



DRAKENSTEIN

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AMENDED BUDGET RELATED POLICIES 2026/2027

March 2026

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Unclaimed Deposits Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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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:
- 1.3.1 Resident of the municipality;
 - 1.3.2 Ratepayer of the municipality;
 - 1.3.3 Any civic organization involved in the municipality; and/or
 - 1.3.4 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 **any** 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, **an incorrect 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 accounts.

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.



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Cash & Investment Management Policy

Date of Approval/Review by Council	Implementation Date

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DRAFT

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 respect 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 respect 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 & 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~~ Chief Accountant: Water & Electricity Billing;

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

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

Senior Accountant: Payroll Administration.

(b) 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.

(c) 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.

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-offs, 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:

- (a) Supervisor (Chief Clerk): Float of R1,500 each;
- (b) Cash Management Cashiers: Float of R500 each;
- (c) Library Cashiers: Float of R500 each (except Simondium,

- Gouda, Saron and Hermon Library which has a R100 float);
- (d) Swimming Pool Cashiers (in Season only): Float of R200 each;
- and
- (e) 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 40% (thus implying 40.01% 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

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

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

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

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

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 the interest rate on current account is more or less the same than a call deposit account.

7.5 Credit Worthiness

Prior to investing in smaller registered financial institutions, the Financial Officer must ensure that the Council is not over-exposed and should satisfy itself 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) Creditors' 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 of 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 **or sundry invoice** 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 balances 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 various approved retail outlets Pick & Pay, Shoprite, SPAR, etcetera – refer to Annexure A. Uploads are done daily from external service providers 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 Chief 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 are 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 fireproof 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

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

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) Kazang Connect;
- (xvii) Top It Up;
- (xviii) Massmart;
- (xix) RA Cellular; and
- (xx) Vodacom.
- ~~(xxi) Saverite;~~
- ~~(xxii) Cash & Carry; and~~
- ~~(xxiii) Wallet doc.~~

Easy Pay receipting points via Ecommerce and Mobile Channels:

- (i) EasyPay website;
- (ii) Capitec Bank;
- (iii) ABSA Bank;
- (iv) Investec;
- (v) Masterpass;
- (vi) Clicks;
- (vii) Powertime;
- (viii) Smartcall;

(ix) Vodacom; and

(x) Wallet doc.

Ozow provides an opportunity for you to conveniently pay your municipal account via Instant EFT which takes you to a secure integrated digital payment platform.

Consumers can therefore conveniently pay their municipal accounts in the comfort of their homes. Please be advised that the municipal account number and amount payable will automatically be retrieved from the municipal statement. To ensure the successful processing of the transaction(s), we kindly request that you double-check the information provided before completing your transaction successfully.

If you require any assistance, contact Ozow at 27 11 054 4744 or by WhatsApping +27 67 328 6121. You can also email Ozow support at support@ozow.com

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) African 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.



Financial Asset Management Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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DRAFT

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:
- a) Used in the production or supply of goods and services or for administrative purposes;
 - b) Held to earn rentals or for capital appreciation or both; or
 - c) 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.

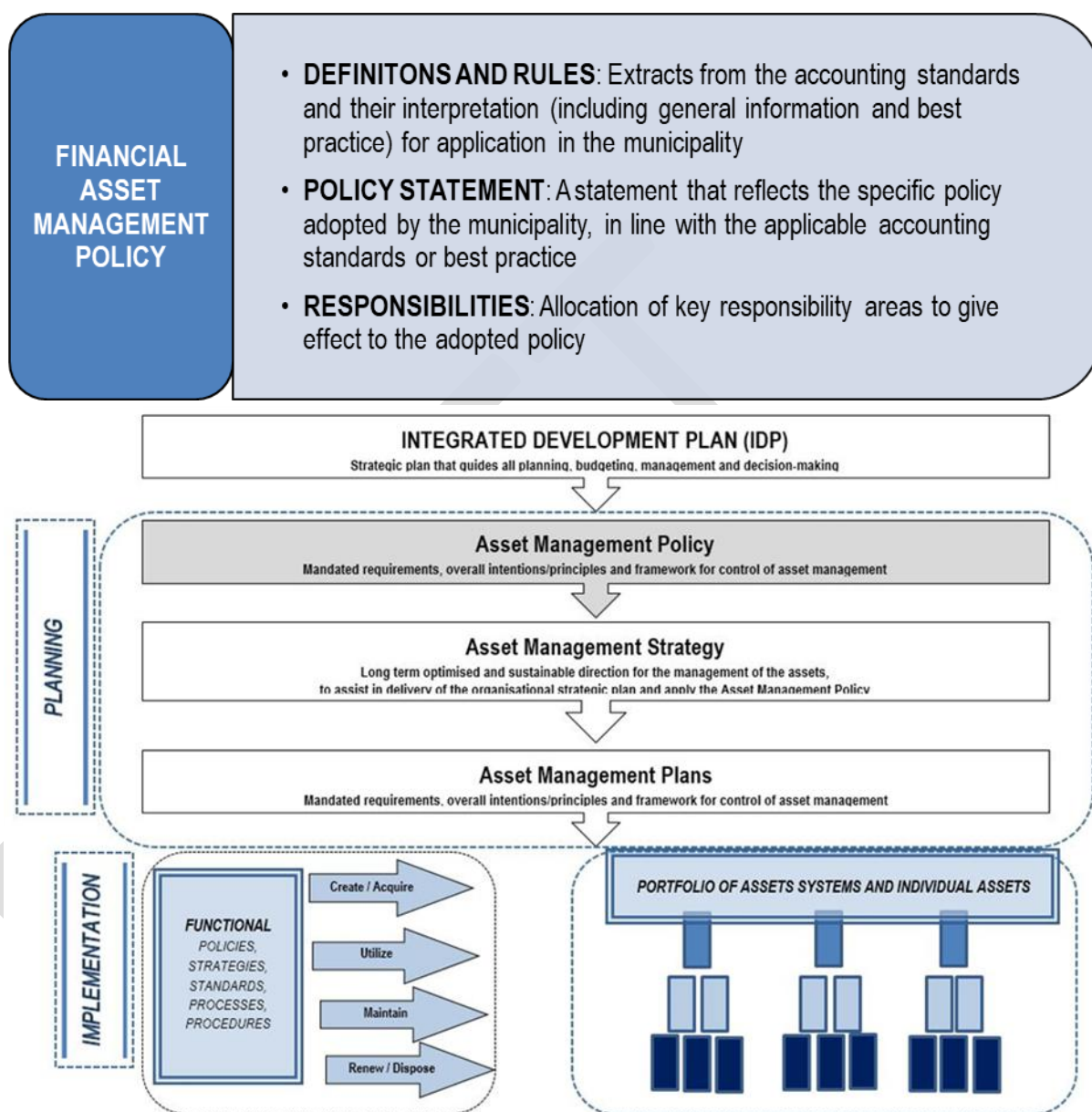
2.1.2 The objective of this policy is to ensure that assets of the DM are properly managed and accounted for by –

- (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 2026.

2.6 Application

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

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.

4.2 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

4.3 Rationale for asset management

4.3.1 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.

4.3.2 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.

4.3.3 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.

4.3.4 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.

4.3.5 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.

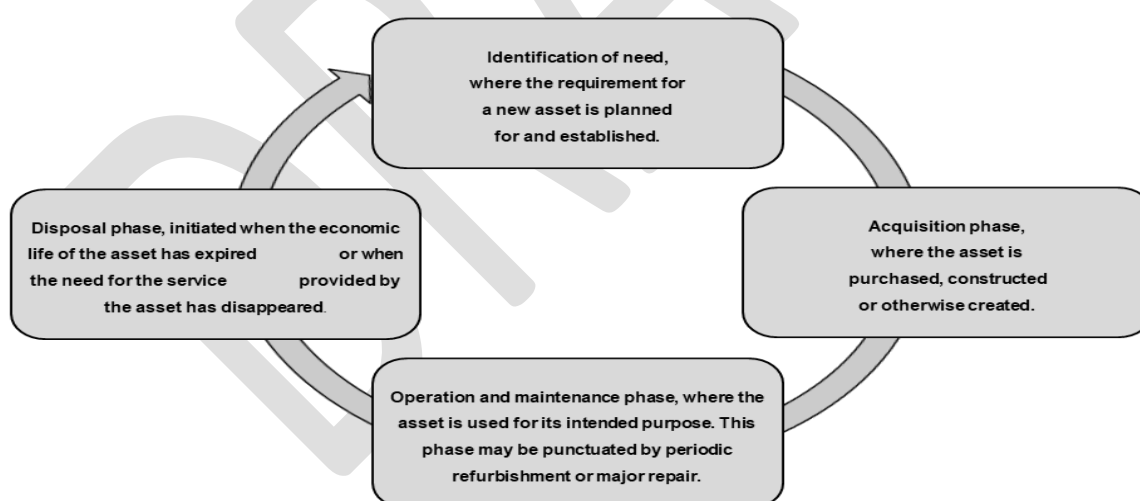
4.3.6 The Financial Asset Management Policy describes the appropriate financial treatment for different types of assets.

4.4 The Asset Lifecycle and Management of Infrastructure Assets

4.4.1 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).

4.4.2 The phases through which an asset passes during its life are;



4.4.3 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.

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

4.4.5 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.

4.4.6 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.

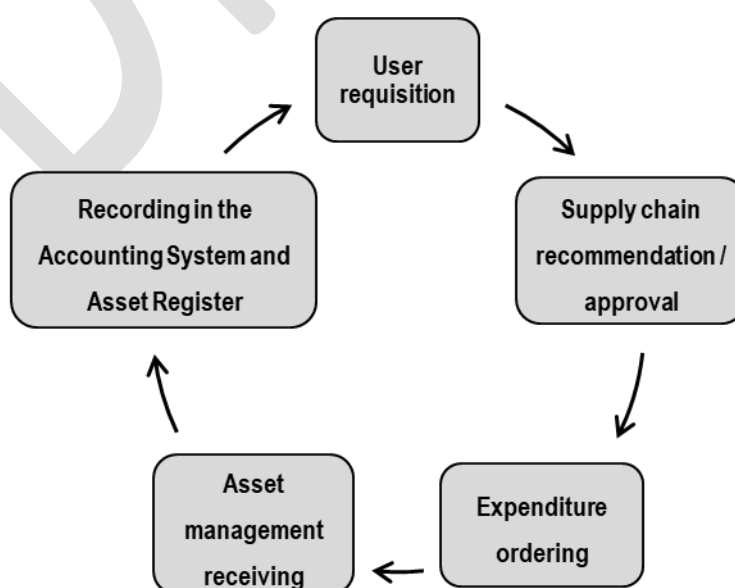
5. POLICY STATEMENT FOR ASSET ACCOUNTING

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 an 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 payments 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 Structures and Facilities
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
 - (aa) 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:
 - (i) Significant cost; and
 - (ii) Considerable difference in useful life.
 - (ab) 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 a whole, it should be recognised as a separately depreciable part (component).
- (j) Level of detail of componentisation
 - (aa) 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 –

- (i) Level 1: Service level (e.g. Drakenstein Roads Infrastructure);
 - (ii) Level 2: Network level (e.g. Paarl Roads Network);
 - (iii) Level 3: Facility level (e.g. Paarl Berg River Boulevard);
 - (iv) Level 4: Maintenance item level (e.g. Traffic sign in Paarl Berg River Boulevard); and
 - (v) Level 5: Component level (e.g. U-bolt on Traffic sign in Paarl Berg River Boulevard).
- (ab) The preferred level of detail for the accounting and technical management of infrastructure is level 4 above.
- (ac) 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.
- (k) PPE – Movable assets
Movable assets are ordinary operational assets such as vehicles, equipment as well as furniture and fittings.
- (l) 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).
- (m) 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.

(n) 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.

(o) 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.

(p) 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 Structures and Facilities
	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

- (aa) 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.
- (ab) The following types of Municipal Property **will be classified** as Investment Property –

- (i) 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.
 - (ii) Land held for a currently undetermined future use.
 - (iii) 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.
 - (iv) 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.
 - (v) Property that is being constructed or developed for future use as investment property.
- (ac) The following types of Municipal Property **will not be classified** as Investment Property –
- (i) 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.
 - (ii) Property being constructed or developed on behalf of the Provincial Government Housing Department.
 - (iii) 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.
 - (iv) 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.
 - (v) Property that is leased to another entity under a finance lease.
 - (vi) 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.

