ELECTRICAL PLANT | 15 |
| SANITATION | BULK SEWER PIPELINE | MECHANICAL PLANT | 15 |
| SANITATION | BULK SEWER PIPELINE | PIPES | 20-100 |
| SANITATION | SEWER PIPELINE | CIVIL STRUCTURE | 20-50 |
| SANITATION | SEWER PIPELINE | ELECTRICAL PLANT | 15 |
| SANITATION | SEWER PIPELINE | MECHANICAL PLANT | 15 |
| SANITATION | SEWER PIPELINE | PIPES | 20-100 |
| SANITATION | CONSUMER CONNECTIONS | OTHER ASSETS | 50 |
| SANITATION | PUMP STATION | CIVIL STRUCTURE | 5-100 |
| SANITATION | PUMP STATION | ELECTRICAL PLANT | 5-50 |
| SANITATION | PUMP STATION | MECHANICAL PLANT | 1-50 |
| SANITATION | PUMP STATION | OTHER ASSETS | 10-50 |
| SANITATION | PUMP STATION | BUILDING STRUCTURES | 15-50 |
| SANITATION | PUMP STATION | OTHER ASSETS | 5-20 |
| SANITATION | SEWAGE TREATMENT WORKS | CIVIL STRUCTURE | 5-100 |
| SANITATION | SEWAGE TREATMENT WORKS | ELECTRICAL PLANT | 5-50 |
| SANITATION | SEWAGE TREATMENT WORKS | MECHANICAL PLANT | 1-50 |
| SANITATION | SEWAGE TREATMENT WORKS | OTHER ASSETS | 10-50 |
| SANITATION | SEWAGE TREATMENT WORKS | BUILDING STRUCTURES | 15-50 |
| SANITATION | SEWAGE TREATMENT WORKS | OTHER ASSETS | 5-20 |

| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
|----------------------|---------------------|---------------------|-----------------------|
| ROAD TRANSPORT | WORK IN PROGRESS | | n/a |
| ROAD TRANSPORT | FOOTPATHS | CIVIL STRUCTURE | 20-50 |
| ROAD TRANSPORT | PARKING BAYS | CIVIL STRUCTURE | 20-50 |
| ROAD TRANSPORT | ROAD | CIVIL STRUCTURE | 7-50 |
| ROAD TRANSPORT | ROAD | OTHER ASSETS | 10-50 |
| ROAD TRANSPORT | STRUCTURE | CIVIL STRUCTURE | 20-100 |
| ROAD TRANSPORT | TAXI RANK | CIVIL STRUCTURE | 20-50 |
| ROAD TRANSPORT | TAXI RANK | OTHER ASSETS | 10-50 |
| ROAD TRANSPORT | TAXI RANK | BUILDING STRUCTURES | 15-50 |
| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
| STORM WATER | WORK IN PROGRESS | | n/a |
| STORMWATER | ATTENUATION POND | CIVIL STRUCTURE | 20-100 |
| STORMWATER | ATTENUATION POND | OTHER ASSETS | 50 |
| STORMWATER | CHANNEL | CIVIL STRUCTURE | 5-100 |
| STORMWATER | CHANNEL | OTHER ASSETS | 50 |
| STORMWATER | CULVERT | CIVIL STRUCTURE | 20-50 |
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| STORMWATER | STORMWATER PIPELINE | ELECTRICAL PLANT | 15 |
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| SOLID WASTE DISPOSAL | WORK IN PROGRESS | | n/a |
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| SOLID WASTE DISPOSAL | LANDFILL | MECHANICAL PLANT | 15-30 |
| SOLID WASTE DISPOSAL | LANDFILL | OTHER ASSETS | 5-50 |
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| SOLID WASTE DISPOSAL | TRANSFER STATIONS | OTHER ASSETS | 5-50 |
| SOLID WASTE DISPOSAL | TRANSFER STATIONS | BUILDING STRUCTURES | 15-50 |

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| LAND VACANT | | | n/a |
| LAND WITH IMPROVEMENTS | | | n/a |
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| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | HIERARCHY LEVEL 3 | ESTIMATED USEFUL LIFE |
| BUILDINGS | WORK IN PROGRESS | | n/a |
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| BUILDINGS | OPERATIONAL BUILDINGS | OTHER ASSETS | 5-50 |
| BUILDINGS | OPERATIONAL BUILDINGS | CIVIL STRUCTURE | 50 |
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| BUILDINGS | OPERATIONAL BUILDINGS | ELECTRICAL PLANT | 5-50 |
| BUILDINGS | HOUSING BUILDING | BUILDING STRUCTURES | 10-50 |
| BUILDINGS | HOUSING BUILDING | OTHER ASSETS | 5-50 |
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| COMMUNITY, CEMETERIES, SPORTS AND RECREATION | SPORTS GROUND | OTHER ASSETS | 5-50 |

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| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | ESTIMATED USEFUL LIFE |
| CAPITALISED DEVELOPMENT COST | CAPITALISED DEVELOPMENT COST | 3-10 |
| COMPUTERS SOFTWARE AND SYSTEMS | COMPUTER SOFTWARE | 3-5 |
| COMPUTERS SOFTWARE AND SYSTEMS | COMPUTER SYSTEMS | 5-10 |
| PLANS AND DESIGNS | MASTER PLANS | 5-10 |
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| LICENCES AND RIGHTS | RIGHTS | AS PER AGREEMENT |

| INVESTMENT PROPERTY | | |
|---------------------|--|-----------------------|
| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | ESTIMATED USEFUL LIFE |
| INVESTMENT PROPERTY | COMMERCIAL PROPERTY | n/a |
| INVESTMENT PROPERTY | RESIDENTIAL PROPERTY | n/a |
| INVESTMENT PROPERTY | LAND HELD FOR APPRECIATION OR DEVELOPMENT PURPOSES | n/a |
| INVESTMENT PROPERTY | LAND WITH UNDETERMINED USE | n/a |

| HERITAGE ASSETS | | |
|--|------------------------|-----------------------|
| HIERARCHY LEVEL 1 | HIERARCHY LEVEL 2 | ESTIMATED USEFUL LIFE |
| CONSERVATION AREAS AND NATURE RESERVES | CONSERVATION AREAS | n/a |
| CONSERVATION AREAS AND NATURE RESERVES | NATURE RESERVES | n/a |
| HISTORICAL BUILDINGS AND SITES | HISTORICAL BUILDINGS | n/a |
| HISTORICAL BUILDINGS AND SITES | HISTORICAL SITES | n/a |
| STATUES, MONUMENTS AND MEMORIALS | MEMORIALS | n/a |
| STATUES, MONUMENTS AND MEMORIALS | STATUES / MONUMENTS | n/a |
| WORKS OF ART, REGALIA AND COLLECTIONS | REGALIA | n/a |
| WORKS OF ART, REGALIA AND COLLECTIONS | EXHIBITS / COLLECTIONS | n/a |
| WORKS OF ART, REGALIA AND COLLECTIONS | WORKS OF ART | n/a |

ANNEXURE B: ASSET TYPES NOT CAPITALISED

- Kitchen equipment of insignificant or below capital threshold value such as: Kettles, Pump flasks, Toaster, Sandwich pressers, Two plate stoves, Hotplates, cutlery etc.
- Desktop fans
- Element heaters
- Fan heaters
- Mattresses
- IT Equipment of insignificant or below capital threshold value such as: External DVD writer, flash drive, Key-board, Mouse, PC speakers etc. Where the cost of extra items such as a key board is included in the value of the main asset purchase, the cost of this will be included in the cost of the main item
- Stationery equipment, for example punches (not heavy duty), staplers (not heavy duty), etcetera
- Loose tools, for example socket sets, screw drivers, pliers, small tool chargers, tap/die sets etc.
- Cleaning utensils, for example brooms and mops
- Construction/gardening tools, for example trowels, shovels, rakes, picks and wheel barrows
- Decorative items of insignificant or below capital threshold value such as: Mirrors, Pictures, frames, Pots, Wall clocks etc.
- Other, as may be determined by management

ANNEXURE C: ASSET TYPES LISTED IN SUB-REGISTERS

- Telephones
- Workshop equipment for example angle grinders, drills, jigsaws, etc.
- Toolbox items for example hall chairs
- Other, as may be determined by management



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Stock Management Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |
| City Manager | | |

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1. Background

- 1.1 The stores and stock management function shall be geographically decentralised and will operate under the supervision of the Manager: Supply Chain Management and under the direct control of the section head for Logistics and Disposals.
- 1.2 The section head for Logistics and Disposals shall ensure proper financial control, uphold the principle of effective administration, proper stock holding and control, a high standard of service levels as well as product standardisation and ensuring good quality of products.

2. Objective

- 2.1 The aim of this policy is to ensure continued availability of materials for rendering services to the community, by following due processes and procedures that are consistent with Council's Supply Chain Management Policy and other applicable legal and policy frameworks.

3. Accountability

- 3.1 In accordance with section 62(1)(c) of the Municipal Finance Management Act (Act 56 of 2003), referred to as the MFMA, the accounting officer of the Municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

4. Principles of Stock Management

- 4.1 The principles of stock management are as follows –
 - 4.1.1 Consolidation of stock items to avoid duplication and redundancy;
 - 4.1.2 Managing the stores in an efficient and cost effective manner;
 - 4.1.3 Managing and monitoring of stock levels;
 - 4.1.4 The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

- 4.1.5 Maintaining an effective item identification system;
- 4.1.6 Avoiding fruitless and wasteful expenditure by disposing redundant material on time;
- 4.1.7 Designing and implementing internal control systems that seeks to ensure that the Municipality minimizes theft and avoidable losses;
- 4.1.8 All stock items in the Stock System are coded to ensure that each item has a unique number for the purpose of monitoring spending patterns on types or classes of goods;
- 4.1.9 Stock items are kept in clearly marked bins located in the store to enable ease of identification at all times;
- 4.1.10 To prolong the life of stock items kept in the stores, the stores must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards as applicable;
- 4.1.11 Appropriate measures should be taken to minimise the risk associated with the keeping of stock items;
- 4.1.12 Ordering and receiving of stock must be done in accordance with standard operating procedures and instructions; and
- 4.1.13 To ensure that appropriate standards of internal controls and stock management are in place to ensure goods placed in the stores are secured and only used for the purpose it was purchased for.

5. Stock Counts

- 5.1 An annual formal stock count must be undertaken before the end of each financial year. A stock count report, indicating all discrepancies and further recommendations must be submitted to Council within two months after the end of the financial year.
- 5.2 In addition to paragraph 5.1, further stock counts may be conducted with the approval of the Chief Financial Officer.

6. Standard Operating Procedures and Instructions

- 6.1 The Manager: Supply Chain Management and the section head for Logistics and Disposals is hereby authorised to direct further instructions and standard operating procedures on the implementation of this policy to all relevant officials.
- 6.2 Any non-compliance to this policy or any standard operating procedure or any instruction given in terms of this policy shall result in preliminary investigations and if needed the institution of disciplinary procedures in terms of the Collective Agreement on the Disciplinary Procedures Code.

7. Valuation of Stock Items

- 7.1 In terms of GRAP 12 stock items are valued at the lower of cost by using the first-in-first-out (FIFO) cost basis or net realisable value (NRV) and are recorded exclusive of VAT.

8. Damaged and Obsolete Stock Items

- 8.1 Stock items that are periodically identified as being damaged must be reported on by the section head for Logistics and Disposals as to effect the necessary financial system adjustments, subject to the necessary approvals.
- 8.2 On an annual basis damaged and obsolete stock items will be identified as part of a stock count process. Such items will be reported on to Council together with appropriate recommendations.

9. Issuing and Storage of Stock Items

- 9.1 Stock items will be taken up in the Stock System and issued from the Stock System as per the approved Standard Operating Procedures for stock management.
- 9.2 Stock items will not be issued in advance to any department at any stage, except in emergency circumstances after normal working hours that include the existence of one or more of the following situations –
 - 9.2.1 The possibility of human injury or death;
 - 9.2.2 The prevalence of human suffering or deprivation of rights;
 - 9.2.3 The possibility of damage to property, or suffering and death of livestock and animals;

- 9.2.4 The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
 - 9.2.5 The possibility of serious damage occurring to the natural environment;
 - 9.2.6 The possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and / or
 - 9.2.7 The possibility that the security of the state could be compromised.
- 9.3 Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in paragraph 9.2 above.
 - 9.4 Stock items that are issued by the Municipal Stores will not be kept at the Municipal Stores premises on behalf of other departments for their future use.
 - 9.5 Only stock items that are ordered by the Municipal Stores will be kept at the Municipal Stores premises. Items ordered by any other department, will not be kept at the Municipal Stores premises.
 - 9.6 Stock items may be issued to other municipalities provided that the relevant Executive Director and the Chief Financial Officer approves such a request in writing.
 - 9.7 Stock items may be obtained from other municipalities or from government entities (Eskom, etcetera) in cases where the Municipal Stores do not have the necessary stock to ensure that services can be rendered by departments provided that the relevant Executive Director and the Chief Financial Officer approves such a request in writing.

10. SHORT TITLE

- 10.1 This policy is called the Drakenstein Municipality Stock Management Policy.



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Credit Control and Debt Collection Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-----------------------------------|-------------|--|
| Chief Financial Officer | | |
| Council | | |

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1 DEFINITIONS

- 1.1 For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise:
- 1.1.1 **“Act”** The Local Government Act: Systems Act, No 32 of 2000 as amended from time to time.
- 1.1.2 **“Acknowledgement of debt”** means an admission of liability and written undertaking by a debtor to repay an amount owing to the Municipality, and includes a consent to judgement and for the purposes of this policy it also means a Credit Authority.
- 1.1.3 **“Authorised representative”** means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
- 1.1.4 **“Chief Financial Officer”** means the person appointed by Council to administer its finances.
- 1.1.5 **“Client”** means a customer or occupier of a property who is receiving a municipal account or owner of the property.
- 1.1.6 **“Council”** means the Municipal Council of Drakenstein Municipality.
- 1.1.7 **“Customer”** means any occupier of any property to which the municipality has agreed to supply services or already supplies services to, including an occupier who only pays for water and electricity or failing such an occupier, then the owner of the property.
- 1.1.8 **“Defaulter”** means a person who owes money to the municipality after the due date has expired.
- 1.1.9 **“Director”** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the City Manager.
- 1.1.10 **“Disconnection of electricity supply”** means the physical disconnection of conventional or pre-paid electricity supply or the 100% blocking of pre-paid electricity supply.
- 1.1.11 **“Disconnection of water supply”** means the restriction of the water supply via a trickle system.
- 1.1.12 **“Engineer”** means the person in charge of the civil and / or electrical component of the municipality.

- 1.1.13 **“Equipment”** means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.
- 1.1.14 **“Interest”** means a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on arrear monies, based on a full month, where part of a month must be deemed as a full month.
- 1.1.15 **“Late Payment”** means the amount due to be paid to the municipality does not reflect on municipal bank account on the applicable due date.
- 1.1.16 **“Household”** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.
- 1.1.17 **“Household income”** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.
- 1.1.18 **“Municipality”** means the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein.
- 1.1.19 **“Municipal account”** means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and / or assessment rates levies.
- 1.1.20 **“City Manager”** means the person appointed as City Manager in terms of section 82 of the Local Government: Structures Act, 1998, No 117 of 1998, and include any person acting in that position or to whom authority was delegated.
- 1.1.21 **“Municipal services”** means those services provided by the Municipality, such as, *inter alia* the supply of water and electricity, refuse removal, sanitation treatment, and for which services charges are levied.
- 1.1.22 **“Occupier”** means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.
- 1.1.23 **“Owner”** means:
- (a) The person in whose name the property is legally vested;
 - (b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

- (c) In the case where Council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) Regarding:
 - (i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, No 95 of 1986, without limiting it to the developer or managing body to the communal property;
 - (ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title”, including the legally appointed representative of such person;
- (f) Any legal entity including but not limited to:
 - (i) A company registered in terms of the Companies Act, No 61 of 1973; a trust *inter vivos*; a trust *mortis causa*; a closed corporation registered in terms of the Close Corporation Act, No 69 of 1984; and, any voluntary organisation;
 - (ii) Any provincial or national government department, and a local authority;
 - (iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - (iv) Any embassy or other foreign entity.

1.1.24 “Property” any portion of land, of which the boundaries are determined, within the jurisdiction of the Municipality, including in the case of sectional title schemes, a sectional title unit as defined in the Sectional title Act, No 95 of 1986.

1.1.25 “Tenant” a person who occupies land or property rented from a landlord

- 1.1.26 ***“70/30 pre-payment debt recovery”*** means a pre-payment system whereby 70% of payment is allocated to arrears and 30% is allocated to the purchase of electricity., and
- 1.1.27 ***“90/10 pre-payment debt recovery”*** means a pre-payment system whereby 90% of payment is allocated to arrears and 10% is allocated to the purchase of electricity.

2 GENERAL OBJECTIVES

2.1 The objectives of this policy are:

- (a) To provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
- (b) To ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community; residents and consumers; and, in a financially sustainable manner;
- (c) To provide a framework for customer care;
- (d) To describe credit control measures and sequence of events;
- (e) To outline debt collection procedures and mechanisms;
- (f) To determine indigent relief measures; and
- (g) To set realistic targets for debt collection.

3 PRINCIPLES

- 3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the City Manager to ensure the execution of these policies.
- 3.2 customers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the City Manager.
- 3.3 A copy of the application form, conditions of services and extracts of the relevant council’s Customer Care, Credit Control, Debt Collection and Indigent Support Policy and by-laws must be handed to every customer on request at such fees as may be determined by Council from time to time.
- 3.4 Billing is to be accurate, timeously and understandable.

- 3.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.6 The customer is entitled to an efficient, effective and reasonable response to appeals.
- 3.7 Enforcement of payment must be prompt, consistent and effective.
- 3.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 3.9 Incentives and disincentives determined by Council from time to time may be used in collection procedures.
- 3.10 The collection process must be cost-effective.
- 3.11 Results will be regularly and efficiently reported by the Executive Mayor and Mayoral Committee to Council.
- 3.12 Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 3.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- 3.14 The principle of paying for services instead of payment for arrear accounts is supported.
- 3.15 Consumers that meet Council's indigent criteria must be identified and supported.

4 DUTIES AND FUNCTIONS

4.1 Duties and functions of Council

- 4.1.1 To approve a budget consistent with the needs of communities, ratepayers and residents.
- 4.1.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- 4.1.3 To facilitate sufficient funds to give access to basic services for the poor.
- 4.1.4 To provide for bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the Municipality.
- 4.1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority. Section 100 of the Act defines the

Implementing Authority as the City Manager or service provider appointed by the Municipality collect outstanding debt.

- 4.1.6 To approve a reporting framework for customer care, credit control and debt collection.
- 4.1.7 To consider and approve by-laws to give effect to this policy.
- 4.1.8 To monitor the performance of the City Manager via the Executive Mayor and Mayoral Committee (Supervising Authority) regarding customer care, credit control, debt collection and indigent support.
- 4.1.9 To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.
- 4.1.10 To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.
- 4.1.11 To take disciplinary and / or legal action against councillors, officials and agents who do not execute Council policies and by-laws or act improperly in terms of such policies.
- 4.1.12 To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- 4.1.13 To delegate the required authority to monitor and execute the customer care, credit control, debt collection and indigent support policy to the Executive Mayor and Mayoral Committee, City Manager and Service Provider (if required) respectively.
- 4.1.14 To provide sufficient capacity in the Municipality's Department: Financial Services to execute customer care, credit control, debt collection and indigent support actions. Alternatively, if required as such, to appoint a Service Provider or debt collection agent to perform these actions.
- 4.1.15 To assist the City Manager in the execution of his duties, if and when required.
- 4.1.16 To provide funds for the training of staff.

4.2 Duties and functions of Executive Mayor and Mayoral Committee

- 4.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- 4.2.2 To monitor the performance of the City Manager in implementing this policy and by-laws.

4.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control, debt collection and indigent support procedures, mechanisms and processes.

