

VIREMENT POLICY

UGU DISTRICT MUNICIPALITY



VIREMENT POLICY

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10. DEFINITIONS

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

References will be made in the policy to particular legislation without quoting it verbatim. The users should therefore refer to the legislation for the exact text.

"Virement", means "a regulated transfer or re-allocation of money from one line item account to another, within the same vote especially public funds."

"Identified Savings", the original budget less all the expenditure incurred and committed orders on that account.

11. OBJECT OF THE POLICY

To introduce a Framework by which departmental budgets can be managed by HOD's to ensure effective financial management.

A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.

12. LEGISLATIVE FRAMEWORK

- a. Chapter 4 of the Municipal Finance Management Act.
- b. The Municipal Budget and Reporting Regulations published in terms of Section 168 of the MFMA.
- c. All relevant budget related Circulars and notices issued by the National Treasury.

13. DETERMINATION OF VOTE

CFO shall determine the number and type of votes to be used and line items to be shown under each vote. In so doing, the CFO shall consider and properly reflect the organisational structure and shall comply with the prescribed budget format of National Treasury. The operating expenditure shall be classified as per the Government Financial Statistics classifications used in the prescribed National Treasury format

14. MANAGEABLE GROUPS OF REVENUE

All manageable revenue which is budgeted for under a department is the responsibility of each HOD to ensure that it is collected.

Must report to the CFO and budget office any deviations that they become aware of which might affect the budgeted estimates.

HOD's are responsible for all grants and donations which are budgeted for under their departments.



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They must report any deviations to the Chief Financial Officer or the budget office in writing. They must seek reasons for deviations from the responsible donor or the transferring sector departments.

If HOD's become aware that budgeted revenue will not materialize or will not be collected, they must inform the CFO or the Budget Office to ensure that revenue will be adjusted downwards in the Adjustments Budget.

15. NON-MANAGEABLE GROUPS OF REVENUE AND EXPENDITURE

No funds Transfers can be made on these groups:-

Depreciation,
Finance Charges,
Departmental Charges,
Investment Income and
Employee Related Costs

16. OPERATING BUDGET VIREMENTS

Operating budget virements can only be done on General Expenses, Contracted Services and Repairs and Maintenance items.

Funds transfer can take place within these groups provided the total approved budget allocation per vote is not exceeded. In order for an account to transfer funds from one item to another, there must be identified savings within the limitations of the approved budget for that group. These must be clearly stated in the formal funding requests submitted to the CFO and the Budget Office. Funds may not be transferred to new line items of the operating budget.

All requests for the transfer of funds must be in writing using the prescribed request forms in Appendix A and B, and must be properly authorised by the Manager and General Manager responsible for that vote and the Chief Financial Officer as per the set limits.

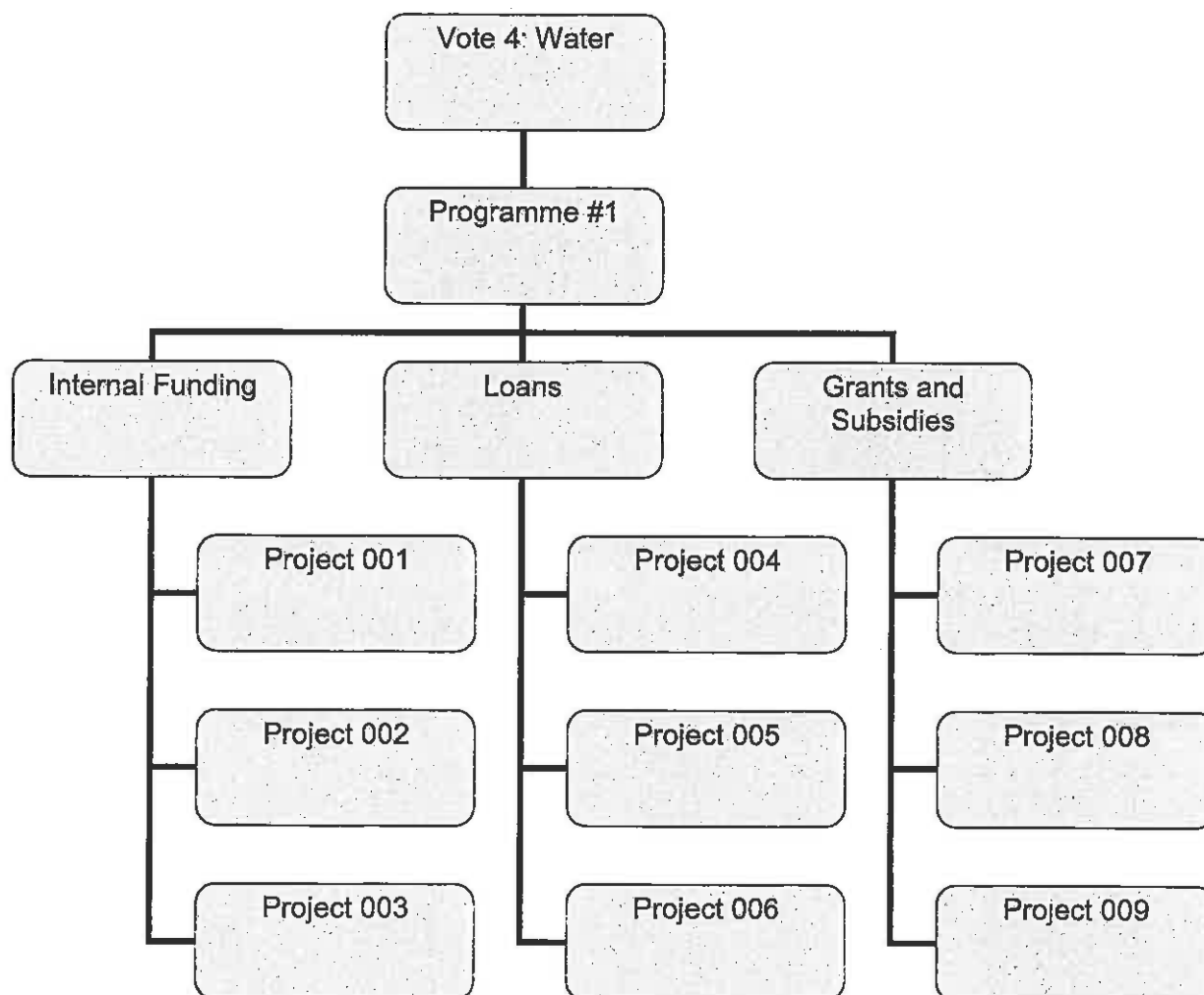
Each HOD is responsible for his own operational budget and must ensure that all expenditure is contained to the approved allocations by Council.

Movement of funds from different sectors and categories will be attended to in the normal Adjustments Budget process annually in February.



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17. CAPITAL BUDGET VIREMENTS



Virements on the Capital budget allocations can be done from one project to another within the same vote and source of funding, i.e. from Water, CRR to Water CRR. Virements cannot be done to a new project which was not part of the approved capital budget. Any other transfer of funds or requests for new allocations must be done through an adjustments budget and approved by Council.

Virements can be done on conditional grant funded projects; provided that there is a written agreement by the said funder.

All requests must be in writing on the prescribed form in Appendix B and must be properly authorised by the responsible Manager, General Manager and the CFO.

18. REVIEW OF POLICY



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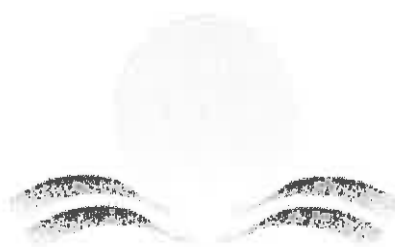
This policy will be reviewed once annually during the Annual Budget Process.