- (vii) Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation.
- (viii) 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.
- (ix) 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 date 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
- 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

reevaluation. 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, therefore depending on the specific date when the asset is deemed to be ready for depreciation, the depreciation will be calculated monthly. If the asset was acquired before the half of the calendar month, the asset will be deemed to have depreciated for the full calendar month, if the asset was acquired after the 15th of the calendar month, the asset will be deemed as not to have depreciated for the initial month concerned.

(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
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

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

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

The Manager: Expenditure, together with the Expenditure Section, shall be responsible for ensuring that –

- 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

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

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
STORMWATER	CULVERT	STORMWATER PIPE	50
STORMWATER	EMBANKMENT	CIVIL STRUCTURE	20-100
STORMWATER	EROSION PROTECTION	CIVIL STRUCTURE	20-100
STORMWATER	EMBANKMENT	MECHANICAL PLANT	15
STORMWATER	EROSION PROTECTION	CIVIL STRUCTURE	20
STORMWATER	EROSION PROTECTION	OTHER ASSETS	50
STORMWATER	STORMWATER PIPELINE	CIVIL STRUCTURE	30-50
STORMWATER	STORMWATER PIPELINE	ELECTRICAL PLANT	15
STORMWATER	STORMWATER PIPELINE	MECHANICAL PLANT	15
STORMWATER	STORMWATER PIPELINE	PIPES	50
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
SOLID WASTE DISPOSAL	WORK IN PROGRESS		n/a
SOLID WASTE DISPOSAL	LANDFILL	CIVIL STRUCTURE	5-100
SOLID WASTE DISPOSAL	LANDFILL	ELECTRICAL PLANT	5-50
SOLID WASTE DISPOSAL	LANDFILL	MECHANICAL PLANT	15-30
SOLID WASTE DISPOSAL	LANDFILL	OTHER ASSETS	5-50
SOLID WASTE DISPOSAL	LANDFILL	BUILDING STRUCTURES	15-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	CIVIL STRUCTURE	5-100
SOLID WASTE DISPOSAL	TRANSFER STATIONS	ELECTRICAL PLANT	5-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	MECHANICAL PLANT	30
SOLID WASTE DISPOSAL	TRANSFER STATIONS	OTHER ASSETS	5-50
SOLID WASTE DISPOSAL	TRANSFER STATIONS	BUILDING STRUCTURES	15-50
PPE - LAND			
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
LAND VACANT			n/a
LAND WITH IMPROVEMENTS			n/a
PPE - BUILDINGS, STRUCTURES AND FACILITIES			
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
BUILDINGS	WORK IN PROGRESS		n/a
BUILDINGS	OPERATIONAL BUILDINGS	BUILDING STRUCTURES	10-50

BUILDINGS	OPERATIONAL BUILDINGS	OTHER ASSETS	5-50
BUILDINGS	OPERATIONAL BUILDINGS	CIVIL STRUCTURE	50
BUILDINGS	OPERATIONAL BUILDINGS	CIVIL STRUCTURE	30
BUILDINGS	OPERATIONAL BUILDINGS	ELECTRICAL PLANT	5-50
BUILDINGS	HOUSING BUILDING	BUILDING STRUCTURES	10-50
BUILDINGS	HOUSING BUILDING	OTHER ASSETS	5-50
BUILDINGS	HOUSING BUILDING	CIVIL STRUCTURE	50
BUILDINGS	HOUSING BUILDING	CIVIL STRUCTURE	30
BUILDINGS	HOUSING BUILDING	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	BUILDING STRUCTURES	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	BUILDING STRUCTURES	15-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	BUILDING STRUCTURES	15-50
PPE - OTHER ASSETS			
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	WORK IN PROGRESS		n/a
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY HALLS	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY SOUP KITCHENS	ELECTRICAL PLANT	5-50

COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	OTHER ASSETS	5-50
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	HIERARCHY LEVEL 3	ESTIMATED USEFUL LIFE
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	COMMUNITY PUBLIC TOILETS	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	CIVIL STRUCTURE	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	CEMETERY	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	CIVIL STRUCTURE	10-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	ELECTRICAL PLANT	15
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	MECHANICAL PLANT	15
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	IRRIGATION PIPELINE	PIPES	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	CIVIL STRUCTURE	20-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	ELECTRICAL PLANT	15-40
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	PARK	OTHER ASSETS	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	CIVIL STRUCTURE	15-100
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	ELECTRICAL PLANT	5-50
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	MECHANICAL PLANT	15
COMMUNITY, CEMETERIES, SPORTS AND RECREATION	SPORTS GROUND	OTHER ASSETS	5-50

PPE - MOVABLE ASSETS		
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
TRANSPORT ASSETS (MOTOR VEHICLES)	CONSTRUCTION, EARTHMOVING AND MAINTENANCE VEHICLES	15-20
TRANSPORT ASSETS (MOTOR VEHICLES)	EMERGENCY VEHICLES	7-20
TRANSPORT ASSETS (MOTOR VEHICLES)	LDVS AND 4X4S	7
TRANSPORT ASSETS (MOTOR VEHICLES)	MOTORCYCLES AND BICYCLES	5-7
TRANSPORT ASSETS (MOTOR VEHICLES)	PASSENGER VEHICLES	7
TRANSPORT ASSETS (MOTOR VEHICLES)	TRACTORS	15-20
TRANSPORT ASSETS (MOTOR VEHICLES)	TRAILERS AND ACCESSORIES	10
TRANSPORT ASSETS (MOTOR VEHICLES)	TRUCKS AND BUSES	15
TRANSPORT ASSETS (MOTOR VEHICLES)	VEHICLE ACCESSORIES	7
TRANSPORT ASSETS (MOTOR VEHICLES)	WATERCRAFT	7-10
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
COMPUTER EQUIPMENT	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	3-5
COMPUTER EQUIPMENT	COMPUTER NETWORKS	10
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
MACHINERY AND EQUIPMENT	COMPRESSORS, GENERATORS AND ALLIED EQUIPMENT	7
MACHINERY AND EQUIPMENT	CONTAINERS AND WENDYHOUSES	10
MACHINERY AND EQUIPMENT	FIRE AND EMERGENCY EQUIPMENT	7
MACHINERY AND EQUIPMENT	GARDENING EQUIPMENT	5
MACHINERY AND EQUIPMENT	LABORATORY EQUIPMENT	5
MACHINERY AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	5-10
MACHINERY AND EQUIPMENT	MUSICAL INSTRUMENTS	15
MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	7-10
MACHINERY AND EQUIPMENT	RADIO EQUIPMENT	5
MACHINERY AND EQUIPMENT	SECURITY EQUIPMENT AND SYSTEMS	10
MACHINERY AND EQUIPMENT	SPORTS AND RECREATIONAL EQUIPMENT	10
MACHINERY AND EQUIPMENT	TELECOMMUNICATIONS EQUIPMENT	10
MACHINERY AND EQUIPMENT	WORKSHOP EQUIPMENT AND LOOSE TOOLS	7
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
FURNITURE AND OFFICE EQUIPMENT	AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	10
FURNITURE AND OFFICE EQUIPMENT	AUDIOVISUAL AND PHOTOGRAPHIC EQUIPMENT	5
FURNITURE AND OFFICE EQUIPMENT	CABINETS AND CUPBOARDS	7
FURNITURE AND OFFICE EQUIPMENT	CHAIRS AND COUCHES	7
FURNITURE AND OFFICE EQUIPMENT	DESK AND TABLES	7
FURNITURE AND OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	7
FURNITURE AND OFFICE EQUIPMENT	DOMESTIC FURNITURE	7
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
FURNITURE AND OFFICE EQUIPMENT	OFFICE MACHINES	5
FURNITURE AND OFFICE EQUIPMENT	PAINTINGS, SCULPTURES AND ORNAMENTS	7

FURNITURE AND OFFICE EQUIPMENT	OTHER FURNITURE AND FITTINGS	7-10
FURNITURE AND OFFICE EQUIPMENT	OTHER OFFICE EQUIPMENT	7-10
FURNITURE AND OFFICE EQUIPMENT	SHELVING AND BOOKCASES	7
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
BINS AND CONTAINERS	BINS AND CONTAINERS	10
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
BOOKS & MANUALS	BOOKS	3-5
BOOKS & MANUALS	MANUALS	3-5
HIERARCHY LEVEL 1	HIERARCHY LEVEL 2	ESTIMATED USEFUL LIFE
LEASED ASSETS	LEASED MACHINERY AND EQUIPMENT	AS PER AGREEMENT

INTANGIBLE ASSETS		
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
LICENCES AND RIGHTS	SERVITUDES	0
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

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

ANNEXURE C: ASSET TYPES LISTED IN SUB-REGISTERS

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



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Indigent Support Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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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 **“Disaster”** means a progressive or sudden, widespread, or localized, natural or human-caused occurrence, which causes or threatens to cause:
 - (a) Death, injury or disease;
 - (b) Damage to property, infrastructure or the environment; or
 - (c) Significant disruption of the life of a community; and is of magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.
- 1.12 **“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.
- 1.13 **“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.
- 1.14 **“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.

- 1.15 **“Indigent Household”** means any household that is at or below the poverty threshold as determined by Drakenstein municipality.
- 1.16 **“Municipality”** means the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein.
- 1.17 **“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.
- 1.18 **“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.
- 1.19 **“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.
- 1.20 **“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.

1.21 **“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.

1.22 **“Tenant”** a person(s) who occupies land or property rented from a landlord

1.23 **“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) Foster Child grant income should be excluded from the household income calculation for indigent eligibility. The applicant will qualify using the household income less than the amount received as for foster care.

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 ~~2025/2026~~ 2026/2027 financial year the total monthly household income has been determined as follows.
 - (a) Category A: R 0 to ~~R5,000~~ R6,000 per month
 - (b) Category B: ~~R5,001~~ R6,001 to ~~R5,500~~ R6,500 per month
 - (c) Category C: ~~R5,501~~ R6,501 to ~~R6,500~~ R7,500 per month
 - (d) Category D: ~~R6,501~~ R7,501 to ~~R7,000~~ R8,000 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.
- 7.7 In the instance where ownership is transferred and a usufruct is registered, the indigent subsidy must continue as per the standard procedures.
- 7.8 When a section 45 transfer has occurred and the parties were registered as existing indigent consumers, these subsidies will continue on the newly created account as per standard procedures.

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) For Saron: 15 kiloliters per month for Category A, B, C and D consumers.
- (c) The water rebate threshold will remain the same irrespective of the Category of the indigent consumer and will not be apportioned.
- (d) Monthly basic charges for a 15mm water connection will be subsidized.
- (e) Where there is more than one structure (backyarder), on the property, the indigent households will be allowed to apply for a further subsidy.
- (f) 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 R1,000,000.
- (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 R1,000,000 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 R1,000,000 will be due and payable by the consumer.

8.3.2 Property rates Subsidy

- (a) Property rates rebate to a maximum property value of R1,000,000 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) 50% rebate on stolen water meters replacement fees,
- (b) Council may also repair basic water leakages within reason in the property of indigent consumers.

8.7.6 Stolen or damaged electricity service supply or meter

- (a) 50% rebate to registered indigent household for stolen electricity overhead or underground service supplies or damaged electricity meters.
- (b) The Municipality may also repair the supply service cable within the erf boundary subject to the owner being held responsible to perform the necessary excavations and reinstatement work.

- (c) "A" and "B" is subjected to the determination of the point of supply (service cable or service overhead) or the point of metering by the Municipality and available funding.
- (d) In cases where a Certificate of Completion (COC) is necessary for the electrical installation, the Municipality or appointed service provider will test and certify the scope of work performed under this support initiative.
- (e) This support initiative does not extend to rectification of pre-existing faults on the electrical installation which includes faulty socket outlets, light fittings, light switches, distribution boards (DB's) or other related damages.
- (f) This procedure includes a thorough assessment of the required support, estimation of costs, facilitation by the ward councillor, funding allocation, and final approval by the City Manager or delegated official.
- (g) This assistance shall only be provided once per financial year.

Note, that the above mentioned does not include previous electrified informal settlements that requires the Municipality to reinstate or replace the bulk electrical reticulation except in the case where the Municipality receives a grant specifically aimed for repairing damaged infrastructure accordingly. This is due to other long awaiting registered informal settlements that did not previously have the privilege to be electrified.