4.2.4 To report to Council.

4.3 Duties and functions of the City Manager

4.3.1 To implement good customer care management systems.

4.3.2 To implement council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy.

4.3.3 To install and maintain an appropriate accounting system.

4.3.4 To provide credible billing to customers.

4.3.5 To demand payment on due dates.

4.3.6 To raise penalties / interest for defaults.

4.3.7 To appropriate payments received.

4.3.8 To collect outstanding debt through a debt collection management system.

4.3.9 To provide different payment methods.

4.3.10 To determine customer care, credit control, debt collection and indigent support measures.

4.3.11 To determine all relevant work procedures for, *inter alia*, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

4.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).

4.3.13 To set performance targets for staff.

4.3.14 To appoint staff to execute Council's policy and by-laws in accordance with Council's recruitment policy.

4.3.15 To delegate certain functions to executive directors in charge of departments.

4.3.16 To determine control procedures.

4.3.17 To monitor contracts with Service Providers in connection with credit control and debt collection.

4.3.18 To report to the Executive Mayor and Mayoral Committee.

4.3.19 To adhere to the Code of Conduct for Officials.

4.3.20 To confirm any payment of judgment amounts (or a delegated official) for matters instituted by the court of law.

4.4 Duties and functions of communities, ratepayers and residents

4.4.1 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

4.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the Municipality on or before due date.

4.4.3 To observe the mechanisms and processes of the Municipality in exercising their rights.

4.4.4 To allow municipal officials reasonable access to their property to execute municipal functions.

4.4.5 To comply with the by-laws and other legislation of the Municipality.

4.4.6 To refrain from tampering with municipal services and property.

4.5 Duties and functions of councillors

4.5.1 To hold regular ward meetings (Ward Councillors).

4.5.2 To adhere to and convey council policies to residents and ratepayers.

4.5.3 To adhere to the Code of Conduct for Councillors.

5 PERFORMANCE EVALUATION (Annexure “A”)

5.1 The Municipality must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection.

5.2 Revenue collection targets

5.2.1 Council to create targets that include the reduction in present monthly increase in debt in line with performance agreements determined by Council.

5.3 Customer service targets

5.3.1 Council to create targets that would include:

- (a) Response time to customer queries;
- (b) Date of first account delivery to new customers;
- (c) Reconnection time lapse; and
- (d) Meter reading cycle.

5.3.2 Above-mentioned to be reflected in Standard Operating Procedures of Council.

5.4 Administrative performance

5.4.1 Council to create targets that will include:

- (a) Cost efficiency of debt collection;
- (b) Query and appeal periods; and
- (c) Enforcement mechanism ratios.

6 REPORTING

6.1 The Chief Financial Officer shall report monthly to the City Manager in a suitable format to enable the City Manager to report to the Executive Mayor and Mayoral Committee as Supervisory Authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

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

6.3 Performance of all areas against targets agreed to in paragraph 5 of this policy document.

6.4 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt revenue equivalent of the revenue projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the City Manager who will, if he / she agrees with the Chief Financial Officer, within legislative prescripts,

immediately move for a revision of the budget according to realistically realisable income levels.

- 6.5 The Executive Mayor and Mayoral Committee as Supervisory Authority shall, at least at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

7 CUSTOMER CARE

7.1 Objective

- 7.1.1 To focus on the client's need in a responsible and pro-active way, to enhance the payment for services and to create a positive and co-operative relationship between the persons responsible for the payment for services received and the Municipality, and where applicable, any service provider.

7.2 Communication

- 7.2.1 The Municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control.
- 7.2.2 Council's Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English (Xhosa and Afrikaans on request) and will be made available by general publication and on specific request, and will also be available for perusal at Council's offices.
- 7.2.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues, in a cost-effective manner.
- 7.2.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.
- 7.2.5 The press will be encouraged to give prominence to Council's Credit Control and Debt Collection Policy, and will be invited to Council or Committee meetings where these are discussed.
- 7.2.6 Council will endeavor to create partnerships with civil society organisations in promoting customer care, credit control, debt collection and indigent support issues.

7.3 Metering

- 7.3.1 The Municipality will endeavor, within practical and financial limits, to provide meters to every paying client for all consuming services.

- 7.3.2 All meters will be read monthly, if at all possible. If meters are not read on a monthly basis, Council will estimate the consumption in terms of Council's operational procedures.
- 7.3.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 7.3.4 Customers may be informed of a meter replacement.
- 7.3.5 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 estimated 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.
- 7.4 Accounts and billing
- 7.4.1 Customers on the billing system will receive an understandable and accurate bill from the Municipality, which bill will consolidate all service costs for that property.
- 7.4.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 7.4.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Municipality or its authorised agent.
- 7.4.4 It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 7.4.5 It is the customer's responsibility to ensure timely payment in the event of accounts not received.
- 7.4.6 Settlement or due dates will be as indicated on the statement.
- 7.4.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- 7.4.8 Where any payment made to the Municipality or its authorised representative by negotiable instrument is later dishonored by a bank, the municipality or its authorised agent:
- (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer; and
 - (b) Shall regard such an event as a default on payment.

- 7.4.9 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost determined by Council from time to time.
- 7.4.10 The Municipality will no longer open water and electricity accounts for tenants as from 01 July 2016. All new water and electricity connections after 1 July 2016 shall be levied on the owner's accounts. The existing tenant accounts will thus be phased out as tenants are moving out. Deposits for water and electricity are paid by the owners, in the case where there are still tenant's accounts and owners do not apply for the water and electricity, the Municipality will have the discretion to raise a deposit and transfer all levies from the date of registration to the owners account.
- 7.4.11 The only exception to paragraph 7.4.10 will be in cases where a qualifying indigent tenant applies for a water and electricity connection in order to be registered as an indigent consumer.
- 7.4.12 Adjustments made to a customer's account in favour of the customer, will be made for a maximum of three years preceding the date on which the error was detected.
- 7.4.13 Adjustments made to a customer's account, in favour of the municipality, will be made for the three years preceding the date on which the error was detected.
- 7.4.14 The owner will stay responsible for the payment of the outstanding accounts for electricity and water supply notwithstanding any agreement with an occupier or tenant of a property.
- 7.5 Payment facilities and methods
- 7.5.1 The Municipality will operate and maintain suitable payment facilities (internet payment facilities included), and which facilities will be accessible to all users.
- 7.5.2 The Municipality will at its discretion allocate a payment between service debts and a debtor, who has overdue debt, may not specify that the payment is for a specific portion of the account.
- 7.5.3 The Municipality may in terms of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.
- 7.5.4 The customer will acknowledge, in the customer's agreement 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.
- 7.6 Incentives for prompt payment and final settlements
- 7.6.1 Council may, to encourage prompt payment and / or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.

- 7.6.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.
- 7.6.3 The Chief Financial Officer may accept full and final settlement offers arising from a dispute, where the last 12 months surcharges and interest may be waived after full payment of the capital amount has been made upon resolving the dispute.
- 7.6.4 The Chief Financial Officer may reverse interest and surcharges levied for a late payment, where a consumer was promptly paying an account for the last 12 months prior to the late payment.
- 7.7 Enquiries, appeals and service complaints
- 7.7.1 Within its administration and financial ability the Municipality will establish:
- (a) A central complaints / feedback office;
 - (b) A centralised 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.
- 7.7.2 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the Municipality for investigation of this account, and where necessary the relevant alterations.
- 7.7.3 In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the Municipality before payment due date until the matter is resolved.
- 7.7.4 The relevant department will investigate and inform the debtor within 60 days or as determined by the City Manager from time to time.
- 7.7.5 Failure to make the payment(s) mentioned in paragraph 7.7.3 above, will result in the Municipality collecting the balance outstanding on the customers' account using the normal credit control procedures as detailed in paragraph 8 here-under.
- 7.7.6 A customer or its authorised agent may appeal against the findings of the Municipality in terms of paragraph 7.7.2.
- 7.7.7 An appeal and request in terms of paragraph 7.7.6 must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in paragraph 7.7.4 and must:
- (a) Set out the reasons for the appeal; and

- (b) Be accompanied by any fee determined for the testing of a measuring device, if applicable.

7.8 Customer assistance programmes

7.8.1 Water Leakages

- (a) If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.
- (b) Where the consumer can provide an invoice and proof of payment from the service provider (e.g. Plumber) that repaired the leakage, the municipality may at its sole discretion provide relief based on a calculation to be done on the corresponding months of the previous' years consumption to determine the water lost due to the leak.
- (c) A consumer to provide a sworn affidavit with proof of purchase of material used to repair a leakage. A consumer (indigents included) whom has repaired the leak themselves must provide Council with a sworn affidavit that the consumer fixed the leak themselves.
- (d) The calculated consumption will be deducted from the higher leakage amount, where after the balance will be payable by the consumer.
- (e) Should the leakage be for more than a year or two years, then the consumption will be monitored for 3 months after the leakage has been repaired, where after the account will be rectified as per above sub-paragraph (d).
- (f) Where there is an abnormal water consumption that cannot be substantiated after the meter test results are obtained, the Executive Manager: Infrastructure or his delegated official must furnish the Chief Financial Officer with a recommendation in terms of reducing the consumption in line with the consumer's average consumption for the previous 12 months.
- (g) The customer has the responsibility to control and monitor his / her water consumption, including where control devices are in use flow.
- (h) The customer will only be entitled to one water leakage credit correction per a financial year (July- June).

7.8.2 Property rate rebates

- (a) Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.
- (b) A rate rebate may be granted according to certain qualifying criteria to social pensioners or the receiver of a State disability grant and / or any category of customer, as determined by Council from time to time.
- (c) These rebates will be determined as per Council's Property Rates Policy.

7.8.3 Arrangements for default settlements (Annexure "B")

- (a) Customers (including municipal employees and councilors) with electricity and water arrears shall be converted to pre-paid meters. When such meters are installed the cost thereof will be for the account of the consumer (refer to 8.9.5).
- (b) In the case of households qualifying for indigent support, the conversion costs to a prepayment meter will be funded through that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the budget.
- (c) Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

7.8.4 Rates by instalments

- (a) Payment arrangements are determined as per Council's Property Rates Policy.

7.8.5 Customer categories

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

8 CREDIT CONTROL

8.1 Objective

- 8.1.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.
- 8.1.2 To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

8.2 Service application and agreements

- 8.2.1 All customers of services will be required to sign an agreement governing the supply and cost of municipal services.
- 8.2.2 Prior to signing these agreements, customers will be entitled to receive the policy document of the Council on request at a cost determined by Council.
- 8.2.3 On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 8.2.4 Customers are responsible for costs of collection on a scale as determined between attorney and client, and interest in the event of delayed and / or non-payment. The interest will be charged at the prevailing prime interest rate.
- 8.2.5 Existing customers of services will be required to sign new agreements as determined by the City Manager from time to time. This will particularly be in the case of defaulters.

8.3 Right of access to premises

- 8.3.1 The owner and or occupier of property is to allow an authorised representative of the Municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- 8.3.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- 8.3.3 If a person fails to comply with the Municipality or its authorised representative, the Municipality 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 access the premises of such person in order to disconnect or repair any such meter or service connection provided that damage to the property of such person is minimised, minimum force is used and after the Municipality has gained such access that the premises of such person is secured; and
- (c) The cost of gaining such access shall be for the account of the owner of the premises if the reason for the urgency is that of the owner or occupier of the premises.

8.4 Enforcement mechanisms

- 8.4.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation. The levying of interest does not prevent credit control action to occur.
- 8.4.2 The above interest will not be raised on government accounts with arrears to avoid fruitless and wasteful expenditure in terms of the PFMA.
- 8.4.3 The municipality however reserves the right to disconnect and or restrict the water and electricity meters of government departments in the event of non-payment or late payment of their respective active.
- 8.4.4 Provided that the Municipality has served written notice on both the owners and occupiers (if applicable) of the property of at least seven (7) days, the Municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property.

8.5 Theft and fraud

- 8.5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, may be prosecuted and / or is liable for penalties as determined by Council from time to time.
- 8.5.2 Any member of the local community that supply information with regard to any of the illegal actions as set out in paragraph 8.5.1, and the information when verified found to be true, will upon authorisation by the City Manager be rewarded as determined by Council from time to time. The name of the informant and the information supplied

will at all times be kept confidentially so as to protect the informant against any retaliatory action.

- 8.5.3 Upon reasonable notice to both the owner as well as the occupier of the premises, Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.
- 8.5.4 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council, if applicable, will be due and payable before any reconnection can be sanctioned.
- 8.5.5 Council will maintain monitoring systems in order to identify customers who are undertaking such illegal actions.
- 8.5.6 No person may in any manner tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.
- 8.5.7 Where prima facie evidence exists of a consumer and/or any person having contravened paragraph 8.5.6, the municipality shall have the right to disconnect the supply of electricity upon reasonable notice to both the owner as well as the occupier of the premises. The person shall be liable for all fees and charges levied by the municipality for such disconnection and subsequent reconnection.
- 8.5.8 Where a consumer and / or any person has contravened ~~sub~~section 18(d) of the Customer Care, Credit Control, Debt Collection and Indigent Support By-Law and such contravention has resulted in the meter recording less than the true consumption, the municipality shall have the right to recover from the consumer the cost of the estimated consumption, that was lost for three preceding years, based on the prevailing tariff in the year that the unauthorized consumption was identified.
- 8.5.9 Where a consumer's meter does not switch off when all the units are consumed, then the municipality shall have the right to recover from the consumer the estimated

consumption that was lost for three preceding years, based on the prevailing tariff in the year the unauthorized consumption was identified.

8.5.10 Council reserves the right to lay criminal charges and / or to take any other legal action against both vandals and thieves, including the recovery of costs of repairing / replacing of damaged devices.

8.5.11 Any person failing to provide information or providing false information to the municipality may face immediate disconnection and / or legal action.

8.6 Customer profiling, screening and securities

8.6.1 All applicants for municipal services may be checked for credit-worthiness including checking information from banks, credit bureaus, other local authorities, trade creditors and employers.

8.6.2 Deposits either in cash or any other security acceptable to the Municipality will be required, and may vary according to the risk as determined by the Municipality. A minimum deposit of the equivalent of two months average consumption will be required.

8.6.3 Deposits can be increased by the municipality at any time and at the sole discretion of the Municipality to a maximum of three months average consumption.

8.6.4 Deposits can vary according to the credit-worthiness or legal category of the applicant.

8.6.5 The Municipality will not pay any interest on deposits.

8.6.6 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.

8.7 Persons and business who tender to the Municipality

8.7.1 The Supply Chain Management Policy and Tender Conditions of the Municipalities will include the following:

- (a) 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 and / or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears;
- (b) No tender will be allocated to a person / contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period; and

- (c) A condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.

8.8 Cost of collection

- 8.8.1 All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs on attorney and client scale associated with customer care or credit control, wherever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

8.9 The pre-payment meter system

- 8.9.1 The Municipality will use its pre-payment system to collect all the arrears on the customers municipal account which may include the following services, water, refuse removal, sanitation, property rates and basic charges etc.

- 8.9.2 The arrear debt as described in paragraph 8.9.1 above will be collected from the customer's account as follows:

- (a) 30 – 60 days older debt = 70/30 pre-payment debt recovery; and
- (b) 90 days and older debt = 90/10 pre-payment debt recovery

- 8.9.3 In cases where the 90% blocking methodology is not adequate to decrease the outstanding debt, the pre-paid metering system shall on reasonable notice to both the owner and the occupier be blocked at 100% or the electricity supply shall be disconnected.

- 8.9.4 When the owner, tenant or occupier is using the property in his business to earn an income, a basic electricity charge will be levied daily. The owner will be responsible for the daily electricity basic charge, even after a tenant or occupier has vacated the property.

- 8.9.5 Customers who frequently defaults on arrangement (more than 2 times) must convert to a pre-paid meter at the Municipalities costs. Preference should be given to those conventional electricity customers who requires pole disconnection for arrears if the operating budget allows such expenditure.

9 DEBT COLLECTION

9.1 Objective

- 9.1.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure

financial sustainability and delivery of municipal services in the interest of the community.

9.2 Personal contact

9.2.1 Telephonic contact, agents calling on clients:

- (a) 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, their rights (if any) to conclude arrangements or to indigent support, other related matters and will provide information on how and where to access such arrangements or subsidies; and
- (b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue, in the absence of such contact for whatever reason, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3 Interruption of service

9.3.1 Customers who are in arrears with their municipal account and who have not made arrangements with the Council will have their water and/ or electricity be restricted or supply disconnected of electricity disconnected, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3.2 The disconnection of electricity services may happen when the municipal account is one (1) day overdue, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises, where there are separate accounts registered on the system.

9.3.3 A fourteen (14) day disconnection notice will be issued for the first default. If a consumer defaults again in the following six (6) months or defaults on an arrangement, then a seven (7) day disconnection notice will apply.

9.3.4 Provided that Council has demanded payment of arrear rates and other municipal charges, 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.

9.3.5 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the electricity service will be reconnected and / pre-paid electricity sold as soon as conveniently possible.

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

9.3.7 The deposit of any defaulter may be adjusted to bring into line with relevant policies.

9.4 Legal process / Use of attorneys / Use of credit bureaus

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

9.4.2 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.

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

9.4.4 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.

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

9.4.6 All recoverable costs of this process will be for the account of the debtor.

9.4.7 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 or by electronic means.

9.4.8 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

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

9.4.10 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

9.4.11 Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

9.5 Rates clearance

9.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges owed by the owner seeking transfer are paid by withholding a rates clearance certificate as contemplated in section 118 of the Act.

9.5.2 The amount for the period prior to section 118 of the Municipal Systems Act, will be handed over for legal collection where the previous owner could be held liable for payment of these amounts.

9.5.3 All services and or basic charges will be levied on the sellers account if the transfer takes place before or on the 15th of a month. This will however exclude consumable service like conventional water and electricity.

9.6 Abandonment of claims

9.6.1 The City Manager must ensure that all avenues are utilised to collect the municipality's debt.

9.6.2 There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Act, such as:

- (a) The insolvency of the debtor, whose estate has insufficient funds;
- (b) A balance being too small to recover, for economic reasons, considering the cost of recovery; and
- (c) Where Council deems that a customer or groups of customers are unable to pay for services rendered.

9.6.3 The Municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

9.6.4 Procedures for the abandonment of claims are determined in the Writing-Off of Irrecoverable Debt Policy.

10 MUNICIPAL EMPLOYEES AND COUNCILLOR DEBT

- 10.1 Staff arrears will be dealt with in accordance with Schedule 2 of the Systems Act, and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this three (3) month period.
- 10.2 In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillor's remuneration after this three (3) month period.

ANNEXURE A: REVENUE COLLECTION TARGETS

1 Computerised credit control and debt collection management system

- 1.1 It is Council's intention to collect all revenue due to Council from customers who can afford to pay.
- 1.2 For this purpose, it is acknowledged that the Municipality is in need of a computerised credit control and debt collection management system.
- 1.3 This system will be procured through the supply chain management process or alternatively the City Manager may obtain the services of an external service provider to perform this function.

2 Payment level on current accounts

- 2.1 The total outstanding debtors as at 31 January 2023 amounted to R430,947,719 of which R163,951,110 represented current debtors (January 2023 billing run levies) and R266,994,609 represented arrear debtors.
- 2.2 It is acknowledged that the current payment level of all customers for the seven months of the 2022/2023 financial year was 95,6%.

3 Recovery of arrears (Accumulated before the January 2018 billing run)

- 3.1 The Municipal Council reviewed on 31 May 2018 the Policy on the Writing-Off of Irrecoverable Debt with the following two incentives to their customer base to assist them to get out of their spiral of debt provided that all levies since the January 2018 billing run is paid up to date:
 - (a) Council will write-off 50% of the outstanding debt before the January 2018 billing run if a customer (all customers except for government or school debtors who are treated on an ad hoc basis) will pay the other 50% of the outstanding debt; and
 - (b) Council will write-off any outstanding debt before the January 2018 billing run that a household customer accrued that the household customer cannot afford to pay back over the next three years after his arrear and current payments has been capped at 20% of the household income.
- 3.2 To collect with the assistance of a computerised credit control and debt collection management system or an appointed service provider, all recoverable arrears over a maximum period of three years by using the incentives in the Writing-Off of Irrecoverable Debt Policy. Irrecoverable arrears will have to be written-off.