Records of Approval

Meeting	Date	Resolution
Top Management		
EXCO		
Revision 1		
BTS Task Team		
Top Management		
Extended Top Management		
LLF		
Corporate Services Portfolio		
EXCO		



BASIC WATER SERVICES POLICY



UGU DISTRICT MUNICIPALITY
BASIC WATER SERVICES POLICY



BASIC WATER SERVICES POLICY

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BASIC WATER SERVICES POLICY

1. THE LEGAL CONTEXT

“basic water supply” means the minimum standards of water supply services necessary for the reliable supply of water to households to support life and personal hygiene prescribed in terms of the Water Services Act, 1997(Act No. 108 of 1997);

2. OBJECT OF THE POLICY

The Ugu District Municipality fully supports the National Government's Policy on providing free basic services to the poorer section of the community. In that regard it will fully co-operate in implementing the policy. However, being committed to the fundamental principle set out in paragraph 4 above, the financial implications must determine the extent to which water can be provided free to certain consumers. In conjunction with the Provincial Support Units established by the Department of Water Affairs and that Department, the Ugu District Municipality will progressively introduce the policy to its area. Full advantage will be taken of subsidies and grants made available by other spheres of government to enable the Ugu Municipality to implement a policy of free basic water without violating the fundamental principle. In line with the principles of transparency inherent in paragraph 7.1, the people of the area will be informed and consulted on the implementation of the policy as it unfolds. There are two inter-related long-term objectives which will guide the Ugu Municipality in regard to the provision of free basic services and these are:

- a) the elimination of poverty in the Ugu District area, and
- b) the equal treatment of all persons in the area.

Whilst the historic imbalances between the citizens of South Africa are a fact, resulting in a mass of poor people badly provided with basic services, this should not be seen as normal and everlasting. Initially therefore, different levels of service must be provided at affordable or no cost, but the policy is accepted that, over time, realistically computed, these distinction should be eliminated and everyone should be treated equally.

3. PURPOSE

The primary purpose of the basic water services policy is to assist in promoting sustainable access to basic water supply and sanitation to all households.

4. ADMINISTRATION OF FREE BASIC WATER SERVICES

In recognition of the primary importance of having a clean and adequate water supply, the South African government in 2000 introduced the Free Basic Water Policy, which allows for household to get 6 000 litres (6kl) of water per month at no cost. Such service is dependent on the municipality receiving equitable share from National Treasury and as determined by Council from time to time.



BASIC WATER SERVICES POLICY

4.1 FREE BASIC WATER

4.1.1 PRIVATE CONNECTIONS

- Commercial, Government, Bulk users and Industrial users, and other categories be retained with no Free Basic Water allocation, except for users classified in designated zones within the Free Basic Water Policy. All households who fall in the group who qualify for free basic water in terms of Ugu district Municipality will receive a free water usage of 200 litres per day , based on the quota allocation and number of days in a meter reading period. The customer will forfeit this benefit should the consumption exceed the allocation per quota per month depending on the number of days.

4.1.2 QUALIFICATION CRITERIA

- Indigent households
- Rural communities where water is supplied by stand pipes
- Informal settlements where water is supplied by stand pipes
- People served from Springs and borehole water supply in rural areas
- Rain water harvesting schemes
- The Authority or the Authorised Provider may convey any water required as a temporary measure by tanker to any place where such temporary supply of water is required, subject to such conditions and period, which shall not exceed three months, as may be prescribed by it.

5. FREE BASIC SANITATION

Free basic sanitation shall be provided to the following:

- Indigent households
- Rural communities where there is no sanitation infrastructure
- Informal settlements

Records of Approval



BASIC WATER SERVICES POLICY

Meeting	Date	Resolution
Top Management		
EXCO		
Revision 1		
BTS Task Team		
Top Management		
Extended Top Management		
Finance Portfolio Committee		
EXCO		



CREDIT CONTROL AND DEBT COLLECTION POLICY

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CREDIT CONTROL AND DEBT COLLECTION POLICY

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CREDIT CONTROL AND DEBT COLLECTION POLICY

A. **PREAMBLE:**

- The Local Government : Municipal Systems Act No. 32 of 2000 ("the Municipal Systems Act") has as one of its objects the need to ensure financially and economically viable municipalities;
- The Municipal Systems Act also envisages a new system of Local Government requiring an efficient, effective and transparent local public administration that conforms to constitutional principles;
- The Ugu District Municipality has adopted a tariff policy in terms of Section 74(1) of the Municipal Systems Act No. 32 of 2000 which policy reflects the principles enunciated in Section 74(2) and differentiates as it may in terms of Section 74(3) of the Municipal Systems Act;
- The Ugu District Municipality has also adopted By-laws as envisaged in Section 75 of the Municipal Systems Act No. 32 of 2000;
- This policy is adopted in terms of Section 96(d) of the Municipal Systems Act, is consistent with the Ugu District Municipality's rates and tariff policies and complies with the provisions of the Municipal Systems Act;

B. **THE OBJECTIVES AND CONTENTS OF THIS POLICY:**

1. The adoption of this policy has as its principal objective the fulfilment of the requirements of Section 97(1) of the Municipal Finance Management Act, namely to provide for:-
 - a) Credit Control Procedures and Mechanisms;
 - b) Debt Collection Procedures and Mechanisms;
 - c) Provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;
 - d) Realistic targets consistent with:-
 - (i) generally recognised accounting practices and collection ratios; and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts;



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- e) Interest on arrears, where appropriate;
 - f) Extension of time for payment of accounts;
 - g) Termination of services with the restriction of the provision of services when payments are in arrears;
 - h) Matters relating to unauthorised consumption of services, theft and damages; and
 - i) Any other matters that may be prescribed by Regulation in terms of Section 104 of the Municipal Systems Act.
2. To the extent that the differentiation envisaged in Section 97(2) of the Municipal Systems Act is discretionary,
- The Ugu District Municipality has in terms of Section 98 of the Municipal Systems Act No. 32 of 2000 adopted By-laws to give effect to this Credit Control and Debt Collection policy, its implementation and enforcement and for this reason it is not necessary within the framework of this policy to indicate the procedures of implementation, delegation or, otherwise, administration of this policy apart from what is mentioned further herein.

C. **SUPERVISORY AUTHORITY:-**

In terms of Section 99 of the Municipal Systems Act a municipality's executive committee or executive mayor, must:-

- 1. oversee and monitor:-
 - a) the implementation and enforcement of the Municipality's Credit Control and Debt Collection policy and any by-laws enacted in terms of Section 98; and
 - b) the performance of the Municipal Manager in the implementing of this policy and any by-laws;
- 2. Where necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and any such by-laws, in order to improve efficiency in Credit Control and Debt Collection mechanisms, processes and procedures; and
- 3. At such intervals as may be determined by the Council report to a meeting of the Council, except when the Council itself performs the duties mentioned in paragraphs 1 and 2.

D. **IMPLEMENTING AUTHORITY:**



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In terms of Section 100 of the Municipal Systems Act the Municipal Manager or service provider must :-

1. Implement and enforce the Municipality's Credit Control and Debt Collection policy and any by-laws enacted in terms of Section 98;
2. In accordance with the Credit Control and Debt Collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality; and
3. At such intervals as may be determined by the Council report prescribed particulars to a meeting of the Supervisory Authority referred to in Section 99.