8.7.7 Disaster Situations

- (a) In the event of a disaster situation, Council shall extend support to registered indigent households whose property has been damaged by municipal infrastructure or assets, such as fallen trees, electrical poles, fire, or related incidents.
- (b) Upon the announcement of a state of disaster by the Executive Mayor, each case will be evaluated on its own merit, adhering to a standardized operating procedure.
- (c) This procedure includes a thorough assessment of the required support, estimation of costs, facilitation by the ward councilor, and final approval by the City Manager.
- (d) The support primarily addresses damages to essential household connections such as electricity and water connections, as well as other property or infrastructure damages.
- (e) In cases where a Certificate of Completion (COC) is necessary for the installation of electrical connections, Council will solely certify the scope of work performed under this support initiative. This support does not extend to rectification of pre-existing faults on the property, including issues like faulty plugs, light fittings, or other damages.

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 (in the case of manual applications when the system is down) 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. Otherwise the fingerprint on the electronic system is regarded as confirmation that the provided information is correct.
- (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 2025/2026, and will be renewed in the financial year 2027/2028. 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 2025/2026 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 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.



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Tariff Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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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:

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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 **and Smart** 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. The adjusted tariff shall be effective from the date the complete affidavit is received by the Municipality, or the first subsequent billing cycle following the completion of the administrative processing.
- (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) (1) 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

(2) The following daily billing will be applied where the reading period is longer or shorter than normal 30day period to prevent any overcharging of the consumer.

Example: where reading period is 35 days instead of 30 days

Example	35 Days
	60kiloliters
Step 1	$35 \cdot 12 / 365.25 \cdot 6$
Step 2	$35 \cdot 12 / 365.25 \cdot 4$
Step 3	$35 \cdot 12 / 365.25 \cdot 5$
Step 4	$35 \cdot 12 / 365.25 \cdot 15$
Step 5	$35 \cdot 12 / 365.25 \cdot 15$
Step 6	$35 \cdot 12 / 365.25 \cdot 10$
Step 7	$35 \cdot 12 / 365.25 \cdot 5$

- (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. The adjusted tariff shall be effective from the date the complete

affidavit is received by the Municipality, or the first subsequent billing cycle following the completion of the administrative processing.

- (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. The adjusted tariff shall be effective from the date the complete affidavit is received by the Municipality, or the first subsequent billing cycle following the completion of the administrative processing.
- (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 An 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 An 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) An 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.

DRAFT



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Property Rates Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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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 be 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
- (a) Which is earmarked for disposal in terms of the Restitution of Land Rights Act, No 22 of 1994.
- 2.35 **“Urban edge”** means a delineated line that serves to manage, direct, and control the outer limits of urban development.
- 2.36 **“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;
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- (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 **2025/2026** financial year the maximum reduction is determined as R350,000. The impermissible rates of R15,000 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 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 Residential properties

- (a) All residential properties' rates payable will be capped to an increase of ~~12.5~~3.7% from the previous financial year rates payable, except in cases where the property category changed.

11.1.2 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.

11.1.3 Business properties situated outside the urban edge

- (a) The Municipality grants a rebate, to be determined on an annual basis, which applies to business properties situated outside and inside the urban edge, which cannot connect to the water and or sewer reticulation network system. The rebate of ~~15~~ 10% per property will be granted for each of the water and sewerage service that cannot connect to the municipal reticulation network system.
- (b) The rebate will immediately stop once the property can connect to the municipal reticulation network system.
- (c) The rebate (based on the total property rates value) of a maximum of ~~30~~ 20% will be granted by the municipality.

11.1.4 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) All agriculture properties’ rates payable will be capped to an increase of ~~50~~ 3.7% from the previous financial year rates payable, except in cases where the property category changed.
- (e) 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.
- (f) 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.

11.1.5 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 **20256/20267** 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 R350,000 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 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.

11.2.2 Retired persons sixty (60) years and older

- (a) All property owners sixty years and older qualify for an automatic 5% rebates on rates payable from 01 July 2025.
- (b) In addition to the above, pensioners, can also qualify for an additional 10% rebate if they meet the following criteria:
 - (i) Occupy the property as his/her normal residence.
 - (ii) Be at least 60 years of age as at the date of application.
 - (iii) Be in receipt of a monthly pension.
 - (iv) The total monthly household income will be limited to R35,000 per month.
- (c) 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 **official** proof of the owner's age which is acceptable to the Municipality.
 - (ii) Sufficient proof **(3 months up-to-date bank statement)** ~~of income of the owner and his / her spouse;~~ **of the combined income of the owner and spouse from all sources must be provided, explicitly including salaries, pensions, investments, rental income, and distributions from any.**
- (d) Only the prescribed form will be accepted for the financial year in respect of which the property rate is levied. If the rebate applied for is granted the rebate will apply from the date of application. These rebates are over and above the R350,000 exemption on residential properties referred to in paragraph 9.1(b) of this policy.
- (e) The Municipality retains the right to refuse the rebates if the details supplied in the application form were incomplete, incorrect or false.

11.2.3 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.

11.2.4 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 2025/2026 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.

11.2.5 The extent of the rebates granted in terms of paragraphs 11.2.1 to 11.2.4 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 her 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 the 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 18.3 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 number of vacant erven;
- (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 property owner's 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 2014 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 a 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.

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Funding and Reserves Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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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
SCOA	Standard Chart of Accounts

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1. PURPOSE OF THE DOCUMENT

This policy sets out the principles for determining the following:-

- 1.1 Projected billings, collections and all direct revenues;
- 1.2 The provision for revenue that will not be collected;
- 1.3 The funds the Municipality can expect to receive from investments;
- 1.4 The proceeds the Municipality can expect to receive from the transfer or disposal of assets; and
- 1.5 The funds to be set aside in reserves.

2. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

- 2.1 complies with the Act;
- 2.2 "Act" — means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- 2.3 "Chief Financial Officer" — means an officer of the Municipality, designated by the City Manager to be administratively in charge of the financial affairs of the municipality;
- 2.4 "Council" or "Municipality" — means the Municipal Council of Drakenstein Municipality as referred to in Section 18 of the Municipal Structures Act;
- 2.5 "Creditors" — in relation to a municipality, means any person or service provider to whom money is owing by the Municipality;
- 2.6 "Debt" - means —
 - 2.6.1 A monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities; or
 - 2.6.2 A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.
- 2.7 "Delegate" — means an official / person delegated to perform tasks on behalf of another person;
- 2.8 "Financial Statement" — means statements consisting of at least —
 - 2.8.1 A balance sheet (statement of financial position);
 - 2.8.2 An income statement (statement of financial performance);
 - 2.8.3 A cash-flow statement;
 - 2.8.4 Any other statements that may be prescribed; and
 - 2.8.5 Any notes to these statements.

3. PREAMBLE

The Local Government: Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) section 18 requires that an annual budget may only be funded from:

- 3.1 Realistically anticipated revenues to be collected;
- 3.2 Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - 3.2.1 Borrowed funds, but only for capital projects.
 - 3.2.2 Section 19 of the MFMA also requires spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes,
 - 3.2.3 The Local Government: Municipal Finance Management Act No 56 of 2003 Municipal Budget and Reporting Regulations, 2009 Section 8 requires that each Municipality should have a Funding and Reserves Policy.

4. OBJECTIVES

The objectives of the policy relating to funding and reserves are as follows:

- 4.1 To comply with the legislative requirements;
- 4.2 To ensure that the Municipality's Operating and Capital budgets are adequately funded;
- 4.3 To ensure that the Municipality's provisions and reserves are maintained at the required levels, in order to mitigate unfunded liabilities in future financial years; and
- 4.4 To achieve financial sustainability with acceptable levels of service delivery to the community.

5. RELATIONSHIP WITH OTHER POLICIES

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

- 5.1 Accounting Policy;

- 5.2 Cash Management and Investment Policy;
- 5.3 Long Term Financial Sustainability Policy;
- 5.4 Long Term Financial Plan (Chapter 4 of IDP);
- 5.5 Prioritisation model for Capital Assets investment; and
- 5.6 Borrowing policy.

6. RESPONSIBILITIES & DELEGATIONS

The following references were observed in compiling this document:

- 6.1 Municipal Finance Management Act, 2003;
- 6.2 Municipal Systems Act, 2000;
- 6.3 Municipal Structures Act, 1998;
- 6.4 Accounting Standards Board;
- 6.5 MFMA Budget Circulars;
- 6.6 Municipal Budget and Reporting Regulations, 2009;
- 6.7 Government Gazettes (30013 & 31021);
- 6.8 Generally Recognised Accounting Practice; and
- 6.9 Municipal Regulations on SCOA, 2014.

7. PRINCIPLES REGARDING THE FUNDING OF THE ANNUAL BUDGET

- 7.1 An annual budget may only be funded from:-
 - 7.1.1 Realistically anticipated revenues to be collected;
 - 7.1.2 Cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and
 - 7.1.3 Borrowed funds but only for the capital budget.

- 7.2 Realistic anticipated revenue projections must take into account:-
 - 7.2.1 Projected revenue for the current year based on collection levels to date; ~~and~~
 - 7.2.2 Actual revenue collected in previous financial years; **and**
 - 7.2.3 **Anticipated borrowings for capital projects.**

- 7.3 Spending on a capital project may only occur if:-
 - 7.3.1 The money for the project, excluding the cost of feasibility studies, has been appropriated in the budget;
 - 7.3.2 The project, including the total cost, has been approved by Council;
 - 7.3.3 The sources of funding have been considered and have not been committed for other purposes;
 - 7.3.4 Council has considered:-
 - (a) The projected cost covering all financial years until the project is operational; and
 - (b) The future operations costs and revenue on the project, including municipal tax and tariff implications.

8. FUNDING THE OPERATIONAL BUDGET

- 8.1 The operating budget provides funding to departments for their medium term expenditure as planned. The Municipality categorises services rendered to the community according to its revenue generating capabilities as follows:-
 - 8.1.1 Trading services (services that generate predetermined surpluses that can be used to fund other services rendered by the Municipality);
 - 8.1.2 Economic services (services that should at least break-even, but do not necessarily generate any surpluses to fund other services rendered by the Municipality); and
 - 8.1.3 Rates and General (services that are funded by property rates, government grants or surpluses generated by the trading services).

- 8.2 The operating budget is funded from the following main sources of revenue:-
 - 8.2.1 Property rates;
 - 8.2.2 Service charges;
 - 8.2.3 Government grants and subsidies;
 - 8.2.4 Other **sundry** revenue, such as fines, interest received etc.; and
 - 8.2.5 Cash backed accumulated surpluses from previous years not committed for any other purposes.

- 8.3 The following guiding principles apply when compiling the operating budget:-
 - 8.3.1 The annual budget must be cash backed;

- 8.3.2 Growth parameters must be realistic taking into account the current economic conditions;
- 8.3.3 Tariff adjustments must be realistic, taking into consideration affordability, bulk increases and future projected growth according to the approved Integrated Development Plan (IDP);
- 8.3.4 Revenue from government grants and subsidies must be in line with allocations gazetted in the Division of Revenue Act and Provincial Gazettes, **where financial years are similar**;
- 8.3.5 Revenue from public contributions, donations or any other grants may only be included in the budget if **funds were already received or if** there are acceptable documentation that guarantees the funds such as:-
- (a) A signed service level agreement;
 - (b) A contract or written confirmation; or
 - (c) Any other legally binding document.
- 8.3.6 Property rates are levied according to the Municipal Property Rates Act, **Property Rates Bylaw** and Property Rates Policy based on the market values **as determined by the municipal valuer during the General valuation every four years and monthly through supplementary valuations performed in terms of section 78 of the Municipal Property Rates Act (Act 6 of 2004)**. The budget is compiled using the latest approved Valuation Roll and any Supplementary Roll, consistent with current and past trends. Property rates tariffs and rebates are determined annually as part of the tariff setting process;
- 8.3.7 Property rates rebates, exemptions and reductions are budgeted **either** as revenue foregone;
- 8.3.8 Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions. The following factors must be considered for each service:-
- 8.3.8.1 Metered services comprising of electricity and water:-
 - (a) The consumption trends for the previous financial years;
 - (b) Envisaged water restrictions or load shedding when applicable; and
 - (c) Actual revenue collected in previous financial years.
 - 8.3.8.2 Refuse removal services:-
 - (a) The actual number of erven receiving the service per category; and
 - (b) Actual revenue collected in previous financial years.
 - 8.3.8.3 Sewerage services:-
 - (a) The actual number of erven receiving the service per category and the size per erven, per category; and

- (b) Actual revenue collected in previous financial years.
- 8.3.9 Rebates, exemptions or reductions for service charges are budgeted as revenue foregone;
- 8.3.10 Other projected revenue is charged in terms of the approved sundry tariffs and fines considering the past trends and growth for each category. Provision for revenue that will not be collected is made against the expenditure item debt impairment and is based on actual collection levels and taking into account factors such as ownership, reconnections and type of debtors.
- 8.3.11 Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure resulting thereof.
- 8.3.12 Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends.
- 8.3.13 Depreciation charges are fully budgeted for according to the asset register ~~and to limit the impact of the implementation of Asset Related GRAP Standards a transfer is made from the accumulated surplus.~~
- 8.3.14 To ensure the health of the municipal asset base, sufficient provision must be made for the maintenance of existing and **new** infrastructure assets based on affordable levels as maintenance budgets are normally lower than the recommended levels. ~~As a guiding principle repair and maintenance should constitute at least between 8% of total operating expenditure and should annually be increased incrementally until the required targets are achieved.~~
- 8.3.15 Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over operating expenditure. Increases for these line items must be linked to the average inflation rate and macro-economic indicators unless **addressing urgent operational priorities identified during the IDP process**, a signed agreement or contract **dictates** ~~stipulates~~ otherwise.