3.3 The Senior Manager: Revenue and Expenditure or delegated person can in extreme cases accept a longer period of repayment based on the financial position of the customer and other circumstances if the incentives in the Writing-Off of Irrecoverable Debt Policy do not assist the customer to get out of their spiral of debt within three years.

4 Recovery of arrears

4.1 It is acknowledged that not all customers might have been in arrears before the January 2018 billing run. Customers who accumulated arrears as from the January 2018 billing run will be recovered over a maximum period of one year.

5 Customer service targets

| | | |
|-----|--|--|
| (a) | Response time to customer queries: | Initial response within 5 working days |
| (b) | Date of first account delivery to new customers: | By second billing cycle after date of application or occupation whichever is the latest |
| (c) | Reconnection time: | Within 24 hours after appropriate payment / arrangement |
| (d) | Electricity meter reading cycle: | 90% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated |
| (e) | Water meter reading cycle: | 80% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated |

6 Administrative performance targets

Cost Efficiency of Debt Collection:

6.1.1 Cost efficiency of debt collection:

- (a) Cost of collection not to exceed the capital debt amount;
- (b) All reasonable steps to be taken to limit cost to Council or the customer;
- (c) Cost of collection is to be recovered from the defaulting customers; and
- (d) Total cost of collection to be recovered by means of applicable credit control tariffs.

6.2 Query and appeal periods:

- 6.2.1 Sixty (60) working days to resolve queries and appeals through Council committees, the Executive Mayor and Mayoral Committee and Council.

7 ANNEXURE B: ARRANGEMENTS

1. ARRANGEMENTS

- 1.1 If a customer cannot pay his / her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding 36 months. The customer must:
- 1.1.1 Sign an acknowledgement of debt;
 - 1.1.2 Sign consent to judgement;
 - 1.1.3 Provide a garnishee order / emolument order / stop order (if he or she is in employment);
 - 1.1.4 Acknowledge that interest will be charged at the prescribed rate;
 - 1.1.5 Pay the current portion of the account in cash;
 - 1.1.6 Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings; and
 - 1.1.7 Acknowledge liability of all costs incurred.
- 1.2 Consumer to agree to signing an electronic Acknowledgement of Debt form, which stipulates all of the above and acknowledges the arrangements made.

2. THE FOLLOWING ACCEPTABLE ARRANGEMENTS CAN BE ENTERED INTO WITH:

2.1 Domestic consumers

- 2.1.1 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis, a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 36 months.
- 2.1.2 The prescripts of the Writing-Off of Irrecoverable Debt Policy will be used to determine the acceptable arrangements on arrears where the 20% of the gross salary of the consumer, does not cover the monthly account, the whole account will be placed on

an abeyance account to be written off over a three year period, with the proviso that the monthly account is paid up to date every month.

2.1.2 If the consumers default in terms of the above arrangement after three consecutive months this 20% option agreements fall away and whole arrear amount becomes due and payable.

2.1.3 The suspended accounts will bear no interest on arrears.

2.2 Churches, welfare organisations, sporting bodies, emerging farmers, etcetera

2.2.1 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 36 months.

2.2.2 The suspended account will bear no interest on arrears.

2.3 Business, industrial and agriculture customers

2.3.1 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 12 months. Businesses being affected by disaster (e.g. Loadshedding, Covid etc) can be allowed to make arrangements for a longer period but not exceeding 24 months, upon provision of sufficient proof substantiating their losses as a result of the abovementioned disaster.

2.3.2 The suspended account will bear no interest on arrears.

2.4 Government departments and schools

2.4.1 1st default in financial year:

- (a) Three (3) weeks' notice – no arrangements; and
- (b) Deposit may be adjusted to 3 months consumption.

2.4.2 2nd default in financial year:

- (a) Two (2) weeks' notice – no arrangements; and
- (b) Deposit may be adjusted to 3 months consumption.

2.4.3 3rd default in financial year:

- (a) Forty-eight (48) hours' notice – no arrangements; and
- (b) Deposit may be adjusted to 3 months consumption.

2.5 Administrations

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

- (a) The debt as at the date of the administration court order will be placed on hold, transferred to an interest-bearing account to be collected in terms of the court order by the administrator's dividend;
- (b) The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter/s; and
- (c) Should there be any default on the current account, the supply of services is to be limited or terminated on reasonable notice to the owner and consumer, and the administrator handed over for the collection of this debt.

2.6.1 Indigent households

2.6.1 All consumers qualifying as indigent households will receive monthly indigent support provided that a pre-paid water and/or pre-paid electricity meter may be installed on Council's cost. 50% of debt will be written-off as a once-off exercise per financial year on the application approval.

2.6.2 Council acknowledges that pre-paid water and electricity meters cannot be installed at once and that this can only be done as and when the operating budget of the Municipality has available funds to install these meters.

2.6.3 Council also acknowledges that indigent households cannot afford to replace broken conventional and pre-paid electricity and water meters with new ones. They are also not in a financial position to replace broken electricity and water connections as well as to pay for minor repairs to sewerage connections and blockages. For this purpose, Council will budget in their operating for such costs. Pre-paid electricity and water meters and minor repairs to service connections may therefore be done from Council's budgeted funds provided that the relevant Executive Manager has motivated such a

request, that adequate funds on the operating budget is still available and that the City Manager or Chief Financial Officer has approved such a request.

8 ANNEXURE C : MUNICIPAL SERVICES APPLICATION FORM



DETAILS NEEDED TO OPEN AN ACCOUNT AT DRAKENSTEIN MUNICIPALITY

CONSUMER/VERBRUIKER :
FULL NAMES/VOLLE NAME :
SURNAME/VAN :
ID OR PASSPORT NUMBER/NR :
METER LOCATION/ADRES :
POSTAL ADDRESS/POS ADRES :
CONTACT TEL NO/KONTAK TEL NR. :
EMAIL ADDRESS/EPOS ADRES :
FAX NUMBER/FAKS NR. :
AANSKAKELINGS DATUM/
CONNECTION DATE :

CONTACT DETAILS OF A REFERENCE PERSON AT ANOTHER ADDRESS. KONTAK BESONDERHEDE VAN 'N VERWYSINGS PERSOON BY ANDER ADRES. NAME & SURNAME/VOORNAME & VAN:

ADDRESS/ADRES :
TELEPHONE NO/TEL NR. :

IF THE PREMISES IS REGISTERED IN THE NAME OF A COMPANY PLEASE SUPPLY AS PERSEEL IN MAATSKAPPY SE NAAM GEREGISTREER IS VERSKAF ASB.

COMPANY NAME/MAATSKAPPY NAAM :
REG NO./REG NR. :
VAT REG NO/BTW REG NR. :

IN RESPECT OF A COMPANY WE ALSO NEED A LETTER WITH ALL THE DIRECTORS NAMES, SURNAMES AND ID NUMBERS PLEASE.

*I HEREBY AGREE THAT THE PROVISION OF ELECTRICITY AND WATER SUPPLY TO ME IS SUBJECT TO THE COUNCIL
ELECTRICITY AND WATER SUPPLY REGULATIONS AS AMENDED FROM TIME TO TIME.
EK KOM HIERMEE OOREEN DAR DIE VOORSIENING VAN ELEKTRISITEIT EN OF
WATERTOEOER AAN MY ONDERWORPE IS AAN DIE RAAD SE ELEKTRISITEIT EN
WATERVOORSIENINGSREGULASIE SOOS VAN TYD TOT TYD GEWYSIG MAG WORD.*

HANTEKENING/SIGNATURE



Indigent Support Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-----------------------------------|-------------|--|
| Chief Financial Officer | | |
| Council | | |

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1 DEFINITIONS

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

- 1.1 **“Accountholder”** means the registered holder of an account held with Drakenstein municipality for property rates and services rendered by the municipality or on behalf of the municipality.
- 1.2 **“Act”** The Local Government Act: Systems Act, No. 32 of 2000 as amended from time to time.
- 1.3 **“Authorized representative”** means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
- 1.4 **“Chief Financial Officer”** means the person appointed by Council to administer its finances.
- 1.5 **“City Manager”** means the person appointed by Council in terms of Section 57 of the Municipal Systems Act
- 1.6 **“Child headed households”** means a household where the main caregiver of said household is not older than 18 years of age and is still a child as defined in section 28(3) of the Constitution.
- 1.7 **“Client”** means a customer or occupier of a property who is receiving a municipal account or owner of the property.
- 1.8 **“Council”** means the Municipal Council of Drakenstein Municipality.
- 1.9 **“Director”** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the City Manager.
- 1.10 **“Director of Company”** means a legal person or entity registered in terms of the Companies Act, No.61 of 1973
- 1.11 **“Interest”** means a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on arrear monies, based on a full month, where part of a month must be deemed as a full month.
- 1.12 **“Household”** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.
- 1.13 **“Household income”** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants

or investment income and other forms of earnings received by all persons residing on the property.

- 1.14 **“Indigent Household”** means any household that is at or below the poverty threshold as determined by Drakenstein municipality.
- 1.15 **“Municipality”** means the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein.
- 1.16 **“Municipal account”** means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and / or assessment rates levies.
- 1.17 **“Municipal services”** means those services provided by the Municipality, such as, *inter alia* the supply of water and electricity, refuse removal, sanitation treatment, and for which services charges are levied.
- 1.18 **“Occupier”** means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.
- 1.19 **“Owner”** means:
- (a) The person in whose name the property is legally vested;
 - (b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;
 - (c) In the case where Council are unable to establish the identity of such person, the person(s) who are entitled to derive benefit from the property or any buildings thereon;
 - (d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
 - (e) A person(s) who has lifelong use of an immovable property (Usufruct).
 - (f) Regarding:
 - (i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, No. 95 of 1986, without limiting it to the developer or managing body to the communal property;
 - (ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title”, including the legally appointed representative of such person;
 - (f) Any legal entity including but not limited to:

- (i) A company registered in terms of the Companies Act, No. 61 of 1973; a trust *inter vivos*; a trust *mortis causa*; a closed corporation registered in terms of the Close Corporation Act, No 69 of 1984; and, any voluntary organisation;
- (ii) Any provincial or national government department, and a local authority;
- (iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
- (iv) Any embassy or other foreign entity.

1.20 **“Property”** any portion of land, of which the boundaries are determined, within the jurisdiction of the Municipality, including in the case of sectional title schemes, a sectional title unit as defined in the Sectional title Act, No 95 of 1986.

1.21 **“Tenant”** a person(s) who occupies land or property rented from a landlord

1.22 **“Usufruct”** means a legal right accorded to a person(s), that confers the temporary right to use and derive income or benefit from someone else’ property.

2 PREAMBLE

2.1 Drakenstein Municipality has a constitutional mandate to ensure the provision of basic services to poorer communities.

2.2 The municipality shall provide basic municipal services to poor households in an affordable and sustainable manner.

3 POLICY OBJECTIVES

The objectives of this policy are:

3.1 To develop a framework within which the municipality can execute its legislative authority to identify consumers who qualify for subsidised basic municipal services;

3.2 To enable the sustainable provision of subsidised municipal basic services to qualifying consumers within the financial and administrative resources of the municipality; and

3.3 To provide a financial assistance subsidy, in line with national government regulations and guidelines to assist indigent households in the Drakenstein municipal area. The subsidy will be provided by means of a rebated basket of basic municipal services.

4 POLICY PRINCIPLES

4.1 The following guiding principles will be promoted through this policy:

- (a) The adherence to the Municipal Systems Act, No.32 of 2000 and other related legislation.

- (b) The provision of relief to registered residential consumers of municipal services.
- (c) To ensure that the relief provided by Drakenstein Municipality is constitutional, practical, fair, equitable and justifiable.

5 QUALIFICATION CRITERIA

5.1 The indigent and financial assistance subsidy is available only to domestic households that conform to the following criteria:

- (a) The household meets the definition of an indigent household and household income as defined in paragraphs 1.13 and 1.14 of this policy.
- (b) The household is headed by children who meet the definition stipulated under paragraph 1.6 and 1.12 of this policy.
- (c) The account holders own one property, or;
- (d) In the case where an account holder owns more than one property but can prove that they derive no income from the other property registered in their name, the subsidy will only be granted to the property that is occupied by the account holder.
- (e) In the case where the second property is in another municipal jurisdiction the account holder must provide proof that they do not receive an indigent subsidy on that property.
- (f) The account holders are deceased and the occupiers of the property qualify in terms of the eligible income threshold as determined by Council on an annual basis.
- (g) Tenants of municipal rental property who meet the criteria of a household and household income as per paragraph 1.13 and 1.14 of this policy.
- (h) Pensioners who have usufruct of a dwelling belonging to a non-qualifying owner (e.g. children or relative).
- (i) Indigent households where qualifying account holders do not occupy their properties for various reasons, leaving qualifying persons over the age of 18 years to reside on the property.
- ~~(j) Directors of companies where the household income calculated by the online verification system is less / equal to the subsidy income threshold determined by Council.~~

6 FUNDING

6.1 The source of funding of the indigent support is derived from that portion of the equitable share contribution to the Municipality from the national government's fiscus and as provided for in the budget.

7 INDIGENT CONSUMER QUALIFYING INCOME THRESHHOLDS

7.1 For the 2023/2024 financial year the total monthly household income has been determined as follows.

- (a) Category A: R 0 to R4,450 per month
- (b) Category B: R4,551 to R4,950 per month
- (c) Category C: R4,951 to R6,200 per month
- (d) Category D: R6,201 to R6,500 per month

7.2 Category A consumers will receive the benefit of all the subsidies listed in paragraph 8 below, whilst Category B consumers will receive a benefit of 80% of the subsidies listed in paragraph 8 (Excluding Water and Property Rates), Category C consumers will receive a benefit of 50% and Category D consumers a benefit of 20% of the subsidies listed in paragraph 8 (Excluding Water and Property Rates).

7.3 The Municipality retains the right to refuse the financial support if the details supplied in the application form were incomplete, incorrect or false.

7.4 The City Manager, in consultation with the Chief Financial Officer, may in extra ordinary circumstances migrate a household from Category D ,C, or B to a higher category.

7.5 In the case of the underutilization of the equitable share, the Executive Mayor, in consultation with the City Manager, may adjust the determined income thresholds in paragraph 7.1 above upwards.

7.6 The online income verification system used by the municipality calculates household income on the basis of the applicants' credit activity by means of obtaining information relating to the applicants', economic activity, combined household income , employment, directorships, validity of applicants' information, benefit Scale, property ownership of applicants and current or active bonds on applicants' name.

8 SUBSIDY CONDITIONS AND SUBSIDISED SERVICES

8.1 Electricity

8.1.1 Subsidy Conditions

- (a) Basic electricity charges will only be subsidized for qualifying indigent consumers with a 30 Amp connection. Those with a greater than 30 Amp connection will receive no subsidy for basic charges.

8.1.2 Electricity Subsidy

- (a) 85 kWh per month for Category A and B consumers.

- (b) 50 kWh per month for Category C and D consumers.
- (c) Monthly basic electricity charges only for a 30 Amp electricity connection will be subsidized.
- (d) Consumers in Old Age Homes receives 50 kWh free per units per qualifying Indigent resident, credited to the Old Age Home's municipal account.

8.2 Water

8.2.1 Subsidy Condition

- (a) Qualifying indigent consumers that exceed 20kl of water per month and are in arrears may have an automated flow restriction apparatus fitted to their water supply.

8.2.2 Water Subsidy

- (a) 6 kiloliters per month for Category A, B, C and D consumers.
- (b) The water rebate threshold will remain the same irrespective of the Category of the indigent consumer and will not be apportioned.
- (c) Monthly basic charges for a 15mm water connection will be subsidized.
- (d) Where there is more than one structure (backyarder), on the property, the indigent households will be allowed to apply for a further subsidy.
- (e) Consumers in Old Age Homes receives 6 kl free water per qualifying Indigent resident, credited on the Old Age Home's municipal's account.

8.3 Property Rates

8.3.1 Subsidy Condition

- (a) Qualifying indigent consumers shall be subsidized for property rates to a maximum property value of R700,000
- (b) The property rates rebate threshold will remain the same irrespective of the Category of the indigent consumer and will not be apportioned.
- (c) The property rates rebate of R700,000 shall include the normal property rates rebate provided by the municipality to all other residents of the municipality.
- (d) Property rates related to the property value above R700,000 will be due and payable by the consumer.

8.3.2 Property rates Subsidy

- (a) Property rates rebate to a maximum property value of R700,000 for Category A, B, C and D consumers.

8.4 Refuse Removal

8.4.1 Subsidy Condition

- (a) Qualifying indigent consumers residing in formal registered households shall have a 240 litre refuse removal bin at their premises.

8.4.2 Refuse Subsidy

- (a) One refuse removal per week billed monthly.
- (b) Category A consumers qualify for the full monthly refuse removal subsidy;
- (c) Category B consumers qualify for 80% of the monthly refuse removal subsidy;
- (d) Category C consumers qualify for 50% of the monthly refuse removal subsidy; and
- (e) Category D consumers qualify for 20% of the monthly refuse removal subsidy.

8.5 Sanitation

8.5.1 Subsidy Conditions

- (a) One toilet levy per month will be subsidised.
- (b) Basic charges per month equivalent to an erf size 550 square meters will be subsidised.

8.5.2 Sanitation Subsidy

- (a) Category A consumers qualify for the full monthly sanitation subsidy;
- (b) Category B consumers qualify for 80% of the monthly sanitation subsidy;
- (c) Category C consumers qualify for 50% of the monthly sanitation subsidy; and
- (d) Category D consumers qualify for 20% of the monthly sanitation subsidy.

8.6 Municipal Rental Stock

8.6.1 Municipal rental houses

8.6.1.1 Subsidy Conditions

- (a) Category A consumers qualify for the full monthly rental subsidy;
- (b) Category B consumers qualify for 80% of the monthly rental subsidy;
- (c) Category C consumers qualify for 50% of the monthly rental subsidy; and
- (d) Category D consumers qualify for 20% of the monthly rental subsidy.

8.6.1.2 Municipal Rental Stock Subsidy for houses

- (a) 85 kWh electricity per month for Category A and B consumers.
- (b) 50 kWh electricity per month for Category C and D consumers.
- (c) Monthly basic electricity charges only for a 30 Amp electricity connection will be subsidised.
- (d) 6 kiloliters per month for Category A, B, C and D consumers.
- (e) Monthly basic charges for a 15mm water connection will be subsidised.

- (f) A rebate equivalent to the municipal rental amount for all qualifying indigent consumers to the maximum amount of the total basket of basic services provided to domestic indigent consumers will be granted.

8.6.2 Municipal rental flats

8.6.2.1 Subsidy Conditions

- (a) Category A consumers qualify for the full monthly rental subsidy;
- (b) Category B consumers qualify for 80% of the monthly rental subsidy;
- (c) Category C consumers qualify for 50% of the monthly rental subsidy; and
- (d) Category D consumers qualify for 20% of the monthly rental subsidy.

8.6.2.2 Municipal Rental Stock Subsidy for flats

- (a) 85 kWh electricity per month for Category A and B consumers.
- (b) 50 kWh electricity per month for Category C and D consumers.
- (c) Monthly basic electricity charges only for a 30 Amp electricity connection will be subsidized.
- (d) A rebate equivalent to the municipal rental amount for all qualifying indigent consumers to the maximum amount of the total basket of basic services provided to domestic indigent consumers will be granted.

8.7 Other Subsidies

8.7.1 Free Bulk Services

- (a) Free bulk services shall be the provision of services (water stand pipes, high mast lighting, toilets and refuse removal (skip bins) to informal settlements.
- (b) The cost of the provision of free bulk services is recovered from the Equitable Share allocation.

8.7.2 Building Plans

- (a) 50% rebate of building plan fees as per the approved tariff structure of the Municipality.

8.7.3 Municipal Fire Brigade Fees

- (a) 50% rebate on municipal fire brigade fees as per the approved tariff structure of the Municipality.

8.7.4 Sewerage Blockage Fees

- (a) 50% rebate on municipal sewer blockage fees as per the approved tariff structure of the Municipality.

8.7.5 Water leakages and stolen water meters

- (a) Council may replace stolen water meters or repair basic water leakages within reason in the property of indigent consumers.