E. **DEFINITIONS:**

1. Except to the extent to which the context may otherwise require:
 - a) any word or expression importing any gender or the neuter shall include both genders and the neuter;
 - b) words importing the singular shall include the plural and *vice versa* where the context so requires;
 - c) the following words shall have the meanings assigned to them herein:-
 - (i) "service charges" shall mean all monies that are currently due and payable to the Ugu District Municipality in terms of Section 96(a) of the Municipal Systems Act;
 - (ii) "Municipality" shall mean the Ugu District Municipality;
 - (iii) "Services" shall mean all services provided by the Ugu District Municipality and without limiting the generality of the a foregoing shall include_
 - aa) water supply and connection;
 - ab) sanitation supply and connection;
 - ac) miscellaneous services as specified in the Municipality's tariffs;
 - ad) where sanitation, connection and supply does not apply, sanitation haulage, ad hoc vacuum tanker services, conservancy tank clearances; services relating to industrial effluent;



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- ae) the provision of water borne sanitation;
 - af) or any other services that the Municipality may supply all in terms of the Municipality's tariffs.
- (iv) "consumer" shall mean, without limiting the generality thereof, any natural person or legal entity or generally any member of the public who has made application for services and whose application has been approved.
- (v) "owner" shall mean, without limiting the generality thereof,
- (a) a person in whom is vested the legal title to the premises;
 - (b) in a case where the person in whom the legal title to premises is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
 - (c) in any case where the authority or authorised provider is unable to determine the identity of such person, a person who is entitled to the benefit of the use such premises or a building or buildings thereon, including a person who receives the rent or profits of such premises or any part thereof from any tenant or occupier or who would receive such rent or profits if the premises or any part thereof were let, whether for his own account or as agent for any person entitled thereto or having an interest therein;
 - (d) in the case of premises for which a lease agreement of 30 years or longer has been entered into, the lessee there under;
 - (e) in relation to -
 - (i) a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 95 of 1986, the developer or the body corporate in respect of the common property, or a section as defined in such Act, the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed provider of such person;



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F. THE SCOPE OF THIS POLICY:

1. This policy shall apply solely in respect of all levies, fees, surcharges on fees, service charges and any other monetary amounts due to the Municipality and levied in terms of the Municipality's existing tariffs;
2. Any interest which has already or shall in the future accrue to the Municipality in respect of the rendering of the services;
3. Any collection charges lawfully due to the Municipality.

G. SERVICE AGREEMENTS:-

1. The Credit Control procedure shall commence with an application by a potential consumer for the provision of services;
2. The application aforesaid shall contain at least the following:-
 - a) the full name of the Applicant/s;
 - b) the identity number (in the case of a natural person) or registration number; copies of relevant registration certificate together with certified copy of the resolutions that give permission to apply on behalf of the legal person in the case of a corporate entity or any other legal person;
 - c) the postal address and physical address (which in the case of legal persons must include the address of their accounting officer or principal place of business);
 - d) a copy of the Applicant/s 's identity document or in the case of a legal person its proof of registration; copies of relevant registration certificate together with certified copy of the resolutions that give permission to apply on behalf of the legal person;
 - e) in the event that the Applicant/s is/are not the owner/s of the property at which the services will be supplied then the application must contain:-
 - (i) the consent of the owner to the supply of services on credit to the Applicant;
 - (ii) the owner/s 's full details including a copy of the owner/s 's identity document or proof of registration as envisaged in the preceding paragraphs;



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- (iii) The aforesaid consent shall make provision that in the event of the Applicant/s defaulting in the payment of any amounts due that the owner/s will be held responsible therefore;
 - f) the Applicant's contact details including :
 - (i) telephone numbers (home, work and cellular phone numbers); and
 - (ii) e-mail address (where applicable);
 - g) The amount of the deposit shall be calculated as per policy and payable in advance prior to connection of the service;
3. Every such application shall constitute an offer to the Municipality to enter into an agreement with the Applicant for the rendering of the services applied for which upon acceptance shall constitute a binding agreement between the Municipality and the consumer/s;
 4. Illiterate Applicants must be assisted in the completion of the forms and must affix their mark to the form which mark must be certified by a Commissioner of Oaths as the mark of the Applicant;
 6. The name, address and details of the Applicant's employer shall also be stated;
 7. The Applicant shall also consent on the application form to:-
 - a) an adverse listing with the credit bureau in the event of a default in payment;

H. THE RENDERING OF ACCOUNTS:

The Municipality shall render accounts to all consumers and in this regard in terms of Part 5: Accounts of the Water and Sanitation Services Municipal Bi-laws from time to time

1. Payments can be made at:-
 - (i) Ugu District Municipalities offices in Port Shepstone, Oslo Beach, Harding, Park Rynle offices as well as Satellite Offices;
 - (ii) The South African Post Office and their agencies;
 - (iii) ABSA Bank; and
 - (iv) Easy-Pay outlets, example Pick 'n Pay and Checkers;



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- (v) Selected credit card payments can be made at Port Shepstone, Park Rynie, Harding and Oslo Beach offices.
 - (vi) In addition to the above, Municipality offers debit order facilities and details can be obtained from any of the municipal offices
2. *All Ugu District Municipal Councillors and employees who are deemed to be consumers must not be in arrears for a period longer than 90 days, the municipality reserves the right to recover any such amounts from monies due to the employee in terms of Clause 10, Schedule 2. of the local Government Systems Act*

I. **DEBT COLLECTION PROCEDURE:**

1. The Municipality or any duly authorised collection agent or service provider for the collection of outstanding debt may, in addition to the normal legal procedures for the collection of arrear accounts, also –
 - b) terminate or restrict the supply of services; and
 - c) allocate any payments or pre-payments toward the liquidation of any arrears;
3. In the event of the Municipality terminating the supply of the service, it will be in terms of Municipal By-laws Part 5 (13) "arrears"

J. **INSTALMENT AGREEMENTS (ARREARS ONLY):**

DOMESTIC ACCOUNTS

1. The Municipality recognises that in certain instances domestic consumers may experience difficulty with the payment of a lump sum arrear amount and in such instances will accommodate any domestic consumers who require paying their arrears over an extended period;
2. In these instances the Municipality shall require:-
 - a) an agreement stipulating:
 - (i) the extended period;
 - (ii) the amount payable by the consumer;
 - (iii) any deposits payable.

In such instances all deposits shall be payable either in cash or by bank guarantee.



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3. Each request is treated on its individual merits, however, collection staff will be guided by the following minimum guidelines in entering into agreements of this nature:-
 - a) First time request:-
 - (i) any amount in arrears – a deposit of 10% of the arrear amount is payable immediately with the balance payable over eleven months;
 - b) In case of a default, complete disconnection will be effected and free basic water can be collected from the Ugu Market premises. The full amount becomes due and payable immediately before re-instatement of the supply
 - c) In respect of repeat requests by domestic defaulting consumers or domestic consumers with agreements as envisaged in sub-paragraph (a) above or first time tampering consumers:-
 - (i) any amount in arrears – a deposit of 25% of the arrear amount is payable immediately with the balance payable over eleven months;
 - a. In case of a default, complete disconnection will be effected and free basic water can be collected from the Ugu Market premises. The full amount becomes due and payable immediately before re-instatement of the supply.
4. Reconnection fees and additional deposits must be paid in full before any agreement as aforesaid can be entered into;
5. In the event of such agreements being negotiated with legal entities, then, the agreement must be duly signed by a duly authorised officer of the same and this must be accompanied by personal sureties of a natural person. All such agreements must be accompanied by a resolution of the entity authorising the signatory to sign as aforesaid;
6. In instances where agreements as envisaged in this clause are entered into, a consumer may be required to complete a debit order authority for the payment of the arrears in terms of the agreement.