9. THE CAPITAL BUDGET

- 9.1 The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non — existent. In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets, **the upgrading of existing assets** and ~~as well as the~~ **construction** of new assets. The capital budget provides funding for the Municipality's capital programme based on the needs and objectives as

identified by the community through the IDP, as well as technical needs, and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure. Provisions on the capital budget will be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:-

- 9.1.1 Cash backed accumulated surpluses;
- 9.1.2 Borrowings;
- 9.1.3 Government grants and subsidies;
- 9.1.4 Public donations and contributions; and
- 9.1.5 Operating revenue.

9.2 The following guiding principles apply when considering sources of funding for the capital budget:-

9.2.1 Government grants and subsidies:-

- (a) Only gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects (including unspent grants from prior years);
- (b) The conditions of the specific grant must be taken into consideration when allocated to a specific project; and
- (c) Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

9.2.2 In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:-

- (a) A signed service level agreement;
- (b) A contract or written confirmation; and/or
- (c) Any other legally binding document.

9.2.3 Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

9.2.4 The borrowing requirements as contained in the Borrowing Policy are used as a basis to determine the affordability of external loans over the Medium-Term Revenue and Expenditure Framework.

- 9.2.5 All capital projects have an effect on future operating budgets. The following cost factors should therefore be considered before approval:-
- (a) Additional personnel cost to staff new facilities once operational;
 - (b) Additional contracted services, such as security, cleaning etc.;
 - (c) Additional general expenditure, such as services cost, stationery, telephones, material etc.;
 - (d) Additional other capital requirements to operate the facility, such as vehicles, plant and equipment, furniture and office equipment etc.;
 - (e) Additional costs to maintain the assets;
 - (f) Additional interest and redemption in the case of borrowings;
 - (g) Additional depreciation charges; and
 - (h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

10. RESERVES

All Reserves are "ring fenced" as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognised Accounting Practices (GRAP).

The following ring-fenced reserves exist:-

10.1 Capital Replacement Reserve

Funding for capital budgets of future financial years are generated through contributions from the operating budget. Once the Municipality has reached its maximum gearing ability no further borrowings can be taken up. This necessitates that the Municipality also invests in a capital replacement reserve.

This reserve once fully established will enable the Municipality to provide internal funding for its capital replacement and renewal programme. Other contributions to the capital replacement reserve through the operating budget may include interest received on investments.

This reserve must be cash backed at all times to ensure the availability of cash to fund the municipal capital programme.

10.2 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 re-valued 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 re-valued amounts are credited or charged to the Statement of Financial Performance. GRAP 17 governs the reserve and accounting treatment thereof.

11. PROVISIONS

A provision is recognised when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities. Only the amounts most probable to be paid in the next financial year will be taken into consideration for the purposes of a cash funded budget. Amounts to be estimated using historic information.

The municipality has the following provisions:

11.1 Leave Accrual

Liabilities for annual leave are recognised as they accrue to employees. An annual provision is made from the operating budget to the leave provision.

11.2 Landfill Rehabilitation Provision

The landfill site rehabilitation provision is created for the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the landfill site.

11.3 Provision for Long Service Awards

Municipal employees are awarded leave days according to years in service at year end. Due to the fact that not all long service leave balances are redeemed

for cash. Long service awards can be encashed at the discretion of the Municipal Manager and will be subject to the cash flow position of Council.

11.4 Provision for Post-Employment Medical and Ex-Gratia Benefits

The municipality provides retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The entitlement to retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over a period of employment.

11.5 Provision for Bonuses

The Municipality provides annual bonuses to eligible employees, payable by the end of November each year. However, only employees covered by the SALGBC are eligible to receive these bonuses.

11.6 Provision for Performance Bonuses

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Directors and the City Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval.

12. REVIEW AND UPDATE

12.1 This policy will be reviewed and updated as and when required.

12.2 When the AO considers it necessary, submit proposals for the amendment of this Policy to the Council.

12.3 The review of this policy and any amendment should be made with due consideration and in conjunction with the annual review of the budget related policies as prescribed in the Municipal Budget and Reporting Regulations, 2008.



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Grant in Aid Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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DRAFT

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); and

2.1.4 Any other applicable legislation, regulations and policies that may govern the transfer of municipal funds.

3. RESTRICTIONS AND FUNDING ALLOCATION

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 organisation, except for:

3.3.1 Allocations to organisations, which receive annual grants as per the approved annual budget of Council; and

3.3.2 Allocations to organisations as approved by the Executive Mayor in excess of R30, 000-00.

3.4 Grant allocation

3.4.1 Funds are transferred to an organisation to execute a project identified by the applying organisation; and

3.4.2 Council may enter into an agreement with an organisation in accordance with Section 67, with the following requirements:

(a) For all allocations (total allocations to a single beneficiary), where that allocation will **serve the poor** and the allocation is **R100,000 and less**, as contemplated in section 67(4), the organisation shall provide the Municipality with:

i. A report to be submitted to the department regarding any expenditure against the transfer allocation received, in at least monthly intervals (where applicable to projects spanning over a number of months);

ii. A close-out report to be submitted within 1 (one) month after the event/project. The close-out report is to be signed off by chairperson of the board/committee or other relevant official or member of the organisation;

- iii. An agreement by the organisation to implement effective, efficient, and transparent financial management and internal control systems to guard against fraud, theft, and financial mismanagement; and
 - iv. A confirmation by the organisation that it has, in respect of previous transfers, complied with the provisions of Section 67 (1) of the Municipal Finance Management Act 5 of 2003.
- (b) For all allocations (total allocations to a single beneficiary), where that allocation **will serve the poor** and the allocation is more than **R100,000** as contemplated in section 67(4), the organisation shall provide the Municipality with:
- i. The organisation shall provide the Municipality with Audited Financial Statements, specifically reflecting the transfer received within the notes to the Financial Statements, within 6 (six) months after the financial year of the organisation, in which event has taken place. The audit report to the Audited Financial Statements is to be signed off by an Auditor registered with the Independent Regulatory Board for Auditors (IRBA);
 - ii. A report to be submitted to the department regarding any expenditure against the transfer allocation received, in at least monthly intervals (where applicable to projects spanning over a number of months);
 - iii. A close-out report to be submitted within 1 (one) month after the event/project. The close-out report is to be signed off by chairperson of the board/committee or other relevant official or member of the organisation;
 - iv. An agreement by the organisation to implement effective, efficient, and transparent financial management and internal control systems to guard against fraud, theft, and financial mismanagement; and
 - v. A confirmation by the organisation that it has, in respect of previous transfers, complied with the provisions of Section 67 (1) of the Municipal Finance Management Act 5 of 2003.

- (c) For all other allocations (total allocations to a single beneficiary), where that allocation **will not serve the poor**, the organisation shall provide the Municipality with:
- i. Audited Financial Statements, specifically reflecting the transfer received within the notes to the Financial Statements, within 6 (six) months after the financial year of the organisation, in which event has taken place. The audit report to the Audited Financial Statements is to be signed off by an Auditor registered with the Independent Regulatory Board for Auditors (IRBA);
 - ii. A report to be submitted to the department regarding any expenditure against the transfer allocation received, in at least monthly intervals (where applicable to projects spanning over a number of months);
 - iii. A close-out report to be submitted within 1 (one) month after the event/project. The close-out report is to be signed off by chairperson of the board/committee or other relevant official or member of the organisation;
 - iv. An agreement by the organisation to implement effective, efficient, and transparent financial management and internal control systems to guard against fraud, theft, and financial mismanagement; and
 - v. A confirmation by the organisation that it has, in respect of previous transfers, complied with the provisions of Section 67 (1) of the Municipal Finance Management Act 5 of 2003.

3.5 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:

3.5.1 Operate as a separate legal entity and are recognised as such by South African legislation;

3.5.2 Are governed by their constitutions, have regular meetings with their membership and subscribe to sound accounting practices; and

3.5.3 Are located and serve communities and individuals who are most in need within the jurisdiction of the Municipality.

- 3.6 No Grant-in-Aid may be made to any political, church or sectarian organisation or body.
- 3.7 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.
- 3.8 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.
- 3.9 Funds may only be transferred to an organisation or body if provision has been made for the expenditure on the budget or appropriations budget.
- 3.10 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,

5.1.4 Accommodation, food or entertainment expenses of any kind, staff salaries, bursaries, payments in lieu of rates or other municipal charges, which are in arrears;

5.1.5 Notwithstanding any provisions of this Policy, the City Manager and Executive Mayor can make recommendations on the granting of funds; and

5.1.6 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

Purpose: To address specific health-related challenges or goals by promoting well-being, preventing diseases, and improving access to healthcare services.

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:
 - i. Riverine corridors;
 - ii. Biodiversity;
 - iii. Natural and built environment;
 - iv. Heritage resources;
 - v. Quality urban spaces;
 - vi. Ecological conservation areas;
 - vii. Urban agricultural complexes;
 - viii. Bioregional planning;
 - ix. Nature area management;
 - x. Wetlands;
 - xi. Local Agenda 21 projects; (UN Plan for Sustainable Development); and
 - xii. 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 Services for persons living on the street

Purpose: Provision of shelter and other services for vulnerable individuals living on the street, without homes, in the need of assistance. The Municipality aims to reduce the number of people living on the streets of Drakenstein and as such the organisation or body's goals should align with this vision. Further the Municipality aims to reduce the socio-economic effects of poverty on the community of Drakenstein. The organisation or body must therefore present to Council a clear business plan with a comprehensive response to the prevention, reduction, outreach and stabilisation of street people. Organisations or bodies that provide a continuum of services and that collaborate with businesses, government departments and other organisations are preferred.

Projects/programmes must include the following but are not limited to:

- (a) Provision of basic services (overnight facility, shower, morning and evening meals);
- (b) Provision of social work services inclusive of referrals;
- (c) Provision of social relief and healthy living, trauma, mental and substance support, job rehabilitation, skills development, job creation, readiness and placement services specifically for persons on the streets;
- (d) Family re-integration services;
- (e) Social support;
- (f) Community work programmes; and
- (g) Facility maintenance (Infrastructure and operational equipment).

5.2.6 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; and 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.

DRAFT



Electricity Losses Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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DRAFT

1. INTRODUCTION

To identify and describe electrical losses that are experienced on distribution system and to find ways to keep these losses to a minimum.

2. OBJECTIVE

The objective of the Municipality is to minimize technical and non-technical losses to a minimum, as these losses can have a huge financial impact on the cost of supply study.

3. TYPES OF LOSSES

3.1 Technical losses:

These losses occur due to heat dissipation when electricity flows through the system conductors which consist of either copper or aluminium.

3.2 Non-Technical losses:

These losses occur due to theft (illegal connections, meter tampering) and incorrect metering.