9 INDIGENT APPLICATION PROCESS AND DOCUMENTATION

9.1 The account holder must apply in person and must present the following documents upon application:

- (a) The latest municipal account in his/her possession;
- (b) The account holder's identity document;
- (c) An online application will be captured where, applicants will be required to undergo biometric verification (facial recognition) and fingerprint scanning.
- (d) Documentary proof of income and marital status (e.g. letter from an employer, salary advice, pension card, UIF card, etc.) must be presented in order to qualify for indigent and financial assistance. This information will support the online application and will be scanned in.
- (e) Employed applicants will be required to provide pay slips to substantiate the permutated income from the only verification system.
- (f) In addition, applicants will be required to sign and submit a sworn affidavit to the effect that all information supplied is true and that all income from formal and/or informal sources of all the occupants on the property has been declared.
- (g) Special note should be taken that any person who supplies false information will be disqualified from further participation in the indigent support scheme. He/she will also be liable for the immediate repayment of all indigent support received, the debt written-off on the account will also be reversed and the institution of criminal proceedings, as Council may deem fit;
- (h) Approved pensioner indigent applications (disabled persons and child headed families included) will be valid for a period of three financial years, starting from 2021/2022, and will be renewed in the financial year 2024/2025. The municipality will however still conduct a vetting of this category of consumers every three (3) months to identify possible deceased cases and changes in pensioner, disability status and status of child headed households.;
- (i) For all other indigent applications, If the application is approved, the indigent support will only be valid for the 2023/2024 financial year for which the indigent application

has been evaluated with no guarantee of renewal, as it is funded by a grant from National Government to the Municipality. The municipality will conduct an electronic vetting of this category of indigent consumer after ~~three (3) months~~ six (6) months to determine if the consumer still meets the qualifying criteria. If the consumer does not meet the criteria the financial assistance will cease automatically or adjusted accordingly;

- (j) No backdated subsidies will be granted to late applicants.
- (k) Council reserves the right to send officials to premises/households receiving relief for the purpose of conducting an on-site lifestyle audit of the details supplied.

9.2 Appeal Procedure

9.2.1 Indigent consumers who do not agree with their categorization in terms of paragraph 7.1 above will have the opportunity to lodge an appeal where the following process will be followed:

- a) Lodge an appeal after receiving the results of the application where the required supporting documents to substantiate the appeal will be requested from the accountholder.
- b) If the accountholder is not satisfied with the results of the appeal, then the appeal request will be escalated to the CFO and the City Manager for their consideration in terms of paragraph 7.4 of this Policy.
- c) Accountholders who do not qualify, but can prove that they are in financial distress, due to a Natural disaster can lodge an appeal and be considered for approval for a period of 3 months where after they will have the opportunity to re-apply again.

10 GENERAL INDIGENT SUBSIDY CONDITIONS

10.1 General Conditions

- (a) Fifty percent of qualifying indigent consumers' debt will be written-off upon approval of the indigent subsidy.
- (b) If a consumer's consumption or use of the municipal service is less than the subsidized service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.
- (c) If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable rates.

- (d) If consumers do not pay the excess accounts as per paragraph 10.1 (b) above then then the necessary credit control and debt collection actions as per the Municipality's Credit Control and Debt Collection Policy will apply.
- (e) All consumers who qualify for an indigent and financial assistance subsidy that have a conventional electricity meter will be converted pre-paid electricity meters.
- (f) All consumers who qualify for an indigent and financial assistance subsidy will be placed on restricted service levels in order to limit further escalation of debt.
- (g) Where applicable, these consumers may be exonerated from a portion of their arrear debt.
- (h) Where a qualifying customer's account is paid in full at the date of application, or regularly maintains a paid-up account after receiving the subsidy, the restriction on service levels will be waived.
- (i) An indigent customer must immediately request de-registration by the municipality or its authorised agent if his / her circumstances have changed to the extent that he / she no longer meets the criteria.
- (j) An indigent customer may at any time requests de-registration.
- (k) A list of indigent customers will be maintained and may be made available to the general public.
- (l) No indigent application will be approved if there is a rates clearance application on the system on date of indigent application. Such applications will only be approved in cases where the rates clearance is in terms of section 45(1) of the Deeds Registries Act, No. 47 of 1937.



DRAKENSTEIN

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Tariff Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-----------------------------------|-------------|--|
| Chief Financial Officer | | |
| Council | | |

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PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles contained in section 74(2) of the Act; thus giving effect to the By-Law required in terms of section 75 of the Act;

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;

Now therefore the Municipal Council of Drakenstein Municipality adopts the following Tariff Policy:

1. DEFINITIONS

- 1.1 In this Tariff Policy, unless inconsistency with the context, a word or expressions to which a meaning in the Act has been attached means:
- 1.1.1 **“Accounting Officer”** means the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, No 117 of 1998, and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000.
- 1.1.2 **“Basic Charge”** means a fixed charge to recover fixed costs such as capital, meter reading, billing, vending, maintenance, etc. It may be recovered as a daily or monthly charge, but it is not applicable to subsidised tariffs. It is applicable irrespective of whether any services were used or not.
- 1.1.3 **“Basic municipal services”** means municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, could endanger public health or safety of the environment. For Drakenstein Municipality this shall include *inter alia* electricity, water, refuse removal and sewerage services.
- 1.1.4 **“Break-even”** occurs when the revenue is equal to the total of the fixed and variable cost associated with the provision of the service.
- 1.1.5 **“Co-generation”** means the self-generation of electricity for consumption purposes used in conjunction with electricity from the municipal grid.
- 1.1.6 **“Community services”** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature.
- 1.1.7 **“Connection fee”** means the fee payable as a contribution towards the cost of providing supply. This may be subsidised to facilitate the provision of services to poor households;
- 1.1.8 **“Consumption based tariff”** means a tariff set as a Rand amount per measurable unit of service;
- 1.1.9 **“Cost reflective tariff”** means a two part tariff consisting of a Basic Charge and an Energy Charge or a three part tariff which includes a Demand Charge;

- 1.1.10 **“Consumer, customer, owner, occupier and account-holder”** in this policy refers to individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.
- 1.1.11 **“CPIX”** means the consumer price index excluding mortgage costs as measured by Stats SA;
- 1.1.12 **“Credit Meter”** means a meter where an account is issued subsequent to the consumption of the service (water or electricity);
- 1.1.13 **“Demand Charge”** means the charge payable for each kilovolt-ampere (kVa) for the maximum demand supplied during any 30 consecutive minutes of a calendar month;
- 1.1.14 **“Economic services”** are services that Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.
- 1.1.15 **“Energy Charge”** means a charge for each kilowatt-hour (kWh) of electrical energy;
- 1.1.16 **“Executive Director”** means a person appointed by Council in terms of section 56(1) (a) of the Act as a manager directly accountable to the municipal manager.
- 1.1.17 **“Green Energy”** means energy generated from a sustainable source such as solar, wind or wave;
- 1.1.18 **“Interest”** means the prime bank lending rate
- 1.1.19 **“Low Voltage (LV)”** means 230 volts single phase / 400 volts three phase;
- 1.1.20 **“Medium Voltage (MV)”** means the set of voltage levels greater than 1kV up to and including 44kV;
- 1.1.21 **“Meter”** means a device that records the demand and / consumption of a specific service (water or electricity) and includes Credit and Prepayment meters;
- 1.1.22 **“Poor households”** means those households in the municipal area defined as indigent households in the Indigent Policy.
- 1.1.23 **“Prepayment Meter”** means a meter that can be programmed to allow the flow of a pre-purchased amount of energy or water in an electrical circuit or water circuit.

- 1.1.24 **“Refuse removal service point”** means any inhabitable unit on an erf (dwelling, flat, etcetera) where a standard refuse collection service is rendered notwithstanding the number of bins collected at the service point.
- 1.1.25 **“Resident”** means a person who ordinary resides in the jurisdictional area of Drakenstein Municipality.
- 1.1.26 **“Schedule of Tariffs”** means a schedule containing details pertaining to levels and application of various tariffs as approved by the Municipality from time to time;
- 1.1.27 **“Special Tariffs”** means a special tariff which may be introduced from time to time in terms of sub-paragraph 74(2) (g) of the Municipal Systems Act
- 1.1.28 **“Sundry Tariff”** means a charge for additional general services rendered such as reconnections, disconnections, meter testing, etc. These will be published in a tariff schedule, which may be adjusted from time to time;
- 1.1.29 **“The Act”** refers to the Local Government: Municipal Systems Act, No 32 of 2000.
- 1.1.30 **“Total cost”** is the sum of all fixed and variable costs associated with a service.
- 1.1.31 **“Trading services”** are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services.
- 1.1.32 **“Units consumed”** are the number of units consumed of a particular service.
- 1.1.33 **“Variable costs”** are costs that vary with consumption or volume produced.
- 1.1.34 **“Wheeling”** is the delivery of energy from a generator to an end-user located in another area through the use of an existing distribution or transmission networks.
- 1.2 **About translation**
- 1.2.1 In the event of any discrepancy between the Xhosa, Afrikaans or English versions of this policy, the English version will be regarded as the official version of the said policy.

2. PURPOSE OF THIS POLICY

2.1 Drakenstein Municipality wishes to achieve the following objectives by adopting this Tariff Policy:

- (a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, No 32 of 2000;
- (b) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
- (c) To give guidance to the Executive Mayor and Mayoral Committee regarding tariff proposals that must be submitted to Council annually during the budget process.

3. TARIFF PRINCIPLES

3.1 Drakenstein Municipality wishes to record that the following tariff principles will apply:

- (a) All users of municipal services will be treated equitably;
- (b) The amount payable by consumers and / or owners will generally be in proportion to usage of the service;
- (c) Poor households must have access to basic services, however relief will be granted to poor households on a targeted approach;
- (d) Free basic services will depend on the equitable share grant received from the National Government which covers the full costs of the free basic services;
- (e) Tariffs must reflect the total cost of services;
- (f) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
 - (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
 - (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services in order to subsidise rates and general services; and
 - (iii) By ensuring that service providers retain a fair rate of return on their investments;
- (g) Provision may be made in appropriate circumstances for levying interest;

- (h) Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use;
- (i) The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the poor or incentives for local economic development;
- (j) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (k) VAT is excluded from all tariffs and will be additional to these tariffs when applicable; and
- (l) This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.

3.2 Notwithstanding any of the above principles, indigent households and households qualifying for financial assistance identified as such would qualify for relief in terms of section 6 of this Policy.

4. CATEGORIES OF CUSTOMERS

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

4.2 Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and / or standard of services provided, the Council can, after considering a report by the Accounting Officer or the relevant executive manager of a Department determine differentiated tariffs for the different consumers within the specific category.

5. INVESTMENTS AND INCENTIVE POLICY

5.1 Tariffs will not reflect incentives for investment or to promote economic development. Such incentives will be developed as a separate policy and be subject to the discretion of Council in order to enhance sustainability.

5.2 All such incentives will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

6. INDIGENT AND FINANCIAL ASSISTANCE

- 6.1 Tariffs will not reflect relief granted to poor households. Such incentives are developed in separate policies (Indigent Support Policy and Property Rates Policy) and be subject to the discretion of Council in order to enhance sustainability.
- 6.2 As such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.
- 6.3 During implementation of these policies, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments may be phased in over time.
- 6.4 Poor households are expected to manage their consumption beneath the levels of relief granted and are responsible for the payment of electricity and water consumption above the levels of relief granted.
- 6.5 Assistance and management of poor households is contained in the Indigent Support Policy and Property Rates Policy with their applicable by-laws. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction of services if the account of an assisted household falls into arrears.

7. SERVICE- AND EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

7.1 Service Classification

- 7.1.1 To isolate the costs associated with a service, the Chief Financial Officer shall, subject to guidelines provided by National Treasury of the Department of Finance and / or the Municipal Council, make provision for *inter alia* the following classification of services:

(a) Trading Services

- (i) Water; and
- (ii) Electricity

These services must generate a surplus which will be used to subsidize community services other than economical services.

(b) Economic Services

- (i) Refuse removal;
- (ii) Sanitation disposal;
- (iii) Fixed billboards and the display of advertisements in public places; and
- (iv) Holiday resorts

These services' charges must cover the cost of providing the services, i.e. it must at least break even. In the event of the latter not being possible within a period, the shortfall will be financed from the Municipal Property Rates revenue

(c) Rates Services

The revenue from Municipal Property Rates is utilized for Rates related services.

(d) Housing Services

These services are ring-fenced in the Housing Development Fund and the net operating balance is set off as a contribution to/from the Housing Development Fund.

(e) Community Services

- (i) Air pollution;
- (ii) Administration and treasury services;
- (iii) Firefighting services;
- (iv) Local tourism;
- (v) Town planning;
- (vi) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
- (vii) Storm water management system in built-up areas;
- (viii) Trading regulations;
- (ix) Cemeteries;
- (x) Control of public nuisances;
- (xi) Control of undertakings that sell liquor to the public;
- (xii) Crime prevention;

- (xiii) Facilities for accommodation, care and burial of animals;
- (xiv) Fencing and fences;
- (xv) Housing facilitation;
- (xvi) Licensing of dogs;
- (xvii) Licensing and control of undertakings that sell food to the public;
- (xviii) Local Economic development;
- (xix) Local amenities;
- (xx) Local sport facilities;
- (xxi) Marketing;
- (xxii) Municipal parks and recreation;
- (xxiii) Municipal roads;
- (xxiv) Noise pollution;
- (xxv) Pounds;
- (xxvi) Public places;
- (xxvii) Street trading / street lighting;
- (xxviii) Trading licenses;
- (xxix) Traffic and parking;
- (xxx) Building control;
- (xxxi) Licensing of motor vehicles and transport permits; and
- (xxxii) Nature reserves

(f) Subsidised Services

- (i) Health and ambulance;
- (ii) Libraries and museums; and
- (iii) Proclaimed roads.

7.2 Expenditure Classification

7.2.1 Expenditure categories will be classified in accordance with Generally Recognised Accounting Practice (GRAP).

7.3 Cost Elements

7.3.1 The following cost elements may be used to calculate the tariffs of the different services:

(a) Fixed Costs:

Fixed costs consist of:

- (i) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level;
- (ii) Capital costs (interest and depreciation) on external loans; depreciation on assets obtained through grants; as well as depreciation on assets obtained through own funds, whichever are applicable to the service; and
- (iii) Any other costs of a permanent nature as determined by the Council from time to time.

(b) Variable Cost:

This includes all other variable costs that have reference to the service.

(c) Total Cost:

This is equal to the fixed cost plus variable cost.

8. TARIFF TYPES

8.1 In determining the type of tariff applicable to the type of service, the municipality shall make use of any of the following six options or a combination thereof.

(a) Single tariff:

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer, the Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

(b) Cost related two to four part tariff:

This tariff shall consist of two to four parts. Management, capital, maintenance and operating costs may be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and may be recovered by a fixed charge, independent of consumption for all classes of consumers; or the total costs may be recovered by a unit charge per unit consumed. Three and four part tariffs will be used to calculate the tariff for electricity and to provide for maximum and notified demand (KVA

charges) and usage (kWh charges) during peak, standard and off-peak (Time-of-use charges) periods.

(c) Inclining block tariff:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

(d) Regulating tariff:

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(e) Cost plus mark-up tariff:

This tariff is for other services rendered.

9. CALCULATION OF TARIFFS FOR MAJOR SERVICES

9.1 In order to determine the tariffs which must be charged for the supply of the four major services (electricity, refuse removal, sanitation and water), the Municipality shall use service and expenditure classifications and cost elements contained in paragraph 7 above and identify all the costs associated with the service concerned, including specifically the following:

- (a) Cost of bulk purchases in the case of water and electricity;
- (b) Distribution costs, including distribution losses in the case of water and electricity;
- (c) Depreciation and finance charges;
- (d) Maintenance of infrastructure and other fixed assets;
- (e) Administration and service costs, including:
 - (i) Service charges levied by other support services such as finance, human resources, legal services, information technology services, etcetera;
 - (ii) Reasonable general overheads such as the costs associated with the office of the Accounting Officer etcetera;
 - (iii) Adequate contributions to the provisions for bad debts, working capital and obsolescence of stock; and
 - (iv) 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;

- (f) The cost 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 also be included into the costing of the major services of the municipality;
- (g) The intended surplus to be generated for the financial year, such surplus to be applied:
 - (i) As an appropriation to the capital replacement reserve; and / or
 - (ii) Generally in relief of rates and general services; and
- (h) The municipality shall provide the first 6kl of water per month free of charge to all approved indigent households and households qualifying for financial assistance.

9.2 **Electricity**

- 9.2.1 The guidelines and policy issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- 9.2.2 To make electricity affordable to certain categories of consumers, cross subsidisation between and within categories of consumers, will be allowed based on the load factors of the categories and consumers within the category.
- 9.2.3 To cater for alternative sources of energy generation a co-generation tariff based on the amount of green energy pushed back into the municipal grid is established as per the rules published in the annual tariff list.
- 9.2.4 The fixed costs or portions thereof will be recovered through an energy or time-of-use charge for 20Amp consumers and business consumers. The fixed cost for domestic consumers will be recovered through a fixed levy based on the size of the connection.
- 9.2.5 To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used:

| Categories of consumers | Fixed Charge Rand/Customer /Month | Active Energy Charge Cents/kWh | Seasonally Time-of-Use Energy Charge Peak/Standard/ Off-Peak (kWh) | Capacity Charge Rand/KVA/ Month |
|-------------------------|-----------------------------------|--------------------------------|--|---------------------------------|
| Domestic Pre-paid | X | X | | X |
| Domestic | X | X | | X |
| Business Pre-paid | X | X | | X |
| Small business >60A | X | X | | X |

| | | | | |
|---------------------|---|---|---|---|
| Small business <60A | X | X | | X |
| Business = 400 V | X | X | | X |
| Business = 11 kV | X | | X | X |
| Co-Generation | X | X | X | |
| Wheeling | | X | | |

9.2.6 Fixed basic charges will be levied per month.

9.2.7 The basic charges for both credit and pre-paid electricity shall be the same.

9.2.8 The municipality will permit the retail wheeling of electricity through its network by another electricity supplier that is licensed for the trading of electricity in terms of the Electricity Regulation Act to the customers of this electricity supplier.

9.2.8 Where a property or registered erf is not connected to the electricity reticulation system, but can reasonably be so connected, an availability tariff will be payable per registered erf.

9.3 **Water**

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

9.3.2 Categories of consumption and charges

9.3.2.1 Domestic Consumers

- (a) The first 6 (six) Kl of water consumption per month shall be supplied free of charge to all indigent households and to households qualifying for financial assistance.
- (b) Erven with more than one dwelling must furnish the municipality with an affidavit stipulating the number of dwellings on the erf, to qualify to be billed on the sliding scale for all the dwellings on the erf.
- (c) Because water is a scarce national resource and this municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed.

- (d) The tariffs for conventional domestic consumption shall be based on the levels reflected in the following table:

| Kilolitres per month | | | |
|----------------------|-----|-----|-------|
| Step 1 | 0 | to | ≤6 |
| Step 2 | > 6 | to | ≤10 |
| Step 3 | >10 | to | ≤15 |
| Step 4 | >15 | to | ≤30 |
| Step 5 | >30 | to | ≤45 |
| Step 6 | >45 | to | ≤55 |
| Step 7 | >55 | and | above |

- (e) Gated estates on the municipal grid where water is supplied through a bulk water meter, will also be billed according to the above sliding scale. An affidavit with the number of dwellings in the gated estate must be furnished to the municipality.
- (f) Gated estates partially or fully off the municipal grid will have the choice to be billed according to the flat rate or the above sliding scale. An affidavit with the number of dwellings in the gated estate must be furnished to the municipality if the gated estate elects to be billed on the sliding scale.
- (g) The pre-paid domestic consumers' tariff shall be based on the levels reflected in the following table:

| Kilolitres per month | | | |
|----------------------|-----|-----|-------|
| Step 1 | 0 | to | ≤6 |
| Step 2 | >6 | to | ≤10 |
| Step 3 | >10 | to | ≤15 |
| Step 4 | >15 | to | ≤30 |
| Step 5 | >30 | to | ≤45 |
| Step 6 | >45 | to | ≤55 |
| Step 7 | >55 | and | above |

- (h) Domestic Untreated water:

| Kilolitres per month | | | |
|----------------------|----|----|-----|
| Step 1 | 0 | to | ≤6 |
| Step 2 | >6 | to | ≤10 |

| | | | |
|--------|-----|-----|-------|
| Step 3 | >10 | to | ≤15 |
| Step 4 | >15 | to | ≤30 |
| Step 5 | >30 | to | ≤50 |
| Step 6 | >50 | to | ≤80 |
| Step 7 | >80 | and | above |

- (i) A basic charge per water meter size as determined by the Council from time to time will be charged on all water consumers.
- (j) The basic charges for boreholes will be determined on an annual basis as per the approved tariffs of Council.
- (k) Where consumers are not connected to the water services and these consumers or registered erven can reasonable connect to the service within an approved township establishment, an availability tariff will be payable per registered erf.
- (l) A water restriction tariff is approved by Council annually to be implemented during times of water restrictions forced onto us by our suppliers of water or drought conditions. This increased tariff will be applied to all the categories and their usage levels as illustrated in paragraph c and e above.