K. **DISHONOURED CHEQUES:**

The refusal or failure by a bank to honour any cheque payment or debit order by a consumer shall be regarded as non-payment. In this regard:-



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1. The consumer will be contacted telephonically and requested to make a cash deposit equivalent to that of the dishonoured cheque or debit order into the Municipality's bank account within 24 hours of such request;
2. Should the Municipality be unable to contact the consumer as aforesaid, the Municipality shall issue a final demand and proceed as envisaged earlier herein;
3. Should the cheque payment or debit order relate at all to an agreement for extension or reconnection, the supply of the service will immediately be disconnected without any further notice to the consumer and will only be reconnected once the consumer has made payment of the full outstanding balance in cash;
4. In the event of a consumer not having sufficient funds in cash to settle the amount equivalent to the amount of a dishonoured cheque then the Municipality shall be entitled but not obliged to proceed with the institution of criminal charges of fraud against the consumer;
5. All dishonoured cheques shall be retained by the Municipality and only returned to the consumer upon request therefore by the consumer and after reversal of the dishonoured payment;
6. The Municipality shall be entitled to levy an administration fee in order to recover all bank charges and administrative work involved in reversing the entries which fee shall be levied irrespective of the reason for dishonour or non-payment;
7. Details of all dishonoured cheque payments may be forwarded to the credit bureau for processing against the consumer's credit profile.

L. **METER TAMPERING:**

1. Water metering and connection equipment remain the property of the Municipality and any person involved in the tampering with, damaging or theft thereof will be liable to criminal prosecution;
2. Where there exists *prima facie* evidence of any illegal reconnection of a supply, or the tampering therewith, the supply will be immediately terminated. Reconnection of the supply after such termination shall only be effected if the relevant penalty tariff charges has been paid and satisfactory arrangements have been made for the settlement of any outstanding arrears;
3. The detection of any further instances of tampering as envisaged herein will result in termination of the water supply and the removal of any connection equipment. Consumers in such instances will then be required to pay the full costs of a new connection together with a penalty on consumption equivalent to the average usage over the six months preceding the date of tampering together with all outstanding arrear charges before replacement of the equipment and reconnection of the supply will be considered.



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M. **UNOCCUPIED PREMISES:**

1. When a consumer terminates a consumption account and no new consumer is registered the property shall be deemed to be unoccupied;
2. In such instances, a courtesy letter shall be forwarded for the attention of any actual new occupier (should there be one) and served at the premises where the supply has been rendered, requiring the new occupier within 7 (seven) days of the aforesaid letter to register with the Municipality as a consumer and detailing the registration procedures to be followed;
3. A failure by a new occupier to respond to the aforesaid letter will result in the termination/disconnection of the service supplied;
4. In such instances, the property will be linked to the registered owner's name and any basic charges in terms of the tariff shall be levied on a monthly basis and sent by ordinary mail to the most recent recorded address of the registered owner of the property for payment;
5. In the event of water consumption being recorded at a property that has been deemed unoccupied in terms hereof, every effort shall be made to establish the identity of the person responsible for the aforesaid consumption and such person shall be charged accordingly as if he or she were a consumer;
6. However, should attempts at establishing the identity of such person fail then the registered owner of the property shall be liable for any water consumed at the property.

N. **NEW DEPOSITS:**

1. All new consumers are required to pay a minimum deposit in accordance with the applicable Municipality tariff;
2. The calculation of the minimum deposit is based on a three month's estimate consumption as indicated by the consumer;
3. In respect of domestic consumers the Municipality applies four scales of tariffs to determine the deposit payable, namely:-
 - a) Scale 1: 0 – 200 litres per day;
 - b) Scale 2: 201 – 500 litres per day;
 - c) Scale 3: 501 – 750 litres per day;



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- d) Scale 4: 751 – 1000 litres per day.
4. The deposit amount is calculated on the following formula: $3 \times (\text{tariff} \times \text{estimated consumption plus basic charge and Value Added Tax})$;

O. ADDITIONAL DEPOSITS:

1. The value of the original deposit paid or any guarantees held in respect of the aforesaid deposit will be reviewed on a regular basis;
2. Upon such review the Municipality may require a consumer not previously required to pay a deposit for whatever reason, to pay a deposit on request within 10 (ten) days from the date of such request.

COMMERCIAL ACCOUNTS:

1. In these instances where commercial accounts fall into arrears, the Municipality shall require:-
 - (a) Arrears to be paid in full before water supply is re-instated
 - (b) No instalment arrangement shall be accepted for any commercial account
 - (c) In such instances deposits shall be adjusted and payable either in cash or by bank guarantee
 - (d) Reconnection fees and additional deposits must be paid in full before water supply is re-instated
2. The Municipality shall review consumption patterns whenever meter readings are received;
2. Should the amount of the deposit or guarantee held be deemed inadequate after such review, the Municipality shall send a letter requesting the payment of an additional deposit;
3. The value of any such increase in deposit shall be added to the next monthly account.

DOMESTIC ACCOUNTS:

1. In the event of the Municipality detecting an irregular and unacceptable payment pattern then the Municipality shall be entitled to review the deposit held in respect of residential consumers;
2. In the event of such review the relevant consumer shall be sent a request by the Municipality for the payment of an additional deposit;



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3. The value of any such increase of the deposit as aforesaid shall be added to the consumer's next account.

FORFEITING DEPOSITS:

A deposit shall be forfeited to the Municipality if it has not been claimed within a period of 36 months from the date of termination of a service.

P. CLEARANCE CERTIFICATES:

1. Certificates are issued in terms of Section 118 of Systems Act
2. In addition to the afore going the Municipality shall require a deposit equivalent to the cost of three month's average consumption on water and sanitation charges (where applicable);

In case of a vacant stand,
3. Upon payment of the amounts referred to in 1 and 2 above, the Municipality shall issue a clearance certificate within 5 (five) working days of the request for such certificate.

Q. DEBT COLLECTION:

In terms of Water and Sanitation Municipal By-laws Part 5 (13)"arrears"

Paragraph 11

R. WATER AND SANITATION RATES:

1. Water and sanitation rates are an availability charge which is levied against properties where there is water reticulation and waterborne sanitation system in place is charged to the registered owner of the property
2. The water rates year commences on the 1st July of each year and terminates on the 30th June of the following year. Upon the declaration of the rates tariffs, these are advertised as required in terms of existing legislation;
3. Rate payers currently have the option of paying their rates on an annual basis or by monthly instalments. Monthly rates are payable over a maximum period of 10 months commencing on the 1st September of the rates year and terminating on the 30th June of the rates year;



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4. Water rates accounts are posted by ordinary mail during September of each year and the final date for annual payments is the last working day of November in that year;
5. Water rates that are not paid by the final date incur a late payment penalty calculated at 1.25% per month on outstanding rates from the 1st December each year. In the event that these rates remain unpaid after the 31st January of the following year, a once-off collection charge equivalent to 10% of the rates outstanding at the time is levied; however, penalties continue to accrue on the outstanding rates due notwithstanding the once-off charge aforesaid;
6. After the final date for payment of the water rates has expired and in the event of no payment being received by the Municipality a final notice shall be despatched by registered mail to the consumer requiring the payment of the arrear amount and any penalties and interest;
7. Upon expiry of the period reflected in the final notice the Municipality shall :-
 - a) compile a schedule of all arrear rate payers;
 - b) conduct deeds offices searches in respect of ownership of property;
 - c) authorise and institute the necessary tracing action in instances where the consumer's whereabouts are unknown;
 - d) engage legal assistance for the institution of civil legal proceedings against the consumer.