4. CONTROL AND MONITORING

4.1 The Municipality must have the intention to keep the losses of electricity below 10% percentage of the total electricity purchased from Eskom;

4.2 To keep the technical losses to a minimum, network designs will make provision for new and or extensions to the electrical distribution network as well as a telemetry program that monitors the control of the distribution system to keep a balanced even flow of electricity through the system;

4.3 To keep non-technical losses to a minimum, the metering of electricity must be monitored efficiently;

4.4 The billing system must be used to detect possible cases of illegal connections and electricity theft or use without payment;

4.5 Regular metering audits will be carried out to ensure meters are recording correct energy use at registered tariffs; and

- 4.6 If theft is detected, the electricity supply to the premises will be disconnected and a fine will be issued. An attempt will also be made to determine the units stolen and to recover the cost from the consumer.

5. REPORTING

- 5.1 The total losses that a Municipality may incur for electricity must be made public in the annual financial statements.

- 5.2 The combined technical and non-technical losses are circulated monthly between the Financial Services and Engineering Services Departments.

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Acting, Additional, and Secondment and Gratuity Allowance Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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1. PURPOSE

- 1.1 This policy is intended to create a framework for decision-making in respect of acting-, secondment-, additional and gratuity allowance arrangements for the Municipality of Drakenstein;
- 1.2 There are many occasions where employees are needed to act in other positions, be seconded/borrowed to another section/post and where employees are requested to do additional duties. Hence the need for a policy dealing specifically with the matter of acting, secondment and additional allowance arose to give clarity on what employees may be utilized in acting or seconding positions as well as to do additional duties. Payment in these instances, also need to be cleared with definite guidelines; and
- 1.3 The Municipality accepts that from time to time an employee may not be available to carry out his/her duties and responsibilities in terms of the contract or contractual agreement. The Municipality recognised that there would be a need to appoint another employee in an acting capacity to carry out the duties of another employee who is absent for a period or who has resigned and the appointment of the new incumbent is underway. The Municipality also recognised that secondment arrangements can also be applied to ensure that service delivery continue in the absence of a staff member or when additional duties are needed to be attended to in a specific function to provide services to the community.

2. LEGAL FRAMEWORK

The policy was developed with the legislative environment in mind. The following legislation, amongst others, were considered:

- 2.1 Local Government: Municipal Staff Regulations;
- 2.2 Collective Agreement on Condition of Services for the Western Cape Division of the SALGBC;
- 2.3 Local Government Municipal Systems Act (2000);
- 2.4 Local Government Municipal Systems Amendment Act, 7 of 2011; and
- 2.5 Local Government Municipal Structure Act, 117 of 1998.

3. DEFINITIONS

3.1	“Acting Allowance”	Means the monetary differences between the current position and the higher position in which the employee is appointed to act in
3.2	“Additional Allowance”	Means the ex-gratia payment for additional work rendered of a higher post, but not one hundred percent (100%) of the duties of the post, in addition to normal functions performed for a consecutive period of at least twenty (20) working days, including public holidays and compulsory closing of office during the festive season
3.3	“Collective Agreement”	Means a written agreement concluded at the Divisional Bargaining Council regulating terms and conditions of employment or any other matters of mutual interest concluded between SALGA on the one and the Unions on the other hand and for purposes of this policy, the Collective Agreement on Conditions of Service for the Western Cape Division of the SALGBC is relevant
3.4	“Employee”	Referred to herein applies to permanent- and fixed-term contractual posts, who works for the municipality and who receives, or is entitled to receive any remuneration, and any other person who in any manner assists with carrying on or conducting of the business of an employer
3.5	“Employer”	Refers to the municipality that is established in terms of the Provincial Notice 489 dated 22 September 2000 and the Local Government: Municipal Structures Act, Act No 117 of 1998
3.6	“Secondment”	<p>Refers to:</p> <p>3.6.1 the temporary transfer of staff to another position or employment within the municipality; or</p> <p>3.6.2 the temporary transfer of staff to another municipality; or</p>

		3.6.3 the temporary transfer of other government employees to the municipality.
3.7	“One grade higher”	Refers to one post reporting line higher
3.8	“Two grades higher”	Refers to two post reporting lines higher
3.9	Gratuity Allowance	Refers to a lumpsum payment given to an employee for their services rendered over a period of time

4. POLICY CONTENT

The policy applies to all employees who are appointed in an acting or secondment capacity or performing additional duties in a post they ordinarily do not occupy.

4.1 Acting appointment

4.1.1 In the absence of a delegation policy specifically identifying persons authorised to appoint staff in an acting capacity, including the extension of such appointments the City Manager and/or the Executive Director of the relevant department has the authority.

4.1.2 Acting in a higher post does not create any expectation for appointment to the higher post and places no obligation on the employer to appoint the employee at any stage to the higher post.

4.1.3 The principle of acting

- (a) An acting appointment may be made to a funded post in order to ensure that the disruption of services is minimised;
- (b) In selecting a person to act in a post, the following must be considered:
 - (i) The relevant requirements of the post and the person’s performance;
 - (ii) The municipality’s development needs; and
 - (iii) The municipality’s employment equity policy.
- (c) A person may only be appointed in an acting position for a period not exceeding three (3) consecutive months;

- (d) Despite 4.1.3(c), the City Manager, or his/her delegate, may extend the period in 4.1.3(c) for a further period of three (3) months, if there is justifiable reason to do so;
- (e) Any further extension made under 4.1.3 shall not exceed a period of nine (9) consecutive months, whereafter the post must be advertised and filled on a competitive basis;
 - (i) The nine (9) month maximum acting period, is inclusive of the initial acting request period and the extended acting period(s);
- (f) An employee must work for at least ten (10) consecutive working days to be entitled to an acting allowance, including public holidays and compulsory closing of office:
 - (i) Hence, the employee must not take any form of leave during this ten (10) day period;
 - (ii) If an employee is approved to act for three (3) consecutive months and any form of leave is taken within the three (3) month acting period, excluding the public holidays and compulsory closing of office during the festive season, the leave days taken will be deducted when calculating the acting allowance; and
 - (iii) If approval is received to extend an employee's acting period and any form of leave taken, including public holidays and compulsory closing of office during the festive season, after the three (3) month period will not be deducted when calculating the acting allowance beyond the three (3) month acting period, and only if the acting period runs consecutively.
- (g) The performance of an employee appointed to act in a post must be assessed;
- (h) The appointment to act in a post must be:
 - (i) With the consent of the employee;
 - (ii) In writing;
 - (iii) Authorised by the City Manager or the person to whom the function is delegated; and
 - (iv) The employee can only commence with acting once (i), (ii) and (iii) have been concluded.

- (i) Unless otherwise dictated in the appointment of the acting post, an employee of a municipality who is acting in a higher post in the same municipality must continue to perform all the duties of the post that the employee ordinarily occupies during the acting period;
 - (i) This will also apply to an employee who is acting in a post that is equivalent to the post that the employee ordinarily occupies;
- (j) An employee may only act in a post that is equivalent to or one (1) grade higher than the post that the staff member ordinarily occupies;
 - (i) When acting in a post that is one (1) grade higher, an acting allowance equal to the difference between his/her pensionable salary and the commencing notch of the salary scale of the post in which he/she is acting shall be paid to the employee for the period of acting;
 - (ii) When acting in a post that is equivalent to the post of the acting employee or in a post that is one (1) grade higher, and the employee's salary is the same or more than that of the post in which the employee is acting, an acting allowance calculated on ten percent (10%) of his/her pensionable salary shall be paid;
- (k) The employee appointed to act in a post must have the requisite competencies to be able to perform the duties associated with the post;
- (l) Acting allowances is fully taxable;
- (m) The acting employee shall in addition to his/her salary receive the approved acting allowance for the period of acting; and
- (n) A person acting in a higher post has no right or expectation to be appointed to that post, except as otherwise provided in this policy.

4.1.4 Acting as City Manager

- (a) The Municipal Systems Amendment Act (7/2011) in Section 54A(1)(b) and together with subsection (2)A it reads that Council must appoint an acting City Manager under circumstances and for a period as prescribed and that the appointed acting City Manager must at least have the skills, expertise, competencies and qualifications as prescribed;
- (b) In Section 54A(2A)(a) and (b) of the Municipal Systems Amendment Act (7/2011) it indicates that a person appointed as acting City Manager may not be appointed to act for a period exceeding three months and that Council may in special circumstances and on good cause, apply in writing to the MEC for Local Government for an extension of the acting period that does not exceed three (3) months;
- (c) An acting allowance equal to the difference between sixty percent (60%) of the cost to company package of the employee acting and sixty percent (60%) of the cost to company package of the City Manager shall be paid to the employee for the period of acting;
- (d) The employee shall in addition to his/her salary receive an acting allowance for the period of acting;
- (e) The Municipal Staff Regulations do not apply to an Executive Director appointed as Acting City Manager;
- (f) The salary component for determining the acting allowance will be calculated on sixty percent (60%) of the remuneration package of the post in which the employee is acting;
- (g) An employee is entitled to an acting allowance when an employee acts as City Manager for a minimum of ten (10) consecutive working days, including public holidays and compulsory closing of office during the festive season;
- (h) The City Manager may authorise the acting memorandum for payment of an acting allowance of an employee who acts as City Manager during the absence of the Executive Director: Corporate Services; and

- (i) Acting allowances is fully taxable.

4.1.5 Acting as Executive Director (Section 56) or other fixed term contractual post

- (a) Council, subject to the Local Government: Municipal Systems Act, 2000 and in consultation with the City Manager, may resolve that an employee should act in a Section 56 post or other fixed term contractual post, in which case the following shall apply (this is subject to the Collective Agreement on Conditions of Service for the Western Cape of the SALGBC):

- (i) The employee shall in addition to his salary receive an acting allowance for the period of acting; and
- (ii) The salary component for determining the acting allowance will be sixty percent (60%) of the remuneration package of the Section 56 post or fixed term contractual post in which the employee is acting.

- (b) An employee is entitled to an acting allowance when he/she is requested by written instruction by the City Manager to act as an Executive Director. The Executive Director of a department in which a fixed term contractual post resorts may request an employee to act in such a fixed term contractual post;

- (c) An employee acting in a higher post must undertake all the duties and responsibilities attached to the higher post for a period of at least ten (10) consecutive working days, including public holidays and compulsory closing of office during the festive season;

- (d) The Executive Director: Corporate and Planning Services or in his/her absence the City Manager, may authorise payment of an acting allowance to an employee who acts as Executive Director; and

- (e) Acting allowances is fully taxable.

4.1.6 Acting as Manager of a Department

- (a) An acting allowance equal to the difference between his/her pensionable salary and the commencing notch of the salary scale of the post in which he/she is acting shall be paid to the employee for the period of acting;
- (b) The Executive Director: Corporate and Planning Services or in his/her absence the City Manager may authorise the acting payment of an acting allowance to an employee who acts as Manager within a Department;
- (c) An employee is entitled to an acting allowance when he/she acts as Manager within a department for a minimum period of ten (10) consecutive working days, including public holidays and compulsory closing of office during the festive season; and
- (d) Acting allowances is fully taxable.

4.2 SECONDMENT(S)

4.2.1 The principles of secondments of staff for employees within the same municipality

- (a) An employee is entitled to a secondment allowance when he/she is seconded in writing by his/her Executive Director or by another manager authorised in terms of Council's delegation policy to perform all the duties and functions of a funded post on the approved organisational structure for a period of at least ten (10) consecutive working days, including public holidays and compulsory closing of office during the festive season;
- (b) An employee may only be seconded to a post that is equivalent to or one (1) grade higher than the post that the employee ordinarily occupies;
- (c) An employee is deemed to be seconded to another post when he/she:
 - (i) has given consent on the arrangement in writing;
 - (ii) the agreement is authorised by the delegated authority; and

- (iii) the employee can only commence with the secondment once 4.2.1(c)(i) and (ii) has been concluded;
- (d) An employee who is seconded to another post shall not be responsible for his original duties, functions and powers and a temporary appointment may be made to address original functions of the seconded person;
- (e) The original post will not be filled and will be made available for the seconded person to move back into when the secondment period lapses;
- (f) Subject to existing operational requirements, the time frame of secondment appointments to posts shall be reviewed and agreed upon with the secondi and relevant stakeholders;
- (g) Unless operational requirements dictate otherwise, secondment appointments should be confined to employees reporting directly to the applicable secondment position;
- (h) A seconded person must have the necessary skills and requirements for the seconded position; and
- (i) A person may only be appointed in a secondment capacity for a period not exceeding three (3) consecutive months:
 - (i) The three (3) month period may be extended by the delegated authority for a further three (3) months, if there is justifiable reason(s) to do so.