9.3.2.2 Other Water consumers

| Categories of consumers | Single Tariff | Sliding Scale |
|--|---------------|---------------|
| Sport Purposes, Schools, College, Churches (for irrigation purposes) | | X |
| Irrigation Purposes | | X |
| Industrial Purposes | | X |
| Any other purposes other than above | X | |
| Waste water effluent | X | |
| Sport Organisation hosting national or international events | X | |
| Prisons | X | |
| Caravan Park Gouda | X | |
| Businesses Saron | | X |
| Business Rural Area | X | |
| Special Agreements | | X |
| Municipal Usage | X | |
| Water sold at Paarl Waterworks Depot (To be paid in advance) | X | |
| Usage due to transgression | X | |
| Standpipes | X | |

9.3.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4 **Refuse Removal**

9.4.1 A fixed monthly refuse removal charge shall apply to each category of users based on the full costs of the service concerned and the applicable level of service that can vary from once a week up to seven times a week.

9.4.2 The fixed charge referred to in paragraph 9.4.1 above will apply to every refuse removal service point as defined and the costs associated with its disposal.

9.4.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4.4 A basic/availability charge per month shall be charged to each developed erf within a gated village, sectional title estate or any other property that make use of a private contractor for collection and disposal of refuse. The basic/availability charges per month for the above categories will be based on the difference between the number of refuse bins and the number of waste generators (registered sectional title units, lettable space, flats etc.)

9.5 **Sewerage**

9.5.1 The categories of sewerage users as set out below shall be charged per month at the applicable tariff as approved by Council in each annual budget.

9.5.2 **Categories of usage and charges**

- (a) A basic (availability) charge per month shall be charged for vacant erven.
- (b) A separate fixed monthly sewerage charge shall apply to each category of users based the size of a developed plot.
- (c) An additional monthly fee may be charged per toilet or any other type of measurement Council may determine from time to time.
- (d) An effluent fee shall further be payable by factories and other industrial users where the waste water emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the waste water concerned and the costs of the purification.

9.6 **Minor tariffs**

9.6.1 All minor tariffs shall be standardised within the municipal region.

9.6.2 All minor tariffs shall be approved by Council in each annual budget and shall, when deemed appropriate by Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

9.6.3 Minor tariffs shall include but not limited to the following:

- (a) Cemetery fees;
- (b) Housing rentals;
- (c) Library fees (e.g. membership fees, fines, lost books, lost membership cards);
- (d) Rentals for the use of municipal premises;
- (e) Rentals for the use of municipal sports grounds;
- (f) Rentals for the lease of municipal property;
- (g) Building plan fees;
- (h) Advertising sign fees;
- (i) Plastic bag sales;
- (j) Refuse bin sales;
- (k) Cleaning of stands;
- (l) Sewerage connection fees;
- (m) Photostat copies and faxes;
- (n) Clearance certificates;
- (o) Pound fees;
- (p) Electricity: disconnection and reconnection fees;
- (q) Electricity: new connection fees;
- (r) Water: disconnection and reconnection fees;
- (s) Water: new connection fees;
- (t) Penalty and other charges in terms of the Credit Control, Debt Collection Policy;
- (u) Supply of information;
- (v) Garden refuse removal;
- (w) License fees (drivers, learner license and road worthy);
- (x) Sale of livestock; and
- (y) Sale of miscellaneous items.

9.6.4 The Accounting Officer shall maintain a list of all minor services indicating their unit of service for the purpose of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees, charges and levies.

10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

10.1 After a draft budget as required by the Local Government: Municipal Finance Management Act (MFMA) has been tabled, the Accounting Officer must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.

10.2 After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of the Act of all tariffs approved at the annual budget meeting and the Municipal Manager shall without delay conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office of the Municipality and at such other places within the Municipality to which the public has access as the Municipal Manager may determine.

10.3 A notice stating the purpose of the Council Resolution, date on which the new tariffs shall become operational and invitation for objections, will be advertised by the Municipality in terms of section 75A(3)(b) of the Act.

10.4 All tariffs approved must have been considered at the annual budget meeting.

11. IMPLEMENTING AND PHASING IN OF THE POLICY

11.1 The principle contained in this policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Act.

11.2 Council may determine conditions applicable to a community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

11.3 Jurisdiction and other differences in tariffs, if applicable, will be phased in over three financial years after the 2012/2013 financial year.

12. PROCEDURES AND ACCOUNTABILITY

- 12.1 The Accounting Officer shall ensure that procedures to manage all aspects of this policy are prepared in the form of a manual, reviewed regularly and that these are formally adopted by him / her for implementation. These procedures will include aspects in this policy and subscribe to sound principles of internal control.
- 12.2 The executive manager of a Department shall ensure compliance with the procedures as approved from time to time by the Accounting Officer to give effect to the provisions of this policy.

13. SHORT TITLE

- 13.1 This policy is the Tariff Policy of Drakenstein Municipality.



DRAKENSTEIN

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

Property Rates Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-----------------------------------|-------------|--|
| Chief Financial Officer | | |
| Council | | |

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DRAKENSTEIN MUNICIPALITY

PROPERTY RATES POLICY

1 LEGISLATIVE CONTEXT

- 1.1 Section 229 of the Constitution of the Republic of South Africa, No 108 of 1996, determines that a municipality may impose rates on property subject to any regulated national legislation.
- 1.2 Section 2 of the Local Government: Municipal Property Rates Act, No 6 of 2004, determines that a municipality may levy a rate on property in its area subject to:
- (a) Section 229 and any other applicable provisions of the Constitution;
 - (b) The provisions of the Municipal Property Rates Act (MPRA); and
 - (c) The rates policy it must adopt in terms of section 3.
- 1.3 Section 3 of the MPRA determines that the council of a municipality must adopt a policy consistent with the MPRA on the levying of rates on rateable property in the municipality.
- 1.4 Section 4(1)(c)(ii) of the Local Government: Municipal Systems Act, No 32 of 2000, determines that the council of a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 1.5 Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, No 56 of 2003, the Municipal Manager must ensure that the municipality has and implements a rates policy.
- 1.6 This policy must be read together with, and is subject to the stipulations of the MPRA and any regulations promulgated in terms thereof.

2 DEFINITIONS

- 2.1 **“Accommodation”** means accommodation in an accommodation establishment: a room, dwelling-house or second dwelling unit, self-catering room, self-catering apartment or freestanding building let to transient guests;

- 2.2 **“Accommodation establishments”** means the provision of overnight accommodation for paying guests on a short-term basis (where the same guests stay for periods typically less than 30 days) and includes examples such as self-catering dwelling units, bed and breakfast facilities, guest house, guest lodge, backpackers’ accommodation, camping and includes ancillary facilities to serve such guests only, but excludes a hotel.
- 2.3 **“Act”** means the Local Government: Municipal Property Rates Act, No 6 of 2004 (amended 01 July 2015).
- 2.4 **“Agent”**, in relation to the owner of a property, means a person appointed by the owner of the property:
- (a) To receive rental or other payments in respect of the property on behalf of the owner; or
 - (b) To make payments in respect of the property on behalf of the owner.
- 2.5 **“Agricultural purpose”** means a farm or small holding property that is used for the cultivation of soils for purposes of planting and gathering crops; forestry in the context of the planting, growing and sawing-off of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish; and:
- (a) In relation to the use of property, excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;
 - (b) In relation to an agricultural unit used for irrigation purposes, includes all irrigation stands being operated by the same farmer as a single agricultural unit in the sole discretion of the Municipality; and
 - (c) In relation to an agricultural unit used for stock-farming purposes, includes all stock-farms being operated by a farmer as a single agricultural unit in the sole discretion of the Municipality.
- 2.6 **“Agricultural property”** means property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

- 2.7 **“Annually”** means once every financial year.
- 2.8 **“Business and commercial property”** means:
- (a) Property 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; or
 - (b) Property on which the administration of the business of private or public entities take place.
- 2.9 **“Category”**
- (a) In relation to property, means a category of properties determined in terms of paragraph 6 of this policy; and
 - (b) In relation to owners of properties, means a category of owners determined in terms of paragraph 7 of this policy.
- 2.10 **“Child-headed household”** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.
- 2.11 **“Definitions, words and expressions”** as used in the Act are applicable to this policy document wherever it is used.
- 2.12 **“Household”** means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.
- 2.13 **“Household income”** means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.
- 2.14 **“Industrial property”** means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and

labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity.

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

- (a) Acquired the property through -
 - (i) The Provision of Land and Assistance Act, No 126 of 1993; or
 - (ii) The Restitution of Land Rights Act, Act No 22 of 1994;
- (b) Holds the property subject to the Communal Property Associations Act, No 28 of 1996; and
- (c) Holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect.

2.16 **“Land tenure right”** means a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act No 112 of 1991).

2.17 **“Mining property”**, means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

2.18 **“Multiple purposes”** in relation to a property means the use of a property for more than one purpose, subject to section 9.

- (a) The different uses will be grouped into two or more components. The first will be the primary component; the other components (sub-components) will be identified by their generalised functional name.
- (b) The category of the primary component of such a property will be directed in the first instance by the permitted use of the property, but at the sole discretion of the Municipality.

2.19 **“Municipality”** means the Local Municipality of Drakenstein.

2.20 **“Newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Act took effect, excluding:

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

2.21 **“Officer bearer”** in relation to places of public worship, means the primary person who officiates at the services at that place of worship.

2.22 **“Official residence”** in relation to places of public worship, means –

- (a) A portion of the property used for residential purposes; or
- (b) one residential property, if the residential property is not located on the same property as the place of public worship,

registered in the name of the religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

2.23 **“Owner”:**

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

- (d) In relation to a share in a share block company, the share block company as defined in the Share Block Control Act, 1980 (Act No. 59 of 1980);
- (e) In relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;
- (f) In relation to a land tenure right referred to in paragraph (c) of the definition of “*property*”, means a person/s in whose name the right is registered or to whom it was granted in terms of legislation; or
- (g) In relation to public service infrastructure referred to in paragraph (d) of the definition of “*property*”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”:

Provided that a person mentioned below may for the purposes of this Policy be regarded by the Municipality as the owner of a property in the following cases:

- (i) A trustee, in the case of a property in a trust excluding state trust land;
- (ii) An executor or administrator, in the case of a property in a deceased estate;
- (iii) A trustee or liquidator, in the case of a property in an insolvent estate;
- (iv) A judicial manager, in the case of a property in the estate of a person under curatorship;
- (v) 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;
- (vi) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it;
- (vii) 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; or

(viii) A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right.

2.24 **“Place of public worship”** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –

- (a) Registered in the name of the religious community;
- (b) Registered in the name of a trust established for the sole benefit of a religious community or:
- (c) Subject to a land tenure right.

2.25 **“Private cemeteries and Memorial wall”** means land which is used as a cemetery (any land containing one or more grave / memorial wall) but not owned by Drakenstein Municipality.

2.26 **“Private Open Space”**, means any land in private ownership used primarily as a private site for play, rest or recreation without financial gain.

2.27 **“Property”** means:

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

2.28 **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) Railway lines forming part of a national railway system;
- (f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) Runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes;
- (h) Breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) Any other publicly controlled infrastructure as may be prescribed; or
- (j) Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (a) to (i) above.

2.29 **“Public service purposes”** in relation to the use of a property, means property owned and used by the state as -

- (a) Hospitals or clinics;
- (b) Schools, pre-schools, early childhood development centres or further education and training colleges;

- (c) National and provincial libraries and archives;
- (d) Police stations;
- (e) Correctional facilities; or
- (f) Courts of law,

but excludes property contemplated in the definition of “public service infrastructure”.

2.30 **“Ratio”** in relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties:

2.31 **“Residential property”** means a property included in a valuation roll in terms of section 48(2)(b) of the Act in respect of which the primary use or permitted use is for residential purposes without derogating from section 9. For more clarity residential property in this policy will refer to improved property (structural improvements) that:

- (a) Is used predominantly for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;
- (b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes;
- (c) Is owned by a share-block company and used solely for residential purposes;
- (d) Is a residence used for residential purposes situated on property used for or that is related to educational purposes;
- (e) Is property which is included as residential in a valuation roll in terms of section 48(2)(b) of the Act;
- (f) Is retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

- (g) All residential properties with more than one use, irrespective of its zoning, will be multi purposed by the valuer to enable Council to levy the correct property rates levy on the intended use.

2.32 **“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.33 **“Sport property”** means property (grass or other surfaces sport fields as well as clubhouses) predominantly used for amateur sporting activities.

2.34 **“State trust land”** means land owned by the state:

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

2.35 **“Wind Farms”** means an area of land with a group of energy-producing windmills or wind turbines.

3 OBJECTIVES OF THE POLICY

3.1 The objectives of this policy are: –

- (a) To comply with the provisions of section 3 of the Act;
- (b) To determine criteria to be applied for:
 - (i) Levying different property rates for different property or categories or sub-categories as determined in terms of section 8 of the Act;
 - (ii) Exemptions;
 - (iii) Reductions;

- (iv) Rebates; and
- (v) Rate increases or decreases;
- (c) To determine or provide criteria for the determination of:
 - (i) Categories of properties or sub-categories for the purpose of levying different property rates; and
 - (ii) Categories of owners of properties or categories of properties or sub-categories for the purpose of granting exemptions, rebates and reductions;
- (d) To determine how the Municipality's powers should be exercised in terms of multiple-used properties;
- (e) To identify and quantify the following for the Municipality in terms of cost and the benefit to the community:
 - (i) Exemptions, rebates and reductions;
 - (ii) Exclusions; and
 - (iii) Rates on properties that must be phased in;
- (f) To take into account the effect of property rates on the poor;
- (g) To take into account the effect of property rates on organisations that perform activities for public benefit activities;
- (h) To take into account the effect of property rates on public services infrastructure;
- (i) To determine measures to promote local economic and social development;
- (j) To identify all rateable revenue not being rated; and
- (k) In respect of agricultural property, give effect to the regulations promulgated in terms of section 83 and 19(1)(b) of the Act.

4 POLICY PRINCIPLES

- 4.1 Property rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the Municipality's valuation roll and supplementary valuation roll.
- 4.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in paragraph 6 and 7 of this policy. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments of property rates to any category of owners or properties, or to owners of properties on an individual basis.
- 4.3 There shall be no phasing in of property rates based on the new valuation roll, except as prescribed by legislation and in accordance with paragraph 15 of this policy.
- 4.4 In accordance with section 3(3) of the Act, the property rates policy for the Municipality is based on the following principles:

(a) Equity

The Municipality will treat all ratepayers with similar properties the same.

(b) Affordability

The ability of a person to pay rates will be taken into account by the Municipality. In dealing with the poor / indigent ratepayers the Municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that:

- (i) It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the Municipality;
- (ii) Supports local, social and economic development; and
- (iii) Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Property rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account any profits generated on trading services (water and electricity) as well as economic services (refuse removal and sanitation) and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the Municipality from time to time.

5 CLASSIFICATION OF SERVICES

5.1 The City Manager or his / her delegated official must, subject to the guidelines provided by National Treasury and the Municipal Council of the Municipality, through the Municipality's Tariff Policy make provision for the following classification of services:

(a) Trading services

(i) Water.

(ii) Electricity.

(b) Economic services

(i) Refuse removal.

(ii) Sanitation.

(c) Community and subsidised services

These include all those services ordinarily being rendered by the Municipality excluding those mentioned in subparagraph 5.1(a) and (b) above.

5.2 Trading and economic services as referred to in paragraph 5.1(a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in paragraph 5.1(c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

6 CATEGORIES OF PROPERTIES.

6.1 Subject to section 19 of the Act, Drakenstein Municipality may, in terms of the criteria set out in its property rates policy, levy different property rates for different categories of rateable properties, which may include categories determined according to:

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

6.2 Categories of rateable property that may be determined in terms of paragraph 6.1 above include the following:

- (a) Residential property;
- (b) Property that is vacant (empty stands) with zoning or proposed use earmarked for residential property;
- (c) Property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;
- (d) Industrial property;
- (e) Business and commercial property;
- (f) Agricultural purposes;
 - (i) Agricultural properties which provides potable water, accommodation, electrification, land burial rights and or education and recreational facilities to own and surrounding farm workers.
- (g) Mining properties;
- (h) Properties owned by an organ of state and used for public service purposes;
- (i) Municipal property;

- (j) Public service infrastructure as referred to in the Act;
- (k) Properties owned by public benefit organisations and used for specified public benefit activities;
- (l) Property:
 - (i) Acquired through the Provision of Land and Assistance Act, No 126 of 1993, or the Restitution of Land Rights Act, No 22 of 1994; or
 - (ii) Which is subject to the Communal Property Associations Act, No 28 of 1996;
- (m) Protected areas;
- (n) Amateur sport property.
- (o) Professional sport property;
- (p) Property used for multiple purpose, subject to section 9 of the Act;
- (q) Private open space;
- (r) Any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette.
- (s) Sectional Title Garages

6.3 In addition to the above categories of rateable property determines in terms of section 8(2) of the Act, a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of section 8(2) of the Act.

- 6.4 Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in section 8(2) of the Act, a municipality may apply to the Minister in writing for authorisation to create one or more of such sub categories.
- 6.5 In determining the category or sub-category of a property referred to in paragraph 6.2 above the Municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.
- 6.6 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in paragraph 8 of this policy.

7 MULTI PURPOSE USE OF PROPERTIES

- 7.1 Properties used for multiple purposes which for example do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple-use properties, as per section 9(1)(c) of the Act, for which an apportionment of value for each distinct use of the property, irrespective of its zoning rights, will be calculated by the municipal valuer and used for billing at the appropriate and applicable rate.
- 7.2 All properties in Drakenstein Municipality with more than one use, irrespective of its zoning rights, will be multiple purposed by the municipal valuer.

8 DIFFERENTIAL RATING

- 8.1 Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to:
- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes; and
 - (b) The promotion of local, social and economic development within the Municipality.
- 8.2 Differential rating among the various property categories will be done by way of:
- (a) Setting a different cent amount in the rand for each property category or sub-category; and

- (b) By way of reductions and rebates as provided for in this policy document.

9 EXEMPTIONS AND IMPERMISSIBLE RATES

9.1 The following categories of property are exempted from rates:

(a) Municipal properties

Municipal properties are exempted from paying property rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of the determined property rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying property rates. For the 2023/2024 financial year the maximum reduction is determined as R 220,000. The impermissible rates of R 15,000 contemplated in terms of section 17(1)(h) of the Act is included in the amount referred to above as annually determined by the municipality.

(c) Private Open Spaces

All private open spaces are exempted from the levying of rates.