S. **TEMPORARY MEASURES OF ASSISTANCE:**

1. The Municipality recognises that there are instances where rate payers face temporary hardships caused by personal circumstances, poor economic conditions, unemployment, temporary disablement or illness and in such instances the Municipality is willing to accommodate arrangements to settle outstanding arrears;
2. In such instances the following procedures shall apply:-
 - a) consumers may approach the Municipality for arrangements to be made for a maximum period extending up to the 30th June of the current financial year, and in exceptional circumstances, up to 1 (one) month before the final date for payment of rates in respect of the next financial year;
 - b) these arrangements envisage the consumer paying in equal instalments all outstanding amounts including any interest and collection charges that may have been levied by the Municipality;



CREDIT CONTROL AND DEBT COLLECTION POLICY

3. Once such an arrangement has been made the consumer must sign an Acknowledgement of Debt for this purpose and should the consumer renege on this arrangement then the whole outstanding arrear amount, inclusive of penalties and interest shall become immediately due and payable and shall be subject to the normal collections procedures envisaged herein;
4. In exceptional circumstances and so as to ensure payment of the capital sums of rates due and in order to avoid the accrual of further legal costs and other charges, the Municipality may, by resolution waive the payment of any interest, penalties and/or collection charges for a maximum period of 6 (six) months calculated from the date of signature of the Acknowledgement of Debt.

Records of Approval

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EXCO		
Revision 1		
BTS Task Team		
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INDIGENT SUPPORT POLICY

UGU DISTRICT MUNICIPALITY



INDIGENT SUPPORT POLICY

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INDIGENT SUPPORT POLICY

1. PREAMBLE

WHEREAS section 74 of the Local Government: Municipal Systems Act, No. 32 of 2000, requires that the Council should, in formulating a Tariff Policy for the municipality, at least take into consideration the extent of subsidisation of tariffs for poor households;

WHEREAS Council therefore needs to approve an Indigent Support Policy;

WHEREAS such policy must provide procedures and guidelines for the subsidisation of basic services and tariff charges to its indigent households; and

WHEREAS the Council has committed itself to render a basic level of services necessary to ensure an acceptable and reasonable quality of life, which takes into account health and environmental considerations;

NOW THEREFORE the Council of the Ugu Municipality has adopted the **Indigent Support Policy** set out hereunder:

2. DEFINITIONS

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

“Act” means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), as amended from time to time;

“Authorised Officer” means any official of the Council who has been authorised by the Council to administer, implement and enforce the provisions of this Policy;

“by-law” means a by-law adopted by the Council;

“Municipal manager” means the person appointed by the Council as the Municipal Manager of the Ugu Municipalities in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), and includes any person:

(a) Acting in such position; and

(b) to whom the Municipal Manager has delegated a power, function or duty;

“Council” means –

The Council of the Ugu Municipality established by Provincial Notice

No. 1264 of Government Gazette 21807 of 28 November 2000, as amended, exercising its legislative and executive authority through the municipality; or

(a) its successor in title; or

(b) a structure or person exercising a delegated power or carrying out an instruction, where any power in these by-laws has been delegated or sub-delegated, or an instruction given, as contemplated in section 59 of the Act; or

(c) a service provider fulfilling a responsibility under these by-laws, assigned to it in terms of section 81(2) of the act, or any other by-law, as the case may be;

“indigent person” means a person who meets **criteria on qualification for indigent support**.

“municipality” means municipalities within Ugu District Municipality

“services” means the basic services referred to in this policy

“household” means all the people who permanently reside in the dwelling

“dwelling” means property registered in the deeds office or allocated to a family by the Traditional Authority, with an Ugu water connection



INDIGENT SUPPORT POLICY

3. POLICY OBJECTIVE

The objective of the policy is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial means of Council; and
- To provide procedures and guidelines for the subsidisation of service charges and rates to its indigent households, using a portion or the whole of the Equitable Share for this purpose.
- Council also recognises that many of the residents can simply not afford to pay the required service charges and rates, and Council will endeavour to ensure affordability through:
- Setting rates and tariffs which will balance the economic viability of continued service delivery; and
- Determine appropriate service levels.

4. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT

- The indigent subsidy shall apply to a household¹ per dwelling² and not an individual.
- The property must be zoned residential.
- The total gross monthly income of all members of the household must not exceed two old age grants (excluding disability and child grant)
- Household's dependant on social welfare grants only may also apply.
- The applicant as well as any other member of the household shall not own other fixed property other than the one on which they reside.
- Multi unit residential - bulk users and Non Government Organizations are excluded from this policy
- Each household will receive 6kl
- ***Free basic water will not be carried over. Only water consumed in that particular month will be rebated up to a maximum of 6kl.***

5. REQUIREMENTS

The following documents should be submitted together with the application form:

- Copies of identity documents for household members 18 years and above.
- Copies of birth certificates of household members younger than 18 years.
- Copies of proof of income or written affidavits confirming status of employment or circumstances from each household member 18 years and above
- Proof of ownership or occupancy e.g. Title deed or letter from ward councillor confirming occupancy status



INDIGENT SUPPORT POLICY

- Where property owner or account holder is deceased, copy of the death certificate and letter from ward councillor confirming that applicant resides in the dwelling.

6. APPLICATION FOR INDIGENT SUPPORT

- The legal owner of a dwelling who is responsible for the payment of the water and sanitation services account must apply for the household to be registered as indigent.
- Application forms are available from any of the Water Services Offices within the Ugu District Municipality and can also be posted on request.

7. AVENUES FOR SUBMISSION OF APPLICATION FORMS

- Submit through Ward Councillor
- Submit personally to any of Ugu District Municipality offices

8. PROCESSING OF APPLICATION

- Each application will be given a number, registered on the Indigent
- Support application register and an Indigent Support Application card issued to the applicant for control purposes.
- The application will be processed within two weeks of receipt by Municipality in a manner prescribed by the internal processes.
- A letter informing the applicant of the status of the application will be sent to the applicant within two weeks of finalizing the application scrutiny process.
- For the purposes of transparency, on an annual basis the following key information of the recipient's indigent support shall be displayed on all Councils and notice boards of Local Municipalities.
- Names of Households benefiting from the Indigent Support
- Stand number where services are rendered to the recipients
- Any resident may query the qualification of a recipient in writing within
- Days from the date of publication of such listings.
- A report on Indigent Support shall be done to the Budget and Finance Committee quarterly

9. DURATION OF THE INDIGENT SUPPORT BENEFIT

- Indigent support is only provided for a period of 12 months, from date of approval, where after the applicant must submit Form UIS 3, confirming that its circumstances has not changed since its initial application and that it still qualifies for indigent support in terms of the latest criteria.
- The Municipality will send a written notice to the approved household, at least two months prior to expiry of the approval, but the onus still rests on the applicant or another permanent adult occupant on the property to submit Form UIS 3

10. RESPONSIBILITY OF THE INDIGENT SUPPORT APPLICANT/ BENEFICIARY

- Should, at the most, 21 days lapse without receiving any feedback regarding the application, the applicant should enquire as to the status of the application through the call centre.
- The onus is on the beneficiary to inform the Municipality of any change in his/her status or personal household circumstances that might affect their Indigent status.

11. USAGE IN EXCESS OF THE BASIC SERVICE LEVELS



INDIGENT SUPPORT POLICY

- All services used in excess of the basic municipal services level shall be levied at the current scale of tariff and payable on the due date and a device will be installed to control water usage.
- If the excess account is not paid for as and when due, the services shall be restricted to the basic level and the normal credit control and debt collection policy shall be implemented.