4.2.2 Secondment allowance calculation for employees within the same municipality

- (a) The seconded person will be getting the difference between his/her pensionable salary and the commencing notch of the salary scale of the post to which he/she is seconded;
- (b) Where an employee's salary is equivalent to or higher than the commencing notch of the salary of the post to which he/she is

seconded, a secondment allowance calculated on 10 percent (10%) of his/her pensionable salary shall be paid;

- (c) An employee must work for ten (10) consecutive working days to be entitled to a secondment allowance;
 - (i) Hence, the employee must not take any form of leave during the ten (10) day consecutive period;
 - (ii) If an employee is seconded for three (3) consecutive months and any form of leave is taken within the three (3) month secondment period, excluding the public holidays and compulsory closing of office during the festive season, the leave days taken shall be deducted when calculating the secondment allowance; and
 - (iii) If approval is received to extend an employee's secondment period beyond the three (3) month period and any form of leave taken after the three (3) month period shall not be deducted, including public holidays and compulsory closing of office during the festive season, when calculating the secondment allowance and only if the secondment period runs consecutively.
- (d) Where an employee is seconded, there will be a signed agreement indicating the position where the employee is seconded to as well as the period of secondment. For the duration of the secondment period another person may be temporarily appointed in the seconded person's position, subject to the temporary person having the necessary skills and requirements needed to fulfil the tasks and responsibilities.

4.2.3 Secondment of employees to another municipality

- (a) A municipality may second an employee with the relevant competencies to act in a post that is vacant in another municipality;
- (b) The municipalities contemplated in sub-regulation (1) must conclude a written agreement regarding the secondment that specifies:

- (i) The municipality responsible for the costs of the secondment;
- (ii) The duration of the secondment, which may not in each case exceed a period of twelve (12) months;
- (iii) The person to whom the seconded employee must report;
- (iv) The place at which the seconded employee must work; and
- (v) The new job description of the seconded employee.

4.2.4 Secondment of other government employees to municipalities

- (a) A municipality may request national or provincial government, another municipality or any state organ as the case may be, to second a person with the relevant competencies to act in a vacant post for a specific period or until such time that a suitable candidate has been appointed provided that the relevant legislation, terms and conditions of service of that person apply;
- (b) The parties contemplated in sub-regulation (1) must conclude a written agreement regarding the secondment that specifies the issues set out in regulation 26(2); and
- (c) The municipality must inform the MEC of any such secondment and the terms and conditions with that secondment.

4.3 Additional Allowances

4.3.1 The principles of additional allowance

- (a) An employee is entitled to an additional allowance when he/she is requested by written instruction by his/her Executive Director or another authorised manager in terms of Council's delegation policy to perform partial additional duties of an approved vacant funded post, on the approved organisational structure, to a

maximum of two (2) grades higher than the employee performing the additional duties, for a period of at least twenty (20) consecutive working days, including public holidays and compulsory closing of office during the festive season;

- (b) Subject to clause 4.3.1(a) an employee will not be paid an additional allowance whilst he/she is on any form of leave or any other absence during the first twenty (20) days of his/her additional work period;
- (c) If an employee has performed additional work for a consecutive period of two (2) months or longer, he/she will qualify for an additional allowance while on paid leave;
- (d) An employee is deemed to be responsible for the partial duties of a higher post or equivalent post in addition to his/her current post, when he/she has agreed on the arrangement in writing and when the agreement has been authorised by the relevant Executive Director or City Manager (where applicable);
- (d) If an employee has spare capacity to do work of a higher post or on the same level as his/her current post, then it is viewed that the employee is already remunerated for eight (8) hours work;
- (e) If an employee, referring to employee in clause 4.3.1(d), has to work overtime, he/she will receive overtime remuneration subject to the conditions that may apply to the overtime policy;
- (f) The employee performing the additional duties must have the necessary skills and requirements for the post in which the additional duties are performed;
- (g) The period for which the partial additional duties are performed must not exceed nine (9) consecutive working months; and
- (h) The acceptable percentage for entitlement to an additional allowance is a minimum of performing twenty percent (20%)

additional duties and a maximum of eighty percent (80%) additional duties.

4.3.2 Additional allowance calculation

- (a) The employee performing the partial additional duties will receive the difference between his/her own salary and the first notch of the post wherein he/she is performing the additional duties, to a maximum of two (2) post levels higher;
- (b) If the employee performing the additional duties earns equivalent to or more than the first notch of the post, then the employee shall receive ten percent (10%) of his/her pensionable salary;
- (c) Furthermore, additional allowance shall be calculated on a percentage pro-rata of the work that he/she does of the post.
- (d) If for example an employee does forty percent (40%) of the duties of the post then he/she will receive an additional allowance equivalent to forty percent (40%).

4.4 Gratuity allowance

4.4.1 An employee employed in the same municipality may be considered to receive a gratuity allowance should he/she adhere to the following criteria, namely:

4.4.1.1 The employee is requested in writing by the Line Manager and approved by the relevant Executive Director to perform one hundred percent (100%) of the duties as stipulated in the most recently signed job description:

4.4.1.1.1 The approved request to be accompanied by a detailed motivation signed by the Head of the Division and the relevant Executive Director;

4.4.1.1.2 The employee to sign acceptance of the request to one hundred percent (100%) of the duties;

4.4.1.1.3 The post must be budgeted and vacant on the approved organisational structure;

4.4.1.1.4 The vacant budgeted post in which duties will be performed may be equivalent or not more than two (2) grades higher, subject to the employee possessing the inherent requirements of the post.

4.4.1.1.5 The employee may not perform the duties for longer than nine (9) consecutive months;

4.4.1.1.6 The employee qualifies for a gratuity allowance if he/she has performed the duties for a consecutive period of ten (10) days.

4.4.1.7 The calculations will be based on:

4.4.1.7.1 ~~The difference between the salary of the employee performing the duties and that of the vacant budgeted post; or~~

4.4.1.7.2 Ten percent (10%) of the employees basic salary in the event of the employee's salary being more than the vacant budgeted post.

4.5 General Administration

4.5.1 Departments must submit all relevant documentation to Human Resources within two (2) working days after it has been signed off by the relevant Executive Director;

4.5.2 The following documents must accompany allowance requests to the relevant Senior Manager, Executive Director and/or City Manager (where applicable) for authorisation:

- (a) Cover memorandum signed by the Executive Director detailing the request for the allowance(s);
- (b) Signed prescribed template(s);
- (c) Copy of organogram reflecting the vacant post;
- (d) Copy of signed Job Description in which duties will be performed;
- (e) Proof of relevant requirements of vacant post such as qualification(s) as stated in the Job Description;

- (f) The authorisation of the prescribed templates also serves as confirmation that supporting documents have been verified by the relevant Senior Manager, Executive Director and/or City Manager (where applicable); and
- (g) Proof of funding of the approved vacant post in which acting-, additional- and secondment duties will be performed.

4.3.3 The signed and supporting documents to be submitted to Human Resources five (5) working days before an employee commences his/her duties.

4.5.1 The process and action steps for acting, additional work or secondment duties

- 4.5.1.1 The employee confirms acceptance of the acting, additional work or secondment request by signing the template which shall be signed by the Line Manager and authorised by the Executive Director and/or the City Manager, where applicable;
- 4.5.1.2 The authorised prescribed documentation must be forwarded to the Senior Manager: Human Resources for processing;
- 4.5.1.3 The acting arrangements must be communicated to the relevant employee(s);
- 4.5.1.4 Acting-, Additional- and Secondment allowances are prepared by Human Resources and signed off by the Executive Director: Corporate and Planning Services and/or City Manager (where applicable) whereafter amounts and calculations are verified before any payments can be made; and
- 4.5.1.5 The Senior Manager: Human Resources and staff will ensure that the relevant approved documentation is placed on the incumbent(s) personnel file.

5. BUDGET

- 5.1 Acting appointments, additional duties, secondments and gratuity allowance may only take place in funded vacant post on the approved organisational structure; and

- 4.5.3 Finance to confirm the funding of the approved vacant post in which acting, additional, secondment **and gratuity allowance duties** will be performed.

6. ROLES AND RESPONSIBILITIES

Role	Responsibility
City Manager	Authorise relevant Acting / Secondment / Additional duties and gratuity arrangements / and payment of allowances
Executive Director	Authorise relevant Acting / Secondment / Additional duties arrangements
Executive Director: (Corporate and Planning Services)	Determine Acting / Secondment / Additional / Gratuity allowances and the conditions regulating such allowances, and is responsible for the administration of the policy
Head of Department / Division	Make recommendations with regard to Acting / Secondment / Additional / Gratuity duties arrangements, complete the documentation and obtain the relevant approvals in compliance with the policy
Senior Manager: Human Resources and relevant staff	Guide the process. Ensure correct completion of the documentation and ensure that payroll is informed in time. Ensure that all records are kept on the incumbents personnel file.
CFO and Financial Services	Ensure the correctness of the allowance calculations, give effect to payment of allowances and confirms the funding of the approved vacant post.
Employee	Agree to the Acting / Secondment / Additional / Gratuity duties arrangements and undertake to resume all the duties and/or partial responsibilities attached to the post.

7. RECORD KEEPING

Adequate records of acting / secondment / additional duty arrangements need to be maintained by the HR Division.

8. DISPUTE RESOLUTION

Where the content of this policy is covered by Legislation and/or an existing collective agreement, disputes about the interpretation/application of such content shall be resolved as per the dispute resolution mechanism of the collective agreement.

DRAFT



Benefits Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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1. PURPOSE

The purpose of this document is to give guidelines on municipal personnel benefits.

2. LEGAL FRAMEWORK

This guideline framework obtains its legal and general mandate from the following, include, but not limited to:

- 2.1 The SALGBC Main Collective Agreement;
- 2.2 The Accredited Medical Scheme rules;
- 2.3 The Essential Vehicle Allowance Policy;
- 2.3 The Recruitment and Selection Policy;
- 2.4 The Salary and Wage Collective Agreement;
- 2.5 The Pension Fund Rules;
- 2.6 The Western Cape Conditions of Service Agreement;
- 2.7 The Collective Agreement on Conditions of Service for the Western Cape Region of the SALGBC;
- 2.8 The Basic Conditions of Employment Act of 1998;
- 2.9 The Labour Relations Act (Regulations) of 1995;
- 2.10 The Local Government Municipal Systems Act 32 of 2000;
- 2.11 The Employment Equity Act of 1998; and
- 2.12 The Cost Containment Regulations.

3. SCOPE

- 3.1 This document applies to all permanent employees and to pensioners only where mentioned; and
- 3.2 This document excludes temporary employees and Section 56/57 employees.

4. DEFINITIONS

4.1	Accredited Schemes	Means a scheme approved annually by SALGA as a Medical Scheme to which officials may belong.
4.2	Life Partner	Means a life partner is considered as a permanent life-long relationship of not less than 2 consecutive years.
4.3	Spouse	Means a legally/lawfully married individual

5. ACRONYMS

5.1	LAH	LA Health
5.2	BON	Bonitas
5.3	KEYH	Keyhealth
5.4	Samwumed	Samwumed
5.5	Sizwe Hosmed	Sizwe Hosmed
5.65	CRF	Consolidated Retirement Fund
5.76	LARF	LA Retirement Fund
5.87	NFMW	National Fund for Municipal Workers
5.98	MWRF	Municipal Workers Retirement Fund
5.109	SALA	South African Local Authority
5.110	Section 56/57	Refers to Executive Director and City Manager

6. MEDICAL AID CONDITIONS

6.1 Medical aid (active permanent members)

6.1.1 The Employer shall contribute sixty percent (60%) of the monthly membership contribution of the medical aid schemes, and the employees contribute forty percent (40%), unless otherwise stated in applicable legislation;

6.1.2 Dependants will remain as dependants subject to the conditions of the respective medical aid schemes;

6.1.3 Membership to an accredited medical aid scheme is not an automatic benefit but shall be applied for and accompanied by relevant documentation; and

6.1.4 The benefit will be implemented upon approval of membership received from the respective medical aid scheme.

6.2 Medical aid (pensioners)

As prescribed in the Post-Retirement Medical Aid Policy.