(d) Public benefit organisations (PBO's)

(i) Taking into account the effects of property rates on PBO's performing a specific public benefit activity and if registered in terms of Part 1 of the Ninth Schedule to the Income Tax Act, No 58 of 1962, for tax reduction because of those activities, PBO's may apply for the exemption of paying property rates. PBO's may include, *inter alia*:-

(a) Welfare and humanitarian (charitable) organisations;

(b) Cultural organisations (museums, libraries, art galleries and botanical gardens);

- (c) Sporting organisations (non-professional);
 - (d) Conservation, environmental and animal welfare organisations;
 - (e) Health care organisations; and
 - (f) Education and development.
- (ii) All possible benefiting organisations in paragraph 9.1 must apply initially for exemptions. All applications must be addressed in writing to the Municipality by 31 August for the financial year in respect of which the rate is levied for the first time. If the exemption applied for is granted the exemption will apply from the effective date of the municipal valuation roll where the properties is included.
- (iii) Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.
- (iv) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- (v) The extent of the exemptions implemented in terms of paragraph ~~10.1 to~~ 9.1 must annually be determined by the municipality and included in the annual budget.
- (vi) Exemptions in paragraph 9.1(a), 9.1(b) and 9.1(c) will automatically apply and no application is thus required. Exemptions in terms of paragraph 9.1(d) require an initial application where after it will be applied automatically.
- (e) Private Cemeteries and Memorial Walls
- (f) Public Service Infrastructure
- Public service infrastructure is exempted from paying property rates as allowed for in the Act as they provide essential services to the community.
- (g) Section 15 (2A) properties (b) properties

Properties that has been declared to be subject to the provisions of National Heritage Resources Act, No 25 of 1999 and or an institution that has been declared as to be subject to the Cultural Institutions Act, No 119 of 1998 are exempted from paying property rates .

10 REDUCTIONS

10.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad hoc* basis in the event of the following:

- (a) Partial or total destruction of a property; and
- (b) Disasters as defined in the Disaster Management Act, No 57 of 2002.

10.2 The following conditions shall be applicable in respect of paragraph 10.1:

- (a) The owner referred to in clause 10.1(a) shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the Municipality that the property has been totally or partially destroyed. He / she will also have to indicate to what extent the property can still be used and the impact on the value of the property. The reduction in property rates will only be considered after the municipality has been supplied with a demolition certificate, demolition invoice or proof of destruction e.g. fire brigade report, photos etc.
- (b) A maximum reduction that may be determined on an annual basis shall be allowed in respect of clauses 10.1(a). From the 2019/2020 financial year the maximum reduction is determined as 80% for properties referred to in clause 10.1 (a) and remains the same until re-determined by Council.
- (c) Property owners will only qualify for a reduction if affected by a disaster as referred to in the Disaster Management Act, No 57 of 2002. The reduction will be determined by Council on an ad-hoc basis based on the nature and financial impact of the disaster.
- (d) An *ad-hoc* reduction as stipulated in paragraph 10.1 a and b will not be given for a period in excess of 3 months, unless the Municipality gives further extension on application.

11 REBATES

11.1 Categories of property

11.1.1 Business, commercial and industrial properties

- (a) The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:
 - (i) Job creation in the municipal area;
 - (ii) Social upliftment of the local community; and
 - (iii) Creation of infrastructure for the benefit of the community;
- (b) A maximum rebate as annually determined by the Municipality will be granted on approval, subject to:
 - (i) A business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - (ii) A continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
 - (iii) An assessment by the Municipal Manager or his / her nominee indicating that the company qualifies; and
- (c) All applications must be addressed in writing to the municipality for the financial year in respect of which the property rates is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of the application.
- (d) The maximum rebate determined for qualifying businesses will be determined in terms of the approved Investment Incentive Policy for the 2019/2020 financial year and onwards.

11.1.2 Business properties situated outside the urban core

- (a) The Municipality grants a rebate, to be determined on an annual basis, which applies to business properties situated outside the urban core, which cannot connect to the water and or sewer reticulation network system.
- (b) An additional rebate (based on the total property rates value) of a maximum of 40% will be granted by the municipality.

11.1.3 Agricultural property rebate

- (a) When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the Municipality must take into account:
 - (i) The extent of rates related services rendered by the Municipality in respect of such properties;
 - (ii) The contribution of agriculture to the local economy;
 - (iii) The extent to which agriculture assists in meeting the service delivery and developmental objectives of the Municipality; and
 - (iv) The contribution of agriculture to the social and economic welfare of farm workers.
- (b) In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non-residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% “rebate” on the tariff for residential properties). Since the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.
- (c) An additional rebate (based on the total property value) of a maximum of 10% will be granted by the municipality in respect of the following:
 - (i) 2.5% for the provision of accommodation in a permanent structure to farm

workers and their dependents or families;

- (ii) 2.5% if these residential properties are provided with potable water;
- (iii) 2.5% if the residential properties of the farm workers are electrified; and
- (iv) 2.5% for the provision of land for burial of own farm workers or for educational and / or recreational purposes to own farm workers as well as for workers from surrounding farms.

(d) The granting of additional rebates is subject to the following:

- (i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality and contribution to the social and economic welfare of farm workers were met. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement.
 - (ii) Council reserves the right to send officials or its agents to premises/ households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.
 - (iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- (e) No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in paragraph 9.1(b) of this policy.

11.1.4 Properties where the municipality is unable to provide municipal services

- (a) The Municipality grants an additional rebate, to be determined on an annual basis, which applies to residential properties on small holdings and in rural areas serviced by the owner.
- (b) An additional rebate (based on the total property rates value) of a maximum of 22.5% will be granted by the municipality in respect of the following:

- (i) 7.5% if the owner renders a full water service;
 - (ii) 7.5% if the owner renders a full refuse removal service; and
 - (iii) 7.5% if the owner renders a full sanitation service.
- (c) An additional rebate for disabled persons (based on the total property value) of a maximum of 7.5% will be granted by the municipality in respect of the following:
- (i) 2.5% if the owner renders a full water service;
 - (ii) 2.5% if the owner renders a full refuse removal service: and
 - (iii) 2.5% if the owner renders a full sanitation service.
- (d) The granting of additional rebates is subject to the following:
- (i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality were met. This application will be required as a once off requirement. Any new applications for the 2023/2024 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted, the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement. These rebates are over and above the R220,000 exemption on residential properties referred to in paragraph 9.1(b) of this policy.
 - (ii) Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.
 - (iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

11.2 Categories of owners

11.2.1 Indigent owners

- (a) Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the Municipality, regardless of the value of the property, will receive a rebate of up to a property value of R700,000 from payment of property rates.

11.2.2 Child headed families

- (a) Families headed by children shall receive a 100% rebate from paying property rates, according to monthly household income, subject to the provisions listed below. To qualify for this rebate the head of the family must:
 - (i) Occupy the property as his / her normal residence;
 - (ii) Not be older than 18 years of age;
 - (iii) Still be a scholar or jobless; and
 - (iv) Be in receipt of a total monthly income from all social grant resources not exceeding an amount to be determined annually by the Municipality in the Indigent Policy.
- (b) The family head must apply on the prescribed application form for registration as a child headed household and must be assisted by the Municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

11.2.3 Retired persons sixty (60) years and older

- (a) Retired persons sixty years and older, qualify for special rebates according to their pensioner and age status. To qualify for the rebate a property owner must:
 - (i) Occupy the property as his / her normal residence;
 - (ii) Be at least 60 years of age as the breadwinner;
 - (iii) Be in receipt of a monthly pension as the only source of income except

that interest on investments will be allowed and must be declared and may not exceed 25% of the pension income; and

- (b) Property owners must apply on the prescribed application form for a rebate as determined by the Municipality. Applications must be accompanied by:
 - (i) A certified copy of the identity document or any other proof of the owner's age which is acceptable to the Municipality;
 - (ii) Sufficient proof of income of the owner and his / her spouse; and
 - (iii) An affidavit from the owner.
- (c) All applications must be addressed in writing to the Municipality for the financial year in respect of which the rate is levied. Any new applications for the 2023/2024 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement. These rebates are over and above the R220,000 exemption on residential properties referred to in paragraph 9.1(b) of this policy.
- (d) An additional rebate (based on the total property value) of a maximum of 10 % will be granted by the Municipality for the 2023/2024 financial year.
- (e) The Municipality retains the right to refuse the rebates if the details supplied in the application form were incomplete, incorrect or false.

11.2.4 Amateur sporting organisations

- (a) The Municipality shall grant a rebate of 75% on the property rates levied for sport fields with grass or any other surfaces owned by amateur sporting organisations. This will also be applicable on sport fields located in gated villages.
- (b) The Municipality shall grant a rebate of 25% on the property rates levied for the clubhouse, restaurant and other facilities associated with the sporting activities. This will also be applicable to similar facilities associated with sporting activities in gated villages.

11.2.5 Professional sporting organisations

- (a) The Municipality may, on application by a professional sporting organisation, grant a rebate on the property rates levied on property owned by professional sporting organisations.
- (b) Such an application must be accompanied with the latest audited set of financial statements and the audit report issued in terms of the South African Accounting Standards.
- (c) For the 2023/2024 financial year a maximum rebate of 10% on property rates levied is determined, subject to Council's approval of the application submitted by the professional sporting organisation.

11.2.6 The extent of the rebates granted in terms of paragraphs 11.2.1 to 11.2.5 must annually be determined by the Municipality and included in the annual budget.

12 IMPERMISSIBLE RATES

12.1 In terms of section 17(1) of the Act the Municipality may, *inter alia*, not levy a rate:

- (a) On any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of 'public service infrastructure'.
- (b) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, No 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes;
- (c) On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resource Development Act, 2002 (Act No. 28 of 2002), excluding any building, other immovable structures and infrastructure above the surface of the mining property required for the purposes of mining;
- (d) On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds or upon alienation of the property by the land reform beneficiary or his or heirs, dependants or spouse; and

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

13 PAYMENT OF RATES

13.1 The property rates levied on properties shall be payable:

- (a) On a monthly basis; or
- (b) Annually, before 15 October each year.

13.2 Ratepayers may choose paying rates annually in one instalment on or before 15 October each year. If the owner of property that is subject to property rates, notify the Municipal Manager or his / her nominee in writing by not later than 30 June in any financial year, or such later date in such financial year as may be determined by the Municipality that he / she wishes to pay all rates annually, such owner shall be entitled to pay all properties rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him / her in a similar manner.

13.3 The Municipality shall determine the due dates for payments in monthly instalments and the single annual payment and this date shall appear on the accounts forwarded to the owner or duly authorised.

13.4 Interest on arrear property rates, whether payable on or before 15 October or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control and debt collection policy of the Municipality.

13.5 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him / her in accordance with the provisions of the credit control and debt collection by-law of the Municipality.

13.6 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

- 13.7 Where the property rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which property rates were first levied in terms of the current valuation roll.
- 13.8 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted property rates payable shall be levied at the maximum rate permitted by prevailing legislation.

14 ACCOUNTS TO BE FURNISHED

- 14.1 The Municipality will furnish each person liable for the payment of property rates with a written account, which will specify:
- (a) The amount due for property rates payable;
 - (b) The date on or before which the amount is payable;
 - (c) How the amount was calculated;
 - (d) The market value of the property, and
 - (e) Rebates, exemptions, reductions or phasing-in, if applicable.
- 14.2 A person liable for the payment of property rates must furnish the municipality with an address where correspondence can be directed to.
- 14.3 A person liable for payment of property 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, he / she must make the necessary enquiries with the Municipality.
- 14.4 In the case of joint ownership the Municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

14.5 When an owner's rates account is in arrears for longer than 90 (ninety) days, then the Municipality may initiate the proceedings as described in Sections 28 or 29 of the MPRA. A notice to this effect will be forwarded to the tenant, occupier or agent providing the required legal information regarding their payments to the owner, which are to be redirected to the municipality so as to cover the arrear rates account. A notice will be forwarded to the owner in question to indicate the legal proceedings and the actions that the municipality has initiated.

15 RATES CLEARANCE CERTIFICATES

15.1 The municipality shall issue a rates clearance certificate in terms of Section 118(1) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000), after payment of the subscribed administration fee, and once the current account of the rates and services is paid plus 2 months (60 days) in advance in order to facilitate the transfer of immovable property.

15.2 Rates clearance certificates has a validity of 60 days from the date it has been issued, in terms of Section 118(1) (b) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000).

15.3 All debt is deemed to be collectable by the municipality in terms of Section 118(3) of the Systems Act. The municipality retains the right to collect debt from a previous owner despite the issuance of a clearance certificate or registration of the transfer of the property in the name of a new owner. After registration of the transfer the outstanding debt of the previous owner may not be collected from the new owner.

15.4 No interest shall be paid by the municipality to the registered seller in respect of these payments which are deemed to be due.

15.5 According to Section 102 of the Systems Act (Act 32 of 2000), a Municipality may:

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

15.6 All credit amounts will firstly be allocated as per above.

15.7 The amounts collected for rates clearance are calculated monthly, therefore it is the responsibility of the transferring attorneys to do the prorata into days, to align the amounts with registration date.

16 CREDIT REFUNDS

16.1 All payments will be allocated to the registered seller's municipal account.

16.2 All refunds will be made according to the conveyancer's instruction.

16.3 Refunds will only be issued on written request or an application for refund by the conveyancer.

16.4 For cost benefit purposes only refunds above an amount of R50.00 will be refunded as per the above criteria.

17 PHASING IN OF RATES

17.1 The property rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

17.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:-

- (a) First year : 75% of the relevant rate;
- (b) Second year : 50% of the relevant rate; and
- (c) Third year : 25% of the relevant rate.

17.3 No property rates on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, shall be payable during the first year. The phasing-in discount on these properties shall be as indicated below:

- (a) First year : 100% of the relevant rate;
- (b) Second year : 75% of the relevant rate;
- (c) Third year : 50% of the relevant rate; and
- (d) Fourth year : 25% of the relevant rate.

18 SPECIAL RATING AREAS

18.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

18.2 The following matters shall be attended to in consultation with the committee referred to in paragraph 19.3 whenever special rating is being considered:

- (a) Proposed boundaries of the special rating area;
- (b) Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;
- (c) Proposed improvements clearly indicating the estimated costs of each individual improvement;
- (d) Proposed financing of the improvements or projects;
- (e) Priority of projects if more than one;
- (f) Social economic factors of the relevant community;
- (g) Different categories or sub-categories of property;
- (h) The amount of the proposed special rating;
- (i) Details regarding the implementation of the special rating; and
- (j) The additional income that will be generated by means of this special rating.

18.3 A committee consisting of the community residing within the area affected will be established to advise and consult the Municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.

- 18.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Chief Financial Officer. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.
- 18.5 In determining the special additional rates the Municipality shall differentiate between different categories as referred to in paragraph 6 of this policy.
- 18.6 The additional property rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.
- 18.7 The Municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

19 FREQUENCY OF VALUATION

- 19.1 The Municipality shall prepare a new valuation roll at least every 4 (four) years.
- 19.2 In accordance with the Act the Municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.
- 19.3 Supplementary valuations may be done on a continual basis but at least published once an annual basis in terms section 78 of the Municipal Property Rates Act 6 of 20014 as amended by Act 29 of 2014.
- 19.4 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the new owner will be held responsible from the date of registration.

20 OBJECTION AND APPEALS

- 20.1 Any person may lodge an objection to a valuation subject to Section 50 of the MPRA but within the period stated in the notice referred to in Section 49(1)(a) of the MPRA.
- 20.2 An appeal to an appeal board against a decision of a municipal valuer in terms of section 51 of the MPRA may be lodged in the prescribed manner subject to Section 54 of the

MPRA. The appeal must be lodged (as a guideline), within a period of 30 days nonetheless, as set out in Section 54(2) of the MPRA.

20.3 The administrative actions or processes as described in the MPRA for the handling of objections or appeals will be the basis that the Municipality will follow.21.3.1 The lodging of an objection or appeal:

- (a) In terms of Section 50 of the MPRA does not defer liability for the payment of rates in terms of this Policy; or
- (b) In terms of Section 54 of the MPRA does not defer liability for the payment of rates in terms of this Policy.

21 COMMUNITY PARTICIPATION

21.1 Before the Municipality adopts the property rates policy, the City Manager will follow the process of community participation as envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

- (a) Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will, if needed, provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities;
- (b) Conspicuously display the draft property rates policy for a period of at least 30 days at the Municipality's head and satellite offices, libraries and on the website;
- (c) Advertise in the media a notice stating that the draft property rates policy has been prepared for submission to Council and that such policy is available at the various municipal offices and on the website for public inspection;
- (d) Property owners and interest persons may obtain a copy of the draft property rates policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the Municipality within the specified period in the notice;
- (e) Council will consider all comments and / or representations received when considering the finalisation of the property rates policy; and

- (f) The municipality will communicate the outcomes of the consultation process in accordance with section 17(2)(e) of the Municipal Systems Act, No 32 of 2000.

22 REGISTER OF PROPERTIES

- 22.1 The Municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the Municipality. The register will be divided into Part A and Part B.
- 22.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.
- 22.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:
 - (a) Exemption from rates in terms of section 15 of the Act;
 - (b) Rebate or reduction in terms of section 15 of the Act;
 - (c) Phasing-in of rates in terms of section 21 of the Act; and
 - (d) Exclusions as referred to in section 17 of the Act.
- 22.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the Municipality.
- 22.5 The Municipality will update Part A of the register during the supplementary valuation process.
- 22.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

23 BY-LAWS TO GIVE EFFECT TO THE PROPERTY RATES POLICY

- 23.1 The municipality will adopt a Property Rates By-law to give effect to the implementation of the Property Rates Policy and such By-law may differentiate between different

categories of properties and different categories of owners of properties liable for the payment of property rates.

24 REGULAR REVIEW PROCESSES

24.1 The property rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and current legislation.

25 SHORT TITLE

25.1 This policy is the Property Rates Policy of the Drakenstein Municipality.



Writing-off of Irrecoverable Debt Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---------------------------|------|---|
| Chief Financial Officer | | |
| Council | | |

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1. INTRODUCTION

- 1.1 To ensure that **Drakenstein** consumers with no or little income are not denied reasonable basic services and that the municipality is not financially burdened with non-payment of these basic services, the Council of Drakenstein Municipality approved policies on property rates, tariffs, customer care, credit control, debt collection and indigent support to be implemented.
- 1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.
- 1.3 The **City** Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –
- 1.3.1 The insolvency of a debtor whose estate has insufficient funds;
- 1.3.2 A balance being too small to recover, for economic reasons, considering the cost of recovery; and
- 1.3.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.
- 1.4 The municipality will have to maintain audit trails in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

- 3.1 The Council has the overall responsibility and accountability for adopting and approving the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

4.1 The following are the guiding principles for the implementing of the Writing-Off of Irrecoverable Debt Policy –

4.1.1 The policy will comply with the Local Government: Municipal Finance Management Act (No 56 of 2003), the Local Government: Municipal System Act (No 32 of 2000) and other related legislation.

4.1.2 Before any debt is written-off it must be proved that the debt has become irrecoverable. To ensure that recommendations for the writing-off of debt are consistent and accurate; irrecoverable debt will be defined as :

- (a) Where the tracing of the debtors is unsuccessful;
- (b) All reasonable steps, in terms of the Customer care, Credit Control and Debt Collection Policy, were taken by the administration to recover the debt; and
- (c) Any debt defined by a committee of Council at their discretion as irrecoverable.
- (d) Where debt has prescribed in terms of the Prescription Act, No.68 of 1969.

4.1.3 Bad debt to be written-off must be considered in terms of cost benefit.

4.1.4 Therefore, when it becomes too costly to recover and the chances of collecting the debt are very slim, a write-off should be considered.

4.1.5 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

4.1.6 Differentiation must be made between those household consumers who cannot afford to pay for basic services (indigent households) and those who just do not want to pay for basic services.

4.1.7 Debt can only be written-off if the required provision for bad debts exists in the municipality's budget and/or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR INCENTIVES AND WRITING-OFF OF IRRECOVERABLE DEBT

5.1 Indigent household consumers

5.1.1 Upon approval for registration as an indigent household consumer, 50% of the debtor's outstanding balance as at the date of approval will be written-off.

5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written-off and must be dealt with strictly in accordance with the municipality's Customer care, Credit control and debt Collection Policy. Therefore, these arrears can only accumulate for –

- (a) The kWh units of electricity consumed or to be consumed above the 85 (Category A and B) or 50 (Category C and D) units of free electricity per month and the applicable basic charges for an indigent household who has an installed conventional or pre-paid electricity meter;
- (b) The kiloliters of water consumed or to be consumed above the 10 kiloliters of free water per month by an indigent household who has an installed conventional and pre-paid water meter; and
- (c) Excess rates payable on the rated value of a residential property that are not exempted from paying property rates and that does not qualify for a 100% indigent subsidy in terms of Council's property rates policy.
- (d) The sanitation and refuse charges not subsidized in terms of the indigent policy.