12. WITHDRAWAL OF INDIGENT SUPPORT BY THE MUNICIPALITY

- The Indigent support shall be withdrawn by the Municipality in the event of the beneficiary misusing the system or providing incorrect information.
- In this regard the Municipality shall recover from the recipient the amount of relief furnished by debiting the beneficiary's account.
- The Municipality shall apply its credit control policy in accordance with the credit control and debt collection policy.
- The Municipality shall institute a criminal charge of fraud against the beneficiary.
- The Indigent support will cease should the form UIS 3 not be supplied to the municipality.

13. EXTENUATING CIRCUMSTANCES

- In the event of death of one of the member of the household, and where the flow has been limited, full flow will be reinstated from the day of death to the day of the funeral after which the flow shall be limited again.
- In the event of a household member suffers from a sickness requiring excessive usage of water and is under a home based care programme, such a household will be eligible to apply for additional allocation of water, approval of which is subject to the Municipality's conditions.

14. WHAT DOES THE INDIGENT SUPPORT BENEFIT COVER

On approval of the application the Municipality shall provide the following

- Basic Municipal Services which include:
- Access to a minimum safe water supply³ as determined by Council
- Adequate sanitation⁴ as determined by Council
- Once off credit equivalent to the outstanding balance on the dwelling at the date of approval.
- Where there are leaks after the meter or in the property, they may be attended to in terms of the bylaws S58 (4) (c) and the cost may be recovered from the Indigent Support allocation.
- Cost of restriction shall be recovered from the Indigent Support allocation.
- Excess usage in the event of death shall be recovered from the Indigent Support allocation

15. MISCELLANEOUS

- Should any circumstances not covered by this policy regarding the administration of the Indigent Support policy arise, and is urgent, it shall be referred to the General Manager, Treasury.

³ As determined in the annual municipal budget

⁴ As determined in the annual municipal budget.



INDIGENT SUPPORT POLICY

16. COMMUNICATION

- From time to time the municipality will endeavour to communicate its policy adequately, so that members of the community are apprised of the existence of such a policy or any amendments that may have been done by Council.
- Structures, processes and or platforms that shall be used to communicate the benefits of the policy shall include:
 - a) The Ward Committee
 - b) The Ward Councillors
 - c) Community meetings
 - d) Budget and IDP road shows
 - e) Special events
 - f) Local media
- Any communication issued by the municipality must be coordinated by the Communications Unit or the Municipal Manager or his delegated authority.

17. SANITATION REBATE

All applications will be considered on the following basis:

- The Sanitation Rebate subsidy will apply to a household per dwelling and not to an individual.
- Each household shall receive a rebate on the fixed sanitation basic charge as determined by Council.
- The legal owner of a dwelling who is responsible for the payment of the water and sanitation services account must apply for the household to be registered as a sanitation rebate beneficiary.
- The applicant as well as any other member of the household shall not own other fixed property other than the one on which they reside.
- The sanitation rebate shall be withdrawn by the Municipality in the event of the beneficiary misusing the system or providing incorrect information.

Records of Approval

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Top Management		
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CASH AND INVESTMENT POLICY



UGU DISTRICT MUNICIPALITY
CASH AND INVESTMENT POLICY



CASH AND INVESTMENT POLICY

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2. Object of the Policy
3. Cash Management
4. Cash Flow Estimates
5. Investment Ethics
6. Delegation of Authority
7. Investment issue pertaining to Municipal Council Approval
8. Municipal Entities
9. Policy Review
10. Internal Control Procedures
11. Reporting and Monitoring Procedures
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14. Investment Diversification
15. Performance Evaluation
16. Use of Independent Investment Managers
17. Cash Management
18. Unallocated Receipts
19. Payment of Creditors
20. Bank and Cash in terms of the MFMA
21. Management of stock
22. Short and Long-term Debt
23. Conclusion



CASH AND INVESTMENT POLICY

1. DEFINITIONS

In this Investment and Cash Management Policy, unless the context otherwise indicates, a word of expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act No. 56 of 2003 and other related legislations/Regulations, has the same meaning as in that Act.

- **Accounting Officer:** is the Municipal Manager.
- **Act:** means the Local Government: Municipal Finance Management Act No. 56 of 2003, the Local Government: Municipal Systems Act No. 32 of 2000.
- **Accounting Principles:** mean stipulated guidelines to be followed.
- **Acquisition:** means acquiring goods or services through procurement policies.
- **Agents:** mean professional bodies appointed to execute a specific task on behalf of the Ugu District Municipality.
- **Accounts:** mean statement of moneys received.
- **Assignee:** means a person with a delegated authority.
- **Bank:** means an institution recognized by the Registrar of Banks.
- **Bank Account:** is the recognized statement of financial holdings on behalf of the municipality.
- **Cash:** means money, such as bank notes and coin, or cash equivalents.
- **Chief Financial Officer:** means an official, designated by the accounting officer who is responsible for the financial affairs of the municipality.
- **Constitution of the Republic of South Africa, Act No. 108 of 1996:** means the Supreme Law of the Republic of South Africa.
- **Cash Management:** means efficient and effective management of funds.
- **Delegate:** means an official/person delegated to perform tasks on behalf of another person.
- **Delegated Authority:** means any person/persons/committee delegated with the authority to act for on behalf of Ugu District Municipality.
- **Diversification of Investments:** means investing in more, or more than one type of financial instrument.
- **Investment Ethics:** mean ethical framework within which investments must take place.
- **Liquidity:** means the ease with which financial instruments can be converted to cash or cash equivalents.
- **Municipal Entity:** means the developmental arm of the municipality established in terms of the Local Government: Municipal Finance Management Act No. 56 of 2003, in particular.
- **Municipality:** means the Ugu District Municipality.
- **Ownership:** means that all investments must be made in the name of the Ugu District Municipality.
- **Short term investment:** means a financial instrument with a lifespan or maturity of less than or equal to 1 year.
- **Long term investment:** means financial instrument with a lifespan or maturity of greater than a year.



CASH AND INVESTMENT POLICY

2. OBJECT OF THE POLICY

In terms of the Municipal Finance Management Act, Act 56 of 2003, Section 13(2): "Each Municipal Council and Governing body shall adopt by resolution an investment policy regarding the investment of its cash resources not immediately required.

An Accounting Officer has an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible. Competitive investment and effective cash management ensures both short term and long-term viability and sustainability of the municipality. Hence, it is critical for the Ugu District Municipality to have its own investment and cash management policy located within the local government legislative framework. This policy should be read and understood against this background.

The primary and the ultimate goal of the investment of funds is to earn the safety of returns on investment principal, an amount invested whilst managing liquidity requirements and, providing the highest return on investment at minimum risk, within the parameters of authorized instruments as per the MFMA

3. CASH MANAGEMENT

3.1 OPENING OF A BANK ACCOUNT

The CFO will ensure that the municipality opens and maintains the following minimum bank accounts:

- General Bank Account – normal municipal receipts and payments
- External Financing Fund – to record loan receipts and accumulations towards the repayment of such loans
- Capital Replacement reserve – this reserve must be cash backed at all times and therefore requires a separate bank account
- Unutilized Capital Receipts – this is to account for unutilized conditional grant monies and developer contributions, requires a separate bank account and must be cash backed.
- Consumer deposits – this is to account for consumer deposits received and must be cash backed and requires a separate bank account.

A specific account will be identified as a primary bank account and all the allocations from national, provincial and other spheres of government will be deposited into this account



CASH AND INVESTMENT POLICY

3.2 MANAGEMENT OF A BANK ACCOUNT

Only the accounting officer or his/her delegate is authorized to withdraw money from the municipality's bank account and the delegated powers shall be in accordance with limits which will be specified by the accounting officer

The responsibility for the management of all the municipal bank accounts will be allocated by the Chief Financial Officers to the officials of the Treasury department in accordance with their job descriptions

The Chief Financial Officer or his/her delegate will review reconciliations of all the municipal bank accounts on a monthly basis.