6.3 Membership of dependants of the Principal Member

- 6.3.1 A life partner of a principal member will be entitled to the medical aid benefit while the principal member is still in service and belonging to an accredited medical aid scheme, but subject to the provision of all of the below-mentioned information, namely:
 - 6.3.1.1 An affidavit, each from the life partner and from the principal member, declaring that their relationship is a permanent life partnership in which they each undertook reciprocal duties of support;
 - 6.3.1.2 An affidavit, each from the life partner and from the principal member declaring the period of their permanent life partnership. Only a permanent life partnership of two (2) years or more will be entitled to the benefit;
 - 6.3.1.2.1 An affidavit from a family member of each of the life partners declaring their life partner relationship;
 - 6.3.1.3 A bank statement or municipal account confirming the joint residential address of the life partner and principal member; and
 - 6.3.1.4 Proof of membership from the accredited medical aid scheme that the life partner is registered as a spouse dependant.
- 6.3.2 A spouse of a principal member married through customary marriage, will be entitled to the medical aid benefit while the principal member is still in service and belonging to an accredited medical aid scheme, subject to the provision of all the below-mentioned information, namely:
 - 6.3.2.1 Proof of membership from the accredited medical aid scheme that the spouse is registered as a spouse dependant; and
 - 6.3.2.2 A certified marriage certificate declaring the customary marriage signed by the officiating parties.

6.4 Only accredited medical aid schemes will be subsidized.

7. PENSION FUND

- 7.1 All newly appointed employees must belong a pension fund and will be informed at induction;
- 7.2 It is compulsory for beneficiary nomination forms to be completed:
 - 7.2.1 It is important for nomination forms to be updated when there is a need; and
 - 7.2.2 Employees are encouraged to keep record of their nomination forms submitted.

- 7.3 Employees must complete their own nomination forms and may request the Benefits Section to complete only if written consent is given;
- 7.4 Roadshows on pension related matters will be conducted annually and/or when there is a need;
- 7.5 New membership applications for all newly appointed/existing councillors will be dealt with by the HR Officer: Benefits, as delegated, and checked by the Senior HR Officer;
- 7.6 Employees who do not join a pension fund within three (3) months of employment will automatically be placed on a pension fund scheme as allocated below:

Task level of employee	Pension Fund Scheme
T3 – T5	Municipal Workers Retirement Fund
T6 – T8	Sala Pension Fund
T9 – T10	LA Retirement Fund
T11 – T12	National Fund for Municipal Workers
T13 – T17	Consolidated Retirement Fund

- 7.7 Normal retirement age is sixty-five (65) years; and
- 7.8 Employees who wish to go on early retirement can consult with the Benefits Section.

8. LONG SERVICE RECOGNITION

As prescribed in the Collective Agreement on Condition of Service of the Western Cape

9. MERITORIOUS SERVICE

9.1 For employees rendering twenty (20) consecutive year and more loyal meritorious services, at date of exiting Council' service, the employer will arrange payment of monies as indicated below:

- 9.1.1 For 20 years to 22 years an amount of R2 000,00;
- 9.1.2 For 23 years to 25 years an amount of R3 000,00;
- 9.1.3 For 26 years to 29 years an amount of R4 000,00; and
- 9.1.4 For 30 years and more an amount of R5 000,00.

9.2 The amounts in 9.1 will not be affected by the annual salary increase.

10. GROUPLIFE

- 10.1 Council provides grouplife cover for death and disability to all employees, excluding short-term temporary appointments:
 - 10.2.1 Council pays for the full premium for the death and disability cover;
 - 10.2.2 Employees have an option to elect additional cover; and
 - 10.2.3 Employees will bear the cost of paying for their additional cover.
- 10.2 In addition, employees have an option to elect additional cover for their spouse;
- 10.3 Employees should first consult with the Benefits Section when opting to take additional cover, either for themselves and/or for their spouse; and
- 10.4 The employee is responsible to pay the premium for additional spouse cover.

11. PENSION BACKED LOANS/MORTGAGE HOME LOANS

- 11.1 Consideration will only be given for categories as stipulated by the relevant appointed institutions;
- 11.2 All relevant documents as prescribed by the relevant institutions to accompany the completed application form;
- 11.3 The employee must complete his/her own application form, unless otherwise stated on the form where sections need to be completed by the employer; and
- 11.4 An employee may be considered for a home-owners allowance when a house is purchased through a FNB pension backed home loan for the full purchase price of the house and the following supporting documents can be provided:
 - 11.4.1 From the banking institution a home bond statement which serves as confirmation that the employee has a registered home loan with the banking institution that financed the application;
 - 11.4.2 Proof of home address that the employee occupies for which the home allowance is applied for (municipal account); and
 - 11.4.3 Proof that the erf is registered on the applicant's name.

12. ESSENTIAL USER SCHEME

As prescribed in the Essential Vehicle Allowance Policy.

13. HOUSING ALLOWANCE

- 13.1 Consideration will only be given for a housing allowance when below information is submitted with the completed application form, namely:
 - 13.1.1 Proof of registration with the financial institution;
 - 13.1.2 Proof of address (municipal account);
 - 13.1.3 Proof of the lawyer's registration approval and/or deed of sale;
 - 13.1.4 Confirmation that the employee is occupying the residence for which the home allowance is being applied for; and
 - 13.1.5 An affidavit confirming that the Principal member's spouse is not receiving a housing allowance from his/her Employer.
- 13.2 Housing allowances will only be processed when all required documentation is received;
- 13.3 Remuneration for housing allowance will only be implemented once approval is granted; and
- 13.4 Approved housing allowance will only be paid if the bond instalment is deducted from the employee's salary.

14. MONTHLY SALARY PAYMENT DATE

- 14.1 Employees will be remunerated on the 25th of each month, should the 25th fall over the weekend then employees will be remunerated on the Friday preceding the week before that; and
- 14.2 December Salary will be paid a week before Christmas, unless otherwise confirmed by the CFO.

15. ANNUAL INCREASE

The annual salary increase will be dealt with in accordance with the applicable South-African Local government Bargaining Council Collective Agreement.

16. NOTCH INCREASE

- 16.1 Notches of qualifying employees will be adjusted annually at the start of the financial year effective 01 July, subject to any collective agreement that may prescribe otherwise;

16.2 Employees will qualify for a notch increase ~~once~~ if they have worked for the municipality for a continuous period of more than six months from date of appointment by 30 June. Clause 16.2 is detailed below:

16.2.1 If a newly appointed employee commences duty on 1 January, he/she shall only receive a notch increase in July the following year; and

16.2.2 If a permanent employee is successful in applying for an internal post and commences duty on 1 January, he/she will only receive a notch increase in July the following year.

17. NEGOTIATIONS OF REMUNERATION

17.1 Newly appointed staff will commence on the first notch of the basic salary of the applicable T-level;

17.2 Wage negotiations will only be considered when a candidate's current salary is higher than the first notch of the offered salary scale;

17.3 Wage negotiations will not be considered should the candidate earn more than his/her line manager; and

17.4 Employees who applied for higher positions and their current salary are higher than that of the new position, will be moved over with the new scale but will become "Personal to Incumbent".

18. BONUS PAYMENTS/THIRTEENTH (13TH) CHEQUE

18.1 To qualify for a 13th cheque, employees must have been in service of the employer for a consecutive period of twelve (12) months;

18.2 Employees who leave council's employment on retirement, death, resignation and after incapacity due to ill health (medically boarded) process, will qualify for pro-rata bonus payment:

18.2.1 Employees who exits council's employment due to dismissal will not qualify for a pro-rata bonus payment;

18.2.2 Employees who are incarcerated and not dismissed only qualifies for pro-rata bonus calculated on the days the employee was at work;

18.3 If needed, too much unpaid leave may also lead to deduction from the employee's bonus, subject to the awareness and approval of the affected employee; and

18.34 Employees who have continuously worked for more than 30, 35, 40 and 45 years for the municipality will qualify for a 14th cheque as determined by the

applicable Conditions of Employment of the Western Cape Collective Agreement from time to time;

- 18.45 Temporary employees are not eligible for a 13th cheque;
- 18.56 Long term contract employees appointed on total cost to company must make provision when structuring their package for an annual bonus which will be payable in their birth month annually for the duration of the contract;
- 18.67 The 13th cheque will be payable to the applicable employees as per the current arrangement during November, December and February each year; subject to any changes that may be required from time to time;
- 18.78 Employees who do not wish for their bonus tax to be payable at once when bonuses are paid, will be eligible to sign a bonus spread sheet annually, this spreadsheet is obtainable from the salary office; and
- 18.89 Should an employee (9.7) terminate his/her services before the bonus month, the bonus spread will be automatically refunded by means of tax reduction payments in his final salary.

19. PERMANENT EMPLOYEES APPOINTED ON TOTAL COST TO COMPANY

- 19.1 The annual increase for employees appointed on Total Cost to Company will be based on basic salary;
- 19.2 Total Cost to Company employees who are permanent will qualify for a salary notch increase;
- 19.3 A notch increase will be based on basic salary;
- 19.4 Salary increments will also be applicable to benefits as determined by the wage and salary agreement from time to time; and
- 19.5 No new employees will be appointed on Total Cost to Company.

20. PROMOTIONS

- 20.1 A staff member who is appointed in accordance with the terms of Recruitment and Selection to a post in a municipality that is higher in salary level or job grade than the one that he or she previously occupied in that municipality, is deemed to be promoted to that post; and
- 20.2 A staff member who is promoted does not forfeit his or her years of service and the benefit which accrued from those years of service.

21. WITHDRAWAL OF RESIGNATION- OR EARLY RETIREMENT DATE

- 21.1 Should an employee wish to withdraw his/her resignation or early retirement while still in service and serving the one-month notice period, the employee is to provide written request and a memorandum from the relevant Executive Director within ten (10) working days of the initial notification of resignation or early retirement date; and
- 21.2 The request must be supported by the Executive Director and approved by the City Manager.

22. EXCEPTIONS

Deviations to this policy may be approved by the City Manager upon recommendation from the Executive Director Corporate and Planning Services on good cause. However, any content of this policy covered by a Collective Agreement and/or Legislation shall not be deviated from.

23. ROLES AND RESPONSIBILITIES OF HUMAN RESOURCES

- 23.1 To keep all information strictly confidential;
- 23.2 To keep documentation safely stored for reporting and audit purposes;
- 23.3 Submit approved applications timeously to Payroll for payment and to relevant stakeholders for information purposes;
- 23.4 Where applicable, prepare documentation for tender processes such as for the GroupLife;
- 23.5 Ensure that all relevant remuneration documents are filed in a safe place;
- 23.6 Ensure that the required information is sent to salaries timeously;
- 23.7 Ensure that the annual increase calculations are populated and saved on Collaborator;
- 23.8 Ensure that salaries are populated as per TASK scales Wage and Salary Increase Collective Agreement;
- 23.9 Sections within Human Resources to internally communicate relevant information timeously; and

23.9¹⁰ Maintain confidentiality.

24. ROLES AND RESPONSIBILITIES OF PAYROLL

- 24.1 Implement approved payment requests received from Human Resources;
- 24.2 Keeping updated records of payments requests for reporting and audit purposes;
- 24.3 Inform Human Resources of any anomalies;
- 24.4 Ensure that employees receive their remuneration on time on the date as agreed by Council;
- 24.5 Ensure that pay slips are available to employees within 48 hours after payment date;
- 24.6 Ensure that the relevant cost centres are in place before salary day;
- 24.7 Ensure that all relevant pay companies are created in the system and applicable employees reflect in the correct company; and
- 24.8 Maintain confidentiality.

25. ROLES AND RESPONSIBILITIES OF DEPARTMENTS

Responsible to inform Human Resources (Labour Relations, Leave Administration, Benefits, Recruitment and Selection) timeously on matters which may lead to an employee receiving a full salary/bonus for which he/she is not entitled to such as employees who are incarcerated, unauthorised absence of employees for longer than ten (10) consecutive days, formal notification of employees' resignation and retirement requests.

26. IMPLEMENTATION AND MONITORING

This policy will be monitored and effective from date of Council approval.

27. COMMUNICATION

This policy will be communicated to all employees.

28. RECORD KEEPING

Adequate records need to be maintained by the HR Division and will also be stored electronically.