5.2 Small balances

5.2.1 Where final accounts have been submitted and paid by the respective consumer, and the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of one thousand rand (R 1,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that:

- (a) When the balance amounts to R 300 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer for payment;
- (b) When the balance amounts to R 600 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder for payment;
- (c) When the balance amounts to R 1,000 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days, such amounts will automatically be written-off subject to the

provisions of paragraph 6.4 below.

5.3 Insolvent, and financially distressed debtors and insolvent deceased estates

5.3.1 Where a debtor becomes insolvent the municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5, 6.4 and 6.5 below.

5.3.2 In case of the death of a debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5, 6.4 and 6.5 below.

5.3.3 Where a company has initiated a compromise or a renegotiation process in terms of section 155 of the Companies Act, No. 71 of 2008, any shortfall resulting from this process may be written- off in terms of paragraph 6.4 of the Policy.

5.4 Untraceable debtors

5.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account must be handed over to a collection agent for recovery of the debt (paragraph 5.2 cases excluded). The collection agent will be paid an all- inclusive fee of not more than 10% of the amount that was collected. The terms of reference for such a collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the municipality on the actions that were taken to attempt to trace the debtor.

5.4.2 Any amount owed by a debtor that has become untraceable may be sold to a debt collection agent at a discount, before it is written-off.

5.4.3 Debt written-off in terms of paragraph 5.4.2 above will automatically result in the debtor being reported to a credit bureau by the municipality.

5.5 Clearance certificates

5.5.1 In terms of section 118 of the Local Government: Municipal Systems Act, Drakenstein Municipality may not issue a clearance certificate on any property unless all outstanding amounts that became due during the two years preceding the date of application are paid to date. Outstanding debt accumulated prior to the section 118 period will be treated in terms of the Customer care, Credit Control and

Debt Collection Policy where after all avenues in terms of the policy have been exhausted, this debt may be written-off in terms of paragraph 6.1, 6.2 and 6.3 of this policy.

5.6 Special incentives for household consumers

5.6.1 Notwithstanding the municipality's Customer care, credit control and debt collection policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

- (a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments as determined per arrangement;
- (b) The current monthly amount must be paid in full; and
- (c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.6.2 In order to determine monthly instalments; a declaration of the households monthly / or yearly income must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (amount to be capped not to exceed 20% of gross income), taking into account that the payment of the monthly current account is a prerequisite for concluding a suitable arrangement.

5.6.3 Due the current economic circumstances; the majority of household consumers have accumulated significant arrear amounts and these consumers are not in a position to pay off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the municipality has resolved to implement special incentives to address the arrear debt as from the effective date of the implementation of this policy.

5.6.4 To encourage household consumers to pay off arrear debt, Council will enter into a once-off arrangement with a household consumer to pay off his/her arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address affordable arrear payments on a consistent basis.

5.6.5 Writing-off any irrecoverable debt in terms of such an agreement will be strictly in accordance with a maximum repayment period of 36 months and the capped limitation of 20% of gross income referred to in paragraph 5.6.2 above.

- 5.6.6 Two suspended accounts may be created; one for the arrear debt to be paid of through arrangements and another one for the irrecoverable debt portion to be written-off. Levying of interest on suspended accounts will immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the suspended account balances.
- 5.6.7 As long as the agreement is honoured no further interest will be added to the suspended account/s. However, in the case of continuous default for a period of six months or more the suspended amount/s will be reversed to the monthly current account and interest will again be levied on the full outstanding debt from the date of reversal.
- 5.6.8 Should a household consumer have more than one account (suspended and handed over debt) and wants to make an arrangement in terms of this policy; the household consumer's debt will be consolidated and a single arrangement be made with the municipality. Handed over accounts will be withdrawn from collection agents (attorneys) and arrangements made with the municipality on the household's consumer debt will be managed by the municipality itself.
- 5.6.9 Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount/s, taking the limitations of paragraph 5.6.2 into consideration. Such arrangements (over a three year period), must be honoured for at least a year where after one third of the irrecoverable debt will be written-off. If the arrangements are honoured for year two as well, another one third of the irrecoverable debt will be written-off. The same will apply for year three where after the household consumer should be out of his spiral of municipal debt.
- 5.6.10 When a debtor who does not want to make arrangements for the repayment of his/her arrear debt as set out in paragraph 5.6.2 above wants to pay 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount on the day before the January 2018 billing run took place.
- 5.6.11 Irrecoverable amounts to be written-off in terms of paragraph 5.6 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.
- 5.7 Special incentives for churches, welfare organisations, sporting bodies, emerging farmers, etcetera

- 5.7.1 Notwithstanding the municipality's Customer care, Credit control and Debt collection Policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:
- (a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
 - (b) The current monthly amount must be paid in full; and
 - (c) The written agreement has to be signed on behalf of the municipality by a duly authorised officer.
- 5.7.2 In order to improve the current payment levels from this category of consumers the municipality has resolved to implement special incentives to address the arrear debt.
- 5.7.3 To encourage this category of consumers to pay off arrear debt, Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.
- 5.7.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 12 months.
- 5.7.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.
- 5.7.6 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of reversal.
- 5.7.7 When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear debt as set out in paragraph 5.7.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on the arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount on the day before the January 2018 billing run took place.
- 5.7.8 Where debtors fail to honour their arrangements without prior consultation, the

suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.7.9 Any amount to be written-off in terms of paragraph 5.7 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.8 Special incentives for businesses, industrial and agricultural consumers

5.8.1 Notwithstanding the municipality's customer care, credit control, debt collection and indigent support policies, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

- (a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
- (b) The current monthly amount must be paid in full; and
- (c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.8.2 In order to improve the current payment levels from this category of consumers the Municipality has resolved to implement special incentives to address the arrear debt.

5.8.3 To encourage this category of consumers to pay off arrear debt Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.8.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 6 months.

5.8.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.8.6 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of default.

5.8.7 When a debtor in this category of consumers who does not want to make

arrangements for the repayment of their arrear account as set out in paragraph 5.8.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount on the day before the January 2018 billing run took place.

5.8.8 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.8.9 Any amount to be written-off in terms of paragraph 5.8 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.9 Special incentives for government departments and schools

5.9.1 Any incentive arrangement and amount to be written-off for this category of consumers will be reviewed by a committee of Council who will make a recommendation to the Mayoral Committee for consideration.

5.9.2 The Executive Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off notwithstanding the recommendation of the committee of Council.

5.10 Irrecoverable debt not catered for in the policy

5.10.1 Should there be any irrecoverable debt cases that the administration and the committee of Council cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the committee of Council who will make a recommendation to the Executive Mayor and Mayoral Committee for consideration.

5.10.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

5.10.3 Should there be any irrecoverable debt cases that the Mayoral Committee cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the Mayoral Committee who will make a recommendation to Council for consideration.

5.10.4 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation

of the Mayoral Committee.

6. DELEGATIONS

6.1 Chief Financial Officer

6.1.1 The Chief Financial Officer will, after thorough review of any applications in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 10,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 City Manager

6.2.1 Any amount in excess of the delegation provided for in paragraph 6.1.1 above must be submitted together with a recommendation to the Municipal Manager for consideration. The City Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Committee of Council

6.3.1 Council has established a Finance Portfolio Committee in terms of section 80 of the Local Government: Municipal Structures Act (No 117 of 1998) to assist the Mayoral Committee. It is hereby determined that the Finance Portfolio Committee will be the committee of Council to monitor the implementation of this policy.

6.3.2 Any amount in excess of the delegation provided for in paragraph 6.2.1 above must be submitted together with a recommendation to the Finance Portfolio Committee for consideration. The Finance Portfolio Committee will, after thorough review of any recommendation by the Chief Financial Officer and City Manager in terms of this policy, have the delegated powers to write-off any irrecoverable debt in excess of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.4 Mayoral Committee

6.4.1 All amounts to be written-off in terms of paragraph 5.9 and 5.10.1 above must be considered individually and each case on its own merits must be separately reported to the committee of Council who will make a recommendation to the Mayoral Committee.

6.4.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

6.5 Council

6.5.1 All amounts to be written-off in terms of paragraph 5.10.3 above must be considered individually and each case on its own merits must be separately reported to the Mayoral Committee who will make a recommendation to Council.

6.5.2 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the Mayoral Committee.

7. REPORTING AND DISCLOSURE

7.1 The Chief Financial Officer will report on a monthly basis to Council on the irrecoverable debt amounts written-off. The report will include the following information:

- (a) A summary of all debt written-off in terms of paragraph 6 of this policy (included as Annexure A in the report).
- (b) The total amount of irrecoverable debt approved by the Chief Financial Officer to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure B to the report);
- (c) The total amount of irrecoverable debt approved by the City Manager to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure C to the report)
- (d) The total amount of irrecoverable debt approved by the Finance Portfolio Committee to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure D to the report); and
- (e) The total amount of irrecoverable debt written-off for indigent household consumers by the Mayoral Committee (a list of names, addresses and amounts per consumer written-off included as Annexure E to the report);
- (f) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.9 of the policy (a list of names, addresses and amounts per consumer written-off included as

Annexure E F to the report).

- (g) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.10 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure G to the report).
- (h) The total amount of irrecoverable debt approved by Council to be written-off in terms of paragraph 5.11 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure H to the report).

7.2 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 This policy shall be implemented once approved by Council. All future submissions for the writing-off of debt must be considered in accordance with this policy.

8.2 The policy will be reviewed each year as part of the budget approval process.

ANNEXURE A: APPLICATION FORM FOR A HOUSEHOLD TO CONSOLIDATE OUTSTANDING DEBT AND TO MAKE ARRANGEMENTS TO PAY OF OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY

| Particulars of breadwinner | | | |
|--|--|------------------------------|--|
| Name and surname | | | |
| ID Number | | | |
| Phone/cellular number/s | | | |
| Marital status | | | |
| Employer / source of income | | | |
| Monthly gross income | | | |
| Particular of spouse (husband or wife) | | | |
| Name and surname | | | |
| ID Number | | | |
| Phone/cellular number/s | | | |
| Marital status | | | |
| Employer / source of income | | | |
| Monthly gross income | | | |
| Particulars of property | | | |
| Stand number of property | | | |
| Street address | | | |
| Declaration under oath | | | |
| I/we the undersigned herewith declare under oath that my/our gross monthly income amounts to R _____ (breadwinner R _____ and spouse R _____) as the attached copies of my/our source/s of income (payslip, pension slip, etcetera) confirm. | | | |
| Signature: Breadwinner | | Signature: Spouse | |
| The above statement was read by me to the above declarer/s who under oath declared that his/her/their gross income is as confirmed by the attached copies to the application form. | | | |
| Place | | Date | |
| Name | | | |
| Designation | | | |
| Signature and official stamp | | | |

| ARRANGEMENTS CALCULATION FORM FOR HOUSEHOLD CONSUMERS | | | |
|--|--|-------------------|--------------|
| Calculation of 20% of gross income and affordable instalment on arrears | | | |
| Breadwinner gross monthly income (for season workers calculate a monthly average) | | | R |
| Spouse gross monthly income (for season workers calculate a monthly average) | | | R |
| Household gross monthly income (copies of ID's and income sources must be attached) | | | R |
| Affordable payments - capped at 20% of household gross income | | | R |
| Less: Average monthly current account (property rates, services charges and prepaid electricity) | | | R |
| Affordable monthly instalment on arrears – monthly current account excluded | | | R |
| Calculation of consolidated outstanding debt | | | |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Account No: | Current / Suspended / Handed over | | R |
| Grand Total = | | | R |
| Calculation of suspended account/s | | | |
| Grant total of consolidated outstanding debt | | | R |
| Less: Affordable monthly instalment on arrears x 36 months (suspended account 1) | | | R |
| Amount to be written-off in terms of Policy (suspended account 2) | | | R |
| Calculation of amounts to written-off | | | |
| Date: | 1/3rd of suspended account to be written-off after 12 months | | R |
| Date: | 1/3rd of suspended account to be written-off after 24 months | | R |
| Date: | 1/3rd of suspended account to be written-off after 36 months | | R |
| Suspended account 2 total to be written-off (if no default in paying current account and | | | R |
| Certification | | | |
| Calculations made by: | | Signature: | Date: |
| Calculations verified by: | | Signature: | Date: |
| <i>The above calculations must be recorded in an arrangement agreement and in the financial system for audit</i> | | | |

ANNEXURE B: APPLICATION FORM FOR A CUSTOMER TO PAY 50% OF THE OUTSTANDING DEBT AND THAT COUNCIL WILL WRITE-OFF THE OTHER 50% OF THE OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY

| Particulars of breadwinner | | | |
|---|--|--------------|--|
| Name and surname | | | |
| ID Number | | | |
| Phone/cellular number/s | | | |
| Particular of spouse (husband or wife) | | | |
| Name and surname | | | |
| ID Number | | | |
| Phone/cellular number/s | | | |
| Particulars of business / company / organisation | | | |
| Name | | | |
| Postal address | | | |
| Phone/cellular number/s | | | |
| Particulars of property | | | |
| Stand number of property | | | |
| Street address | | | |
| Certification | | | |
| I/we the undersigned herewith declare that the information on this application form is to the best of my knowledge the truth. | | | |
| Signature: Breadwinner | | Date: | |
| Signature: Spouse | | Date: | |
| Signature: Business / Company / Organisation Representative/s | | Date: | |

CALCULATION FORM TO PAY 50% OF OUTSTANDING DEBT AS ON THE DAY BEFORE THE JANUARY 2018 BILLING RUN SO THAT COUNCIL CAN WRITE-OFF THE OTHER 50% PORTION OF OUTSTANDING DEBT

Calculation of consolidated outstanding debt

| | | |
|-----------------------------|-----------------------------------|---|
| Account No: | Current / Suspended / Handed over | R |
| Account No: | Current / Suspended / Handed over | R |
| Account No: | Current / Suspended / Handed over | R |
| Account No: | Current / Suspended / Handed over | R |
| Grand Total = | | R |
| 50% of Grand Total = | | R |

Proof that levies as from the January 2018 billing run is paid up to date

| | |
|--|---|
| Outstanding debt as on the day before the January 2018 billing run | R |
| Plus: Levies as from the January 2018 billing run | R |
| Less: Payments made after the January- 2018 billing run | R |
| Plus / Minus: Journals corrections since the January 2018 billing run | R |
| Outstanding debt (closing balance) as on the day of this calculations being made | R |

NB:

- Please note that if the outstanding debt (closing balance) is more than the outstanding debt as on the day before the June 2016 billing run then current debt is not serviced as per this policy. Write-off of the 50% portion may only be made if all levies made as from the June 2016 billing run has been serviced.*
- Please attach to the calculation form a printout/s of the Solar system as proof of the above calculations made. If necessary please attached a spread sheet or your handwritten calculations on how you arrived at the*

Proof that the 50% of the grand total has been paid

| | | | |
|-----------------------------|-----------------|---------|---|
| Date: | Receipt Number: | Amount: | R |
| Date: | Receipt Number: | Amount: | R |
| Date: | Receipt Number: | Amount: | R |
| 50% of Grand Total = | | | R |

Calculation of amount to be written-off

| | |
|-----------------------------|---|
| 50% of Grand Total = | R |
|-----------------------------|---|

Certification

| | | |
|---------------------------|------------|-------|
| Calculations made by: | Signature: | Date: |
| Calculations verified by: | Signature: | Date: |



Grant in Aid Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|---|------|---|
| Community Services Portfolio Committee | | |
| The Mayoral Committee | | |
| Council | | |

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1. AIMS AND OBJECTIVES

1.1 This policy aims to provide a framework for Grant-in-Aid to non-governmental organisations (NGOs), community-based organisations (CBOs), non-profit organisations (NPOs) and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable, as envisaged by Sections 12 and 67 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.2 The purpose of the Grant-in-Aid Policy is to complement the goals, objectives, and actions of the Drakenstein Municipality in order to create a sustainable, credible and caring town through the empowerment of communities:

1.2.1 Grant-in-Aid is intended to support community-based and external organisations, which deliver essential services to communities that fall within the municipal area. It allows the municipality to create an enabling environment for community development; and

1.2.2 This policy is aligned to and subject to the terms and conditions contained in sections 5 and 6 (except for 6.3.) of the Donations Policy of the Drakenstein Municipality.

2. LEGAL FRAMEWORK

2.1 All transfers of funds in terms of this policy shall comply with the:

2.1.1 Constitution of the Republic of South Africa, 1996 as amended (Constitution).

2.1.2 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended (MSA).

2.1.3 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

2.1.4 Any other applicable legislation, regulations and policies that may govern the transfer of municipal funds.

3. RESTRICTIONS

3.1 The Policy applies to all transfers of grants made by the Municipality.

3.2 The total expenditure on grants may not exceed 1% of the operational budget of the Municipality.

3.3 No transfer may be made which exceeds R30 000-00 per organization, except for:

3.3.1 Allocations to organisations, which receive annual grants as per the approved annual budget of Council.

3.3.2 Allocations to organisations as approved by the Executive Mayor in excess of R30 000.

3.4 Grant-in-Aid transfers/payments shall be restricted to deserving organisations serving, especially those working with the poor/aged/youth/disabled/women, as per the eligible categories in 5.2, provided that such organisations or bodies:

3.4.1 Operate as a separate legal entity and are recognised as such by South African legislation.

3.4.2 Are governed by their constitutions, have regular meetings with their membership and subscribe to sound accounting practices.

3.4.3 Are located and serve communities and individuals who are most in need within the jurisdiction of the Municipality.

- 3.5 No Grant-in-Aid may be made to any political, church or sectarian organisation or body.
- 3.6 No grants will be allocated, under this policy, to organisations or bodies in cases where a member of Council or an official of Drakenstein Municipality receives any financial or other gain from it.
- 3.7 Individuals may not apply for Grant-in-Aid and no payments may be made to individuals under this policy. Council may however set aside a specific amount from which the City Manager, after consultation with the Executive Mayor, may, at his/her discretion, make donations to support individual, meritorious cases in order to assist and/or recognise individual excellence in whichever field. Bursaries to individuals are treated according to the Council's Bursary Policy.
- 3.8 Funds may only be transferred to an organisation or body if provision has been made for the expenditure on the budget or appropriations budget.
- 3.9 An organisation is only entitled to one allocation per financial year, but disbursements can be made more often.

4. PUBLIC ADVERTISEMENT

- 4.1 The City Manager must place a first public advert calling for proposals in the main local newspapers within three months after the approval of the annual budget.
- 4.2 Advertisements should clearly specify the categories for which proposals are called, the closing date for applications, who they should be addressed to, and where and how to obtain the relevant documentation pertaining to such applications. Only applications made on the prescribed forms will be considered. Advertisements should also clearly reflect the Municipality's right not to make an award, as well as

the fact that awards will generally not be made to organisations that have received funds in the previous year and those who have not submitted a final financial report on projects or previous expenditure.

- 4.3 Funds may not be transferred to any organisation or body that has not submitted a proposal in response to a public advertisement.

5. GENERAL GUIDELINES AND CATEGORIES

5.1 General Guidelines

- 5.1.1 Funding of applications will primarily be considered on an annual basis in response to the annual advertisement.

- 5.1.2 Funding will not be considered in the following instances:

- (a) Where a project or organisation is already receiving funds from Council in terms of Council's functions. Applicants are required to disclose other sources of funding;
- (b) Where in Council's opinion, an organisation receives sufficient funds from other sources to sustain its activities or the project, which is applied. For this purpose, organisations must submit financial statements and a budget for the ensuing financial year;
- (c) Where only an individual will benefit;
- (d) Where political or ratepayers organisations/groupings will benefit,
- (e) Projects outside the boundaries of the Municipality; and
- (f) Where expenses have already been incurred.

- 5.1.3 Funding of projects and to organisations shall exclude travel costs, subsistence, accommodation, food or entertainment expenses of any kind, staff salaries, bursaries, payments in lieu of rates or other municipal charges, which are in arrears.

- 5.1.4 Notwithstanding any provisions of this Policy, the City Manager and Executive Mayor can make recommendations on the granting of funds.