3.3 CASH MANAGEMENT

All monies received by the municipality must be deposited into the municipal bank account promptly.

The CFO will establish an internal control procedure for the operation and maintenance of the following process with regards to cash management:

- Receipting, and banking of and reconciliations of daily cash and cheques
- Returned cheque register
- Unallocated receipts/deposit registers

3.4 PETTY CASH

The municipality keeps petty cash floats at two of its offices, that is Treasury office and Park Rynie office.

Each petty cash float will be limited to R2 000 for the Treasury office and R500 for the Park Rynie offices.

Each transaction of petty cash shall not exceed R2 000.

The officials who are responsible for petty cash management will be independent of all other cash functions like cashiering

Comment [f1]: Amounts increased to R 2 000,00

An imprest system of petty cash will be used.

4 CASH FLOW ESTIMATES

Before money can be invested, the Accounting Officer or his/her delegate must determine whether there will be surplus funds after meeting the necessary obligations.

To be able to make investments for any fixed terms; it is essential that cash flow estimates are prepared.



CASH AND INVESTMENT POLICY

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

5 INVESTMENT ETHICS

- The Municipal Manager and his/her delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.
- Under no circumstances may he/she accept bribes into making an investment.
- No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her relationship with the said institution.
- The gift must be declared to the Municipality.

The Municipal Manager and his/her delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Municipal Council. Excessive gifts and hospitality should be avoided at all costs.

5.1 RISK MANAGEMENT

The preservation of principal is the foremost objective of the investment program. To attain this objective, diversification is required to ensure that the Municipal Manager or his/her nominee prudently manages risk exposure. Risk profiles should be minimized by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.

5.2 PRUDENCE

Investments shall be made with care, skill, prudence and diligence. The approach must be that which a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. Investment officials are required to:

- a. Adhere to written procedures and policy guidelines.
- b. Exercise due diligence.
- c. Prepare all reports timeously.
- d. Exercise strict compliance with all legislation.

5.3 OWNERSHIP

All investments must be made in the name of the Ugu District Municipality.



CASH AND INVESTMENT POLICY

6 DELEGATION OF AUTHORITY

The delegation to authorise investments must distinguish between short term & long-term investments. The authority to make long-term investments as provision of security, is vested with the Municipal Council in terms of Section 48 of the MFMA and with reference to section 11(1) (h) of the MFMA dealing with cash management, the responsibility to make short investments lies with the Municipal Manager or Chief Financial Officer or any other senior financial officer authorised by either the Municipal Manager or the Chief Financial Officer/ relevant assignee.

The Local Government Municipal Systems Act of 2000, Section 3, (60) (2) states that the Municipal Council may only delegate to an Accounting Officer, Executive Committee, Mayor or Chief Financial Officer decisions to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

The Chief Financial Officer is responsible for the investment of municipality's funds that are made under section 13 of the Municipal Finance Management Act.

7 INVESTMENT ISSUE PERTAINING TO MUNICIPAL COUNCIL APPROVAL

In the event that an investment that needs to be made, quotations are required from the various financial institutions. In the case of telephonic quotations, the following information is required:

- The name of the person, who gave the quotation,
- The relevant terms and rates and
- Other facts such as if interest is payable on a monthly basis or on a compound basis upon maturation.

Where payments to financial institutions in respect of investments are to be effected by cheque, the following procedures must apply:

- The Manager: Equity & Accounts must complete a cheque requisition form and submit it to the Municipal Manager and the Chief Financial Officer together with the supporting quotations,
- The Municipal Manager and the Chief Financial Officer must either authorize the requisition or submit it to the Municipal Council for authorization depending on the value of the investment,
- When the Municipal Council or the Municipal Manager have authorized the requisition, the Municipal Manager and the Chief Financial Officer or their delegated signatories are required to sign the cheque and submit it to the financial institution concerned.

All investment documents must be signed by two authorized cheque signatories.

The Chief Financial Officer must ensure that a bank, insurance company or other financial institution, which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must:



CASH AND INVESTMENT POLICY

- Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year and
- Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.
- Promptly disclose information of any possible or actual change in the investment portfolio, which could or will have a material adverse effect.

8 MUNICIPAL ENTITIES

The board of Directors of all municipal entities must adopt this cash management and investment policy. Further, the same municipal entities must submit reports, as detailed in the reporting and monitoring procedures, in the same manner as Ugu District Municipality, to the Mayor.

9 POLICY REVIEW

This policy must be reviewed annually and be tabled to the Municipal Council for approval.

10 INTERNAL CONTROL PROCEDURES

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

Name of institution;

- Capital invested;
- Date invested;
- Interest rate; and
- Maturity date and
- Interests earned on investments.

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

The investment register must be examined on a fortnightly basis by the senior official under the direction of the Chief Financial Officer/ assignee as instructed, to identify investments falling due within the next two weeks. An investment plan must then be established for the next calendar month bearing in mind the cash flow requirements.



CASH AND INVESTMENT POLICY

Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her assignee must check that the interest is calculated correctly, in terms of sound universally accepted financial management practices.

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

- Fixed deposit letter or investment certificate;
- Receipt for capital invested;
- Copy of electronic transfer or cheque requisition;
- Schedule of comparative investment figures;
- Commission certificate indicating no commission was paid on the investment; and
- Interest rate quoted.

All investment must be denominated in South African Rand (ZAR)

The Chief Financial Officer or his/her assignee is responsible for ensuring that the invested funds have been invested with financial institutions approved by the Republic of South Africa: National Minister of Finance, Public Investors Commission or with a bank rating of AA and endeavour to minimize risk exposure.

11 REPORTING AND MONITORING PROCEDURES

The Municipal Manager must within 10 days of the end of each month submit to the Mayor or Finance, Budget Control & Monitoring Committee a report describing in detail the investment and cash flow position of the municipality as at the end of the month.

The report must contain a statement, prepared in compliance with generally recognized accounting principles/generally accepted municipal accounting principles, that states the:

- beginning market value for the period
- additions and changes to the market value during the period
- ending market value for the period
- fully accrued interest/yield for the reporting period
- the credit risk rating for the institutions whose securities are held by the municipality as at beginning and end of the reporting period
- investments disposed of due to adverse changes in credit ratings
- diversification of investments
- any investments locked into a time period with an institution that has a rating that is not acceptable according to Fitch, Naspers or CA-ratings.



CASH AND INVESTMENT POLICY

12 PERMITTED INVESTMENTS

The Republic of South Africa: National Minister of Finance may identify by regulation in terms of Section 168 of the Municipal Finance Management Act instruments or investments other than those referred to below in which Municipality may invest:

- Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- Securities issued by the National Government;
- Investments with the Public Investment Commissioners as contemplated by the Public Investment Commissions Act, 1984 (Act No. 5 of 1984);
- Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984);
- Banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);
- Municipal Bonds issued by a Municipality
- Guaranteed endowment policies with the intention of establishing a sinking fund; and
- Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)

13 EXISTING INVESTMENTS

Current investments that were not permitted investments at the time of purchase do not have to be liquidated.

14 INVESTMENT DIVERSIFICATION

The Chief Financial Officer must ensure that available money is not invested with one institution. Investment will be restricted to institutions with a minimum credit rating of [AA].

The maximum term for any investment, may be 2 years, other than ceded investments.

15 PERFORMANCE EVALUATION



CASH AND INVESTMENT POLICY

The performance of the investment portfolio must be evaluated quarterly. The time weighted yield attributable to the investment portfolio must be calculated each quarter and compared with the prevailing returns available on securities issued by the National Government.