29. DISPUTE RESOLUTION

Disputes will be dealt with in terms of the Bargaining Council dispute resolution and relevant legislation.

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Relocation Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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1 DEFINITIONS

All other terminology used in this policy shall bear the same meaning as in the applicable legislation.

New appointment/appointees	Refers to a person in the employment of the Municipality and includes someone that has received and accepted an offer of employment.
Relocation	Refers to moving of furniture and equipment from one town to another.
Drakenstein Municipality	Refers to any town in the Drakenstein Municipality area.
Equipment	Tools

2. PURPOSE

The policy provides for relocation costs for new appointment who must relocate to Drakenstein Municipality. Employees that are transferred at the request of Drakenstein Municipality to another locality, necessitating a residential change will also be addressed by this policy.

3. LEGAL FRAMEWORK

Basic Conditions of Employment Act, act 77 of 1997 (BCEA).

4. SCOPE AND APPLICATION

This policy applies to all new appointees of Drakenstein Municipality and/or prospective employees who reside outside Paarl, as well as employees who are transferred at the request of Drakenstein Municipality to another locality within the municipality, necessitating a residential change.

5. RELOCATION COSTS

5.1 Removal Expenses

- 5.1.1 Drakenstein Municipality will carry the cost of relocation, which will be payable after the appropriate supply chain management processes have been followed. That the supply chain process be followed in order to get quotations for the removal;
- 5.1.2 Relocation costs will only be paid for new employees relocating to Drakenstein Municipality area; and
- 5.1.3 All relocation applications must be lodged within ~~3~~ 6 months of appointment, and relocation must occur within 6 months from approval of application.

5.2 Travel Expenses

The employee and/or his/her dependent family is not entitled to any travelling expenses for the acceptance of the offer of employment.

5.3 Internal Appointments

When an employee of Drakenstein Municipality voluntarily and at his/her own accord applies for a position within Drakenstein Municipality service, and is successful in a position warranting moving to a different location within the boundaries of the Drakenstein Municipality, removal costs will be at the employee's expense

5.4 Internal Transfer

- 5.4.1 Should Drakenstein Municipality transfer an employee for operational reasons within the boundaries of the municipality, and such post warranting moving to another area or office, Drakenstein Municipality shall bear the full costs of removal;
- 5.4.2 Should the employee not relocate then the municipality will provide the employee with a travelling allowance which amounts to the rates which will be determined as per AA tariffs;
- 5.4.3 The allowance will phase out after two (2) years; and

5.4.4 The employee will on a monthly basis be required to fill a log sheet for payment of the number of days travelled; in a month.

5.5 Exclusions

Drakenstein Municipality is not responsible for expenses associated with storage of employee's household goods. This is the sole responsibility of the employee.

5.6 Employee Obligations

Should any employee whose removal expenses have been paid by Drakenstein Municipality resign within a period of less than 12 calendar months, the total relocation expenses will be recovered by Drakenstein Municipality.

6. IMPLEMENTATION AND MONITORING

This policy will be implemented and effective once recommended by the Local Labour Forum and approved by Council.

7. COMMUNICATION

This policy will be communicated to all Drakenstein Municipality employees using the full range of communication methods available to the municipality.

8. POLICY REVIEW

This policy will be reviewed when and as necessary.

9. BUDGET AND RESOURCES

The budget office will set aside financial resources for the Relocation Policy.

10. DISPUTE RESOLUTION

Any dispute arising from this policy due to ambiguous wording or phrasing shall be referred to the Executive Director: Corporate and Planning Services for adjudication.



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Preferential Procurement Policy

Date of Approval/Review by Council	Implementation Date

Signed by the City Manager	Signature Date

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1. Definitions

- 1.1 In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –
- 1.1.1 **“the Act”** means the Preferential Procurement Policy Framework Act, Act No. 5 of 2000 as amended;
- 1.1.2 **“B-BBEE”** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;
- 1.1.3 **“B-BBEE status level of contributor”** means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
- 1.1.4 **“Broad-Based Black Economic Empowerment Act”** means the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003 as amended;
- 1.1.5 **“district municipal area”** means the Cape Winelands District Municipal Area;
- 1.1.6 **“EME”** means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
- 1.1.7 **“highest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;
- 1.1.8 **“locality”** means the registered address of the tenderer;
- 1.1.9 **“lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;
- 1.1.10 **“municipal area”** means within the jurisdiction of Drakenstein Municipality;
- 1.1.11 **“Municipality”** refer to Drakenstein Municipality;
- 1.1.12 **“Policy”** means the Preferential Procurement Policy of Drakenstein Municipality;

1.1.13 **“proof of B-BBEE status level of contributor”** means

- a) The B-BBEE status level certificate issued by an authorised body or person;
- b) A sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or
- c) Any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

1.1.14 **“proof of locality”** means a –

- a) municipal account in the name of the tenderer not older than 90 days; or lease agreement where the tenderer is the lessee; or an affidavit in cases where the tenderer is not a municipal account holder or is not a lessee to a lease agreement confirming the registered address of the tenderer; or
- b) Any other proof of locality that is to the satisfaction of the Municipality, including but not limited to, company registration documents as issued by the Companies and Intellectual Property Commission (CIPC) and the Central Supplier Database (CSD) registration report indicating the registered address of the tenderer;

1.1.15 **“province”** means the Western Cape Province;

1.1.16 **“price”** means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

1.1.17 **“rand value”** means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

1.1.18 **“the Regulations”** means the Preferential Procurement Regulations, 2022 as issued by the Minister of Finance

1.1.19 **“specific goals”** means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;

1.1.20 **“tender”** means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation that includes formal written price quotations, competitive bids and deviations from the official procurement processes as defined;

1.1.21 **“tender for income-generating contracts”** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions.

2. Identification of Preference Point System

2.1. The tender documents must stipulate –

2.1.1. the preference point system; and

2.1.2. any specific goal as envisaged in section 2(1)(d) and (e) of the Act.

2.2. If it is unclear whether the 80/20 or 90/10 preference point system applies, the tender documents must state stipulate that in the case of –

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

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

2.3. The preference point system will apply from the threshold of R2,000 (incl VAT) for formal written price quotations and above as determined by the Municipality’s Supply Chain Management Policy.

3. Specific goals

- 3.1. Specific goals must be measurable, quantifiable and monitored for compliance.
- 3.2. A maximum of 20 points on the 80/20 preference points system or 10 points on the 90/10 preference points system will be allocated for specific goals as contemplated in the Act for the acquisition of goods and services and income generating contracts. These goals are as follows:
- 3.2.1. B-BBEE that is inclusive of contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability; and
- 3.2.2. locality of enterprises in the municipal area, district municipal area or province that promotes implementing the programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994 the preference point system.
- 3.3. Regarding paragraph 3(2) of this Policy, 50% of the 20 points on the 80/20 preference points system and 50% of the 10 points on the 90/10 preference points system, will be allocated to promote B-BBEE in terms of the following scorecard:

No	B-BBEE status level of contributor	Number of points on 80/20 points system	Number of points on 90/10 points system
1	Level 1 contributor	10	5
2	Level 2 contributor	9	4.5
3	Level 3 contributor	6	3
4	Level 4 contributor	5	2.5
5	Level 5 contributor	4	2
6	Level 6 contributor	3	1.5
7	Level 7 contributor	2	1
8	Level 8 contributor	1	0.5
9	Non-compliant contributor	0	0

3.4. The following points for specific goals per procurement process based on the 80/20 preference point system will be applied:

No	Procurement Process	Procurement ranges (inclusive of all applicable taxes)	Points for Broad-Based Black Economic Empowerment (B-BBEE)	Points for enterprises within Drakenstein municipal area	Points for enterprises within Cape Winelands District region	Points for enterprises within the Western Cape Province
1	Formal written price quotations and competitive tendering	R2,000 – R50 million	10	10	5	2

3.5. The following points for specific goals per procurement process based on the 90/10 preference point system will be applied:

No	Procurement Process	Procurement ranges (inclusive of all applicable taxes)	Points for Broad-Based Black Economic Empowerment (B-BBEE)	Points for enterprises within Drakenstein municipal area	Points for enterprises within Cape Winelands District region	Points for enterprises within the Western Cape Province
1	Competitive tendering	Above R50 million	5	5	2.5	1

3.6. The total number of points allocated towards specific goals must always add up to 20 points on the 80/20 preference points system or 10 points on the 90/10 preference points system.

3.7. A tenderer that is located outside the Western Cape Province will score 0 points for locality.

3.8. A tenderer may not be awarded points for B-BBEE status level contributor if the tenderer intends to subcontract more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that the capability to execute the subcontract.

4. 80/20 Preference Point System for Acquisition of Goods or Services with Rand Value Between R2,000 and R50 Million

- 4.1. The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value between R2,000 and R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where –

- P_s = Points scored for price of tender under consideration;
 P_t = Price of tender under consideration; and
 P_{\min} = Price of lowest acceptable tender.

- 4.2. A maximum of 20 points may be awarded to a tenderer for the specific goals as provided for under paragraph 3 of this Policy.
- 4.3. The points scored for the specific goal(s) must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- 4.4. A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 4.5. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 4.6. A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 4.7. A tenderer failing to submit proof of locality may not be disqualified, but will only score 0 points for locality.
- 4.8. A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 4.9. The points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimals.
- 4.10. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

5. 90/10 Preference Point System for Acquisition of Goods and Services with Rand Value above R50 Million

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

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where –

- P_s = Points scored for price of tender under consideration;
 P_t = Price of tender under consideration; and
 P_{\min} = Price of lowest acceptable tender.

- 5.2. A maximum of 10 points may be awarded to a tenderer for the specific goals as provided for under paragraph 3 of this Policy.
- 5.3. The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- 5.4. A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 5.5. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 5.6. A tenderer must submit proof of locality in order to claim **ing** point(s) for locality.
- 5.7. A tenderer failing to submit proof of locality may not be disqualified, but will only score 0 points for locality.
- 5.8. A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 5.9. The points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimals.
- 5.10. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

6. 80/20 Preference Point System for Tenders to Generate Income or to Dispose of or Lease Assets with Rand Value Between R2,000 and R50 Million

- 6.1. The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender for income-generating contracts with a Rand value between R2,000 and R50 million, inclusive of all applicable taxes:

$$Ps = 80 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where –

- Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender

- 6.2. A maximum of 20 points may be awarded to a tenderer for the specific goals as provided for under paragraph 3 of this Policy.
- 6.3. The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- 6.4. A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 6.5. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 6.6. A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 6.7. A tenderer failing to submit proof of locality may not be disqualified, but will only score 0 points for locality.
- 6.8. A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality as the case may be.
- 6.9. The points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimals.
- 6.10. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

7. 90/10 Preference Point System for Tenders to Generate Income or to Dispose of or Lease Assets with Rand Value Above R50 Million

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

$$P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where –

- P_s = Points scored for price of tender under consideration;
 P_t = Price of tender under consideration; and
 P_{max} = Price of highest acceptable tender.

- 7.2. A maximum of 10 points may be awarded to a tenderer for the specific goals as provided for under paragraph 3 of this Policy.
- 7.3. The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- 7.4. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tendering scoring the highest points.
- 7.5. A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 7.6. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 7.7. A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 7.8. A tenderer failing to submit proof of locality may not be disqualified, but will only score 0 points for locality.
- 7.9. A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality as the case may be.

7.10. The points scored for the specific goals must be added to the points scored for price and the total must be rounded off to the nearest two decimals.

7.11. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

8. Criteria for Breaking Deadlock in Scoring

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

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

9. Remedies

9.1. If the Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must:

9.1.1. inform the tenderer accordingly; and

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

9.2. After considering the representations referred to in subparagraph (1)(b), the Municipality may, if it concludes that such information is false:

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

9.2.2. if applicable, claim damages from the tenderer.

10. Oversight role of Council

For the purpose of oversight, the Accounting Officer must within 30 days of the end of each financial year, submit a report on the implementation of this Policy to the Council.

11. Repeal of the Preferential Procurement Regulations of 2017

11.1. The Preferential Procurement Regulations of 2017 was repealed with effect from 16 January 2023.

11.2. Any tender advertised before 16 January 2023 at which the Preferential Procurement Regulations of 2022 came into effect, must be dealt with in terms of the Preferential procurement Regulations of 2017.

12. Short title

This Policy is called the Preferential Procurement Policy of Drakenstein Municipality.

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