5.1.5 Subsequent requests from applicants to cover overspending on projects will not be considered.

5.2 Categories Eligible for Grant-in-Aid

The following categories currently apply. Cognisance should be taken that these categories are not exhaustive and may be amended from time to time. Other than, the general guidelines and conditions set out above, categories now indicated may require specific criteria applicable to its projects/programmes:

5.2.1 Health

Projects/programmes include the following but are not limited to:

- (a) Public Health interventions inclusive of TB, STDs and HIV/Aids;
- (b) Preventable lifestyle diseases e.g. drug/alcohol abuse, tobacco related illnesses; and
- (c) Promotion and preventative services to infants, children and women.

5.2.2 Environment

Purpose: To stimulate the development of sustainable leisure, aesthetic and environmental projects within the municipal area; to increase the awareness of the environment by promoting "Greening of the Town"; to promote swimming skills and water safety.

Projects/programmes include the following but are not limited to:

- (a) Voluntary rescue organisations;
- (b) Recreational organisations;
- (c) Environmental groups/organisations;

- (d) Organisations promoting community involvement as a means of sustaining leisure, aesthetic or environmental projects; and
- (e) Projects, which further the Council's aims and the strategies of IMEP (Integrated Municipal Environmental Policy) and including but not limited to the sustainable management of:
- Riverine corridors;
 - Biodiversity;
 - Natural and built environment;
 - Heritage resources;
 - Quality urban spaces;
 - Ecological conservation areas;
 - Urban agricultural complexes;
 - Bioregional planning;
 - Nature area management;
 - Wetlands;
 - Local Agenda 21 projects; (UN Plan for Sustainable Development); and
 - Animal Welfare organisations.

5.2.3 Solid Waste (Cleansing)

Purpose: Waste Reduction and awareness.

Projects/programmes include the following but are not limited to:

- (a) Waste reduction and awareness;
- (b) Educational programmes/projects addressing litter and waste handling; and
- (c) Waste minimisation solutions.

5.2.4 Social Development

Purpose: The promotion of projects/programmes, which stimulates the Drakenstein Municipality's Integrated Development Plan (IDP) focusing especially on the needs of the most marginalised sectors in the municipal area.

Projects/programmes include the following but are not limited to:

- (a) Poverty alleviation;
- (b) Children;
- (c) Community Development;
- (d) Youth development;
- (e) Women and gender development;
- (f) Early childhood development;
- (g) Street people programmes;
- (h) Elderly and Disabled persons; and
- (i) Arts and culture programmes.

5.2.5 Sports and Recreation

Purpose: To stimulate the development of sustainable Sport and Recreation infrastructure and programmes within the municipal area especially targeting disadvantaged communities; encourage creativity and self-reliance on the part of grassroots sport and recreation bodies or groups; to increase participation in sport and recreation programmes and activities.

Projects/programmes include the following but are not limited to:

- (a) Local sport and recreation clubs;
- (b) Schools sports teams or athletes Provincial and National;
- (c) Local sport and recreation councils or associations;
- (d) Informal sport and recreation groups; and
- (e) Civic, community and non-governmental organisations.

6. APPLICATION PROCEDURE

Applications and proposal for Grant-in-Aid must be on the prescribed form available from the municipality. Applications must be accompanied by a covering letter on the letterhead of the organisation or body, signed by the head of the organisation or body and must include the following information:

- 6.1 The applicant's legal name and a brief description of the applicant's business.
- 6.2 Non-profit organisations must provide its registration number.
- 6.3 The date of establishment, details of the applicant's members, founding documents, including constitution and certificates of incorporation.
- 6.4 A contact name, full street address, telephone number and e-mail address.
- 6.5 If funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget for and duration of the project.
- 6.6 If the request is for general support, the organisations or body's overall budget must be included.
- 6.7 A summary of achievements.
- 6.8 A declaration by the head of the applicant to the satisfaction of the City Manager, that the organisation implements effective, efficient and transparent financial management and internal control mechanisms to guard against fraud, theft and financial mismanagement and has in the past complied with requirements for similar transfers of funds.
- 6.9 Applications for Grants in Aid must be made on the application forms approved by the Chief Financial Officer (CFO) and be accompanied by all the required

documentation such as Registration Certificates, Project Proposals, Business Plans, Annual Financial Statements or Management Accounts, latest municipal account and banking particulars.

6.10 Funding of applications will primarily be considered on an annual basis in response to annual advertisements placed by the Community Development Section.

6.11 Applications are submitted to the Community Development Section to make a first screening based on the criteria as set out in this policy.

7. OBLIGATIONS OF THE APPLICANT

7.1 The head of the organisation must confirm with the City Manager that the money was received in its bank account and that the amount is/will be utilised to the benefit and in accordance with the role of the organisation in society. The funds should be used as outlined in the application form.

7.2 The organisation shall regularly report, if and when required but at least once a year, to the City Manager regarding the activities conducted, the ward within which activities are conducted, as well as the number of people benefiting from the activities.

7.3 If funding is required for a specific project, a brief description of the project and what it aims to achieve, as well as the detailed budget for and duration of the project must be submitted as part of the application.

8. RIGHTS OF THE MUNICIPALITY

8.1 The Municipality shall be entitled, from time-to-time, to verify and inspect the existence and activities of the organisation. The municipality will therefore have the right to physically visit the premises where the organisation, or the funded

project, is based; to peruse the budgets and any progress reports related to the project (in contract).

8.2 The Municipality shall manage contracts entered into with organisations by receiving reports and doing the necessary site visits and inspections to ensure that this policy and contract are being complied with.

8.3 The Municipality has the right not to give a Grant-in-Aid to any or all organisations applying for grants. Having been awarded a grant previously does not give an applicant the right to receive a grant again.

9. AGREEMENT

Before any funds are transferred to an organisation, an agreement must be concluded by the City Manager with the beneficiary to protect the interest of the Municipality.

10. ADJUDICATION COMMITTEE

10.1 The Mayoral Committee will consider applications in terms of this policy. The Mayoral Committee has the discretion to assign a sub-committee or the portfolio committee to make recommendations to it.

10.2 All approved organisations should make a formal presentation in terms of this Policy to Mayco or to an assigned sub-committee or the Portfolio Committee that will serve as a pre-qualification criteria before final adjudication of donations.

11. COMMENCEMENT

This Policy takes effect on the date on which the Council of the Drakenstein Municipality adopts it.



Cost Containment Policy

Effective from 1 July 2023

| Reviewed / Approved By | Date | Signature of Executive Director/ City Manager |
|-----------------------------------|-------------|--|
| Chief Financial Officer | | |
| Council | | |

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1. DEFINITIONS

- 1.1 In this Cost Containment Policy (Policy), a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and:
- 1.1.1 **"Act"** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- 1.1.2 **"catering"** means the provisioning of a meal at sit-down and dine **"proceedings of Council"** (see definitions), but, excludes **"refreshments"** (see definitions) at **"other gatherings of Council"** (see definitions);
- 1.1.3 **"consultant"** means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist Drakenstein Municipality to perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution;
- 1.1.4 **"cost containment"** means measures implemented to curtail spending in terms of the Cost Containment Regulations and this Policy;
- 1.1.5 **"credit card"** means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder;
- 1.1.6 **"delegated official"** means an official with delegated powers to perform duties assigned to the official by the City Manager;
- 1.1.7 **"other gatherings of Council"** means an assembly or meeting held for a specific purpose;
- 1.1.8 **"personal use"** means items or goods that an official or political office bearer does not use for business purposes;
- 1.1.9 **"proceedings of Council"** means an event with a series of activities involving a **"set procedure of Council"** (see definitions);
- 1.1.10 **"professional purposes"** means, in the case of communication, the execution of required duties through informed decision making and/or recordkeeping;
- 1.1.11 **"refreshments"** means a light snack and/or drink at **"other gatherings of Council"** (see definitions);

- 1.1.12 **“Regulations”** means the Municipal Cost Containment Regulations, 2019;
- 1.1.13 **“set procedure of Council”** means a predetermined approved agenda of an event with a series of activities;
- 1.1.14 **“social event”** means an event with no series of activities involving a **“set procedure of Council”** (see definitions); and
- 1.1.15 **“uniforms”** means the required protective and/or branded clothing.

2. OBJECT OF POLICY

- 2.1 The object of this Policy, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act and the Cost Containment Regulations, is to ensure that resources of Drakenstein Municipality are used effectively, efficiently and economically by implementing cost containment measures.

3. APPLICATION OF POLICY

- 3.1 This Policy applies to all officials and political office bearers in Drakenstein Municipality.

4. USE OF CONSULTANTS

- 4.1 The City Manager or delegated official may only appoint a consultant if an assessment of the needs and requirements confirms that the Municipality does not have the requisite skills or resources in its full-time employ to perform the function.
- 4.2 The City Manager must adopt a fair and reasonable remuneration framework for consultants taking into account the rates:
- 4.2.1 Determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa", issued by the South African Institute of Chartered Accountants;
- 4.2.2 Set out in the "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration; or
- 4.2.3 As prescribed by the body regulating the profession of the consultant.
- 4.3 The rates tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the

applicable rates mentioned in paragraph 4.2 above.

- 4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 4.5 When consultants are appointed, an accounting officer must:
 - 4.5.1 Appoint consultants on a time and cost basis with specific start and end dates;
 - 4.5.2 Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
 - 4.5.3 Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - 4.5.4 Ensure the transfer of skills by consultants to the relevant officials of the Municipality;
 - 4.5.5 Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the Municipality's Supply Chain Management Policy; and
 - 4.5.6 Develop consultancy reduction plans to reduce the reliance on consultants.
- 4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 4.7 The City Manager or delegated official must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 4.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- 4.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

5. VEHICLES USED FOR POLITICAL OFFICE BEARERS

- 5.1 The threshold limit for the purchase of a vehicle for official use by the Executive Mayor, will not exceed R700,000 or 70% (VAT inclusive) of the total annual remuneration package of the Executive Mayor of Drakenstein Municipality, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 5.2 The procurement of a vehicle for the Executive Mayor must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3 Before deciding to procure a vehicle for the Executive Mayor, the City Manager or delegated official must provide Council with information relating to the following criteria which must be considered:
- 5.3.1 Status of the current vehicle of the Executive Mayor;
 - 5.3.2 Affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in paragraph 5.1 above;
 - 5.3.3 Extent of service delivery backlogs;
 - 5.3.4 Terrain for effective usage of the vehicle; and
 - 5.3.5 Any other policy of council.
- 5.4 If the rental referred to in paragraph 5.3.2 is preferred, the City Manager must review the costs incurred regularly to ensure that value for money is obtained.
- 5.5 Regardless of the usage, a vehicle for official use by the Executive Mayor may only be replaced after completion of 120,000 kilometres.
- 5.6 Notwithstanding paragraph 5.5 above, the Municipality may replace the vehicle for official use by the Executive Mayor before the completion of 120,000 kilometres only in an instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 5.7 The City Manager must ensure that there is a policy (currently the Fleet Management

and User Guide Policy) that addresses the use of municipal vehicles for official purposes.

6. TRAVEL AND SUBSISTENCE

6.1 The City Manager in respect of all officials or political office bearers and the Executive Mayor in respect of the City Manager may only approve the purchase of economy class tickets for air travel.

6.2 This Policy limits international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events will be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

6.3 The City Manager in the case of officials, the Executive Mayor in the case of the City Manager and councillors, and the Council in the case of the Executive Mayor, will approve the officials or councillors who may attend the meetings or events referred to in paragraph 6.2 above.

6.4 The City Manager, or the Executive Mayor in the case of the City Manager, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only:

6.4.1 During peak holiday periods; or

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

6.5 An official or a political office bearer of Drakenstein Municipality must:

6.5.1 Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;

6.5.2 Make use of available public transport or a shuttle service if the cost of such a service is lower than:

- (a) The cost of hiring a vehicle;
- (b) The cost of kilometres claimable by the official or political office bearer; and
- (c) The cost of parking.

6.5.3 Not hire vehicles from a category higher than Group B or an equivalent class; and

6.5.4 Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the City Manager before hiring the vehicle.

6.6 Drakenstein Municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flights and accommodation.

7. DOMESTIC ACCOMMODATION

7.1 The City Manager must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

7.3 The City Manager, or the Executive Mayor in the case of the City Manager, may approve overnight accommodation, where the return trip is less than 500 kilometres, if road or any other conditions could jeopardise the safety of officials and councillors, or if overnight accommodation is cheaper than the traveling expenses payable under the Travelling & Subsistence Policy of Council.

8. CREDIT CARDS

8.1 The City Manager must ensure that no credit card or debit card linked to a bank account of Drakenstein Municipality is issued to any official or political office bearer.

8.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the Municipality, and request reimbursement approved by the City Manager or delegated official.

9. SPONSORSHIPS, EVENTS AND CATERING/REFRESHMENTS

9.1 Drakenstein Municipality may not incur catering/refreshments expenses for meetings which are only attended by persons in the employ of the Municipality, unless the prior written approval of the City Manager is obtained.

- 9.2 The City Manager may incur catering/refreshments expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of Council that exceed five hours.
- 9.3 The City Manager in consultation with the Executive Mayor will compile and maintain a schedule of proceedings of Council (Annexure A attached to the Policy) to be approved by the Municipal Council.
- 9.4 The City Manager in consultation with the Executive Mayor will compile and maintain a schedule of other gatherings of Council (Annexure B attached to the Policy) to be approved by the Municipal Council.
- 9.5 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the City Manager.
- 9.6 Drakenstein Municipality may not incur expenses on alcoholic beverages unless the Municipality recovers the cost from the sale of such beverages.
- 9.7 The City Manager must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the Municipality's budget or by any suppliers or sponsors.
- 9.8 The City Manager may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 9.9 The City Manager or delegated official may incur expenditure for refreshments to host farewell functions in recognition of officials who served the Municipality for more than 4 years or retire on grounds of ill health.
- 9.10 The City Manager or delegated official may incur expenditure for refreshments when meeting with other spheres of government or stakeholders when the meeting is in excess of 2 hours.

10. COMMUNICATION

- 10.1 Drakenstein Municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 The City Manager must ensure that allowances to officials for private calls and data costs are limited to the amounts as determined in Council's Cellular Telephone Policy.

- 10.3 Newspapers and other related publications for the use of officials and full-time political office bearers must be discontinued on expiry of existing contracts or supply orders; unless, authorised by the City Manager for officials and by the Executive Mayor for full-time political office bearers that it is required for professional purposes, or where unavailable in electronic format.
- 10.4 Drakenstein Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

11. CONFERENCES, MEETINGS AND STUDY TOURS

- 11.1 The City Manager must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.
- 11.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the City Manager or Executive Mayor as the case may be, must take the following into account:
- 11.2.1 The official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
 - 11.2.2 Whether the conference or event addresses relevant concerns of Drakenstein Municipality;
 - 11.2.3 The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - 11.2.4 The availability of funds to meet expenses related to the conference or event.
- 11.3 The City Manager may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 11.4 The benchmark costs referred to in paragraph 11.3 above, may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 11.5 The amount referred to in paragraph 11.4 above excludes costs related to travel, accommodation and related expenses, but includes:

11.5.1 Conference or event registration expenses; and

11.5.2 Any other expense incurred in relation to the conference or event.

- 11.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 11.7 The City Manager must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- 11.8 Municipal or provincial office facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the Drakenstein Municipality's jurisdictional area.
- 11.9 The City Manager must grant the approval for officials, and in the case of political office bearers and the City Manager, the Executive Mayor, as contemplated in paragraph 11.2 above.
- 11.10 Drakenstein Municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

12. OTHER RELATED EXPENDITURE ITEMS

- 12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 12.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 12.4 Drakenstein Municipality must avoid expenditure on elaborate and expensive office furniture.
- 12.5 Drakenstein Municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political

office bearers and key officials and a report must be submitted to the Office of the Speaker.

- 12.6 Drakenstein Municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager reporting directly to the City Manager, for consideration and prior approval on a monthly basis. A motivation for all unplanned overtime (emergency overtime) must be submitted to the relevant manager reporting directly to the City Manager, for approval. The directives of the approved Overtime Policy, must be adhered to except where in conflict of this Policy.
- 12.7 The City Manager or where applicable the Executive Mayor, must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

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

14. DISCLOSURES OF COST CONTAINMENT MEASURES

- 14.1 The disclosure of cost containment measures applied by the Municipality must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.
- 14.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The Municipal Council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- 14.3 The reports referred to in paragraph 14.2 above must be copied to the National Treasury and the Western Cape Provincial Treasury within seven calendar days after the report is submitted to Municipal Council.

15. DELEGATIONS REGISTER

15.1 The City Manager or delegated official must compile and maintain a Delegations Register of all officials that powers are assigned to in terms of this Policy.

16. SHORT TITLE AND COMMENCEMENT

16.1 This Policy is called the Cost Containment Policy and take effect when approved or reviewed by the Municipal Council.

16.2 This Policy must be reviewed once every financial year together with all budget related policies.

17. ANNEXURES

17.1 Annexure A: Proceedings of Council qualifying for catering; and

17.2 Annexure B: Other gatherings of Council qualifying for refreshments.

Proceedings of Council qualifying for catering

| Row Number | Name of the Proceeding | Stakeholders | Timing |
|-------------------------|--|--|---------------|
| Column Reference | A | B | C |
| 1 | Mayoral Education Excellence Awards | Councillors, officials and members of the public | April |
| 2 | Women`s Day / Gender Day | Councillors and officials | August |
| 3 | Employee Excellence Awards | Councillors and officials | November |
| 4 | Mayoral Business Stakeholders Initiative | Councillors, officials and members of the public | Monthly |
| 5 | Mayoral Sport Awards | Councillors, officials and members of the public | Annually |

Other Gatherings of Council qualifying for refreshments

| Row Number | Name of the Gathering | Stakeholders | Timing |
|------------------|---------------------------------------|--|--------------------|
| Column Reference | A | B | C |
| 1 | Library programs | Councillors, officials, learners and teachers | As and when needed |
| 2 | Annual School's Poster Competition | Councillors, officials, learners and teachers | March |
| 3 | Employees Wellness Day | Councillors and officials | March/April |
| 4 | Housing Summit | Councillors, officials and members of the public | April / May |
| 5 | IDP Rep Forum | Councillors, officials and members of the public | May |
| 6 | World Fire Fighters Day | Councillors, officials and Fire Fighters | May |
| 7 | Arbor Day | Councillors, officials and members of the public | June |
| 8 | Youth Day | Councillors, officials and members of the public | June |
| 9 | Madiba Day | Councillor and officials | July |
| 10 | Sports Indaba | Councillors, officials and members of the public | July/August |
| 11 | Heritage Day | Councillors, officials and members of the public | September |
| 12 | Better Together Games | Officials, Councillors | September |
| 13 | Youth Indaba | Councillors, officials and members of the public | September |
| 14 | World Day: Awareness of Elderly Abuse | Councillors, officials and members of the public | October |
| 15 | Breast Cancer Awareness | Councillors, officials and members of the public | October |
| 16 | Elderly Tea | Councillors, officials and members of the public | November |
| 17 | 16 Days of Activism | Councillors, officials and members of the public | November |
| 18 | Community Games | Officials, Councillors, members of the public and Learners | November/December |
| 19 | Long Service Awards | Strategic Management Team (SMT) and officials | Monthly |
| 20 | Sports Council | Councillors, officials and Sport Codes | Quarterly |
| 21 | Drakenstein Junior Council | Councillors, officials, learners and teachers | Quarterly |
| 22 | Certificate Ceremony – Scholar Patrol | Councillors, officials and members of the public | Quarterly |
| 23 | Community Engagement | Councillors, officials and members of the public | As and when needed |

| Row Number | Name of the Gathering | Stakeholders | Timing |
|------------------|---|---|--|
| Column Reference | A | B | C |
| 24 | Title Deeds Handovers | Councillors (Minister), officials and members of the public | 3 per year |
| 25 | Vlakkeland Handovers | Councillors (Minister), officials and members of the public | 3 per year |
| 26 | Launches of Buildings (Capital Projects - DCAS) | Councillors (Minister), officials and members of the public | Annually |
| 27 | Regional Housing Meeting | Officials (Province, CWDM, Municipalities) | Annually (meeting rotate between Municipalities) |
| 28 | Traffic Chiefs Forum | Officials Municipalities, Province | Annually (meeting rotate between Municipalities) |