A report discussing the performance of the investment portfolio must be submitted to the Chief Financial Officer within 10 days of the end of each quarter.

16 USE OF INDEPENDENT INVESTMENT MANAGERS

Should the need arise to use an investment manager at any time; one will be appointed using Supply Chain Management principles and practices.

17 CASH MANAGEMENT

The Chief Financial Officer, inter-alia, has to ensure financial viability and sustainability of the municipality. In order to achieve this in a sustainable manner, the Chief Financial Officer must ensure that internal financial systems and controls are in place that will enable the Municipality to detect the mismanagement of funds.

18 UNALLOCATED RECEIPTS

All unclaimed and unidentified deposits older than three (3) years shall be publicized in a local newspaper on an annual basis and if unclaimed within the specified time frame, such monies will be transferred to sundry income.

19 PAYMENT OF CREDITORS

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

When considering the time to pay a creditor, proper consideration must be given to the conditions of credit terms of payment offered.

- In cases where a cash discount is given for early settlement, the discount, if the relevant time scale is taken into account, must in most cases be more than any investment benefit that could be received from temporarily investing the funds.
- If discounts are offered for early settlement they must be properly considered and utilized.



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Besides this, the normal conditions of credit terms of payment offered by suppliers, must also be considered and utilized to the full by paying on the due date and not earlier, provided that no worthwhile discount is available or offered.

20 BANK AND CASH IN TERMS OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT Act NO.56 of 2003, Chapter 3, Part 1.

- All names of bank accounts must be changed to the name of the newly created municipality,
- New bank accounts must be opened if required,
- All cheques received from the disestablished municipalities must be banked,
- All bank accounts currently held and transferred to the municipality must be accounted for in the new accounting system,
- The official responsible must ensure that the name change on the accounts has been effected,
- All bank and cash must be made in terms of the Cash Management Policy,
- Every municipality must open and maintain at least one bank account in the name of the municipality and
- All money received by a municipality must be paid into its bank account in the name of the municipality as per the abovementioned legislative framework.

21 MANAGEMENT OF STOCK

Cash management must be improved by seeing that adequate stock control is exerted over all goods kept in stock.

22 SHORT- AND LONG-TERM DEBT

A municipality may only incur debt in terms of the Municipal Finance Management Act No. 56 of 2003. The municipality may incur two types of debt, namely short-term and long-term debt.

22.1. SHORT-TERM DEBT

A municipality may incur short-term debt only when necessary to bridge:

- 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



CASH AND INVESTMENT POLICY

- Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

A municipality:

- Must pay off short-term debt within a financial year and
- May not renew or refinance its short-term debt.

22.2. LONG-TERM DEBT

A municipality may incur long-term debt for purposes of financing its long-term strategic objectives, as outlined in the Constitution of the Republic of South Africa, Act No. 108 of 1996, and Chapter 7 on Local Government.

- *To provide democratic and accountable government for local communities,*
- *To ensure the provision of services to communities in a sustainable manner,*
- *To promote social and economic development,*
- *To promote a safe and healthy environment and*
- *To encourage the involvement of communities and community organizations in the matters of local government.*

23. CONCLUSION

The Municipal Manager in particular and the Chief Financial Officer must ensure that the implementation of this policy is done according to the prescripts. Any deviations due to unforeseen circumstances must be brought to the attention of the Municipal Council in a written form and recommended remedial solutions thereof.



CASH AND INVESTMENT POLICY

Records of Approval

Meeting	Date	Resolution
Manco		
EXCO		
Revision 1_2013		
BTS Task Team		
Manco		
Extended Manco		
LLF		
Corporate Services Portfolio		
EXCO		



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FIXED ASSET MANAGEMENT POLICY

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MUNICIPAL FINANCE MANAGEMENT ACT 2003

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PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GAMAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

Assets held under leases

Finance leases are leases, which in effect transfer all risks and rewards associated with the ownership of an asset from the lessor to the lessee. Assets held under finance leases are capitalized by the municipality and reflected as such in the FAR. It will be capitalized at its leased value at commencement of the lease, which will be the price stated in the lease agreement. The asset is then depreciated over its expected useful life.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due. Assets held under operating leases are not accounted for in the asset registers of the municipality.

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PART 2 FUNCTIONAL RESPONSIBILITIES

The purpose of this section is to prescribe the responsibilities of the Municipality regarding assets as follows:

- 2.1. The Municipal Manager
- 2.2. The Treasury Section: Equity & Accounts.
- 2.3. The Budget Office
- 2.4. The Expenditure Section
- 2.5. The Supply Chain Management Section
- 2.6. Human Resources Section (HR)
- 2.7. Other Departments

2.1. The Municipal Manager

The Municipal Manager or his duly delegated representative is responsible to:

- a) Ensure implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA).
- b) Verify assets in possession of the Council annually, during the course of the financial year.
- c) Keep a complete and balanced record of all assets in possession of the Council.
- d) Report in writing all asset losses, where applicable, to Council.
- e) Ensure that assets are valued and accounted for in accordance with GRAP.

2.2 The Treasury Section: Equity & Accounts.

The Treasury Section: Equity & Accounts:

- a) Shall ensure that complete records of asset items are kept, verified and balanced regularly,
- b) Shall ensure that all departments are doing annual asset verification. The results of this verification must be reported to the Municipal Manager or Council.
- c) The asset verification report shall –
 - i. Reflect a complete list of all assets found during the verification;

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- ii. Reflect whether appropriate records have been maintained reflecting what articles should have been found during verification
 - iii. Reflect any discrepancies between the articles found during verification and the record referred to in paragraph (b);
 - iv. Be submitted to the departments for comment on variances reflected
- d) Shall ensure that the Asset Register is balanced annually with the general ledger and the financial statements.
- e) Shall ensure adequate bar codes and equipment to exercise the function relating to asset control are available at all times.
- f) Provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Asset Register.
- g) Ensure that all audit queries are resolved in a timely manner.

2.3. The Budget Office:

The Budget Office:

- a) Shall ensure that a project is created for approved budgeted capital expenditure that clearly describes the item to be acquired. A clear description of the funding source is also required.
- b) Shall release capital funds only after receiving written authority and a clear and concise description of the item to be purchased.
- c) Shall ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to Treasury Section: Equity & Accounts.
- d) Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Treasury Section in the prescribed format.

2.4. The Expenditure Section

The Expenditure Section:

- a) Shall ensure that invoices authorized for payment are matched to the goods received note before processing such payment.

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- b) Shall if any doubt exists as to whether the invoice is in accordance with policy, query the payment with the relevant department and shall not process a payment until the invoice meets the policy criteria

2.5. The Supply Chain Management Section

2.5.1 The Supply Chain Management Section:

- a) Shall ensure that the correct material group is allocated to asset acquisitions to enable the creation of the relevant work flow message.
- b) The bid committees must comply with and be constituted in accordance with the Supply Chain Management policy.

2.5.2 Expenditure Section: (Stores)

- a) Shall ensure that, before accepting an obsolete or damaged asset or asset inventory item, a completed asset form and condemnation form, counter signed by Treasury Section: Equity & Accounts, are presented.
- b) Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from departments.
- c) Shall compile a list of the items to be auctioned in accordance with their guidelines and the prescriptions of the Treasury Section: Equity & Accounts.
- d) Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- e) Shall ensure that Budget Office is notified of any auctioning or disposing of written-off asset or asset inventory items.

2.6. Human Resources Section

Human Resources Section:

- a) Shall ensure that no monies are paid out on terminations of service without receiving the relevant asset resignation form signed off by the relevant department.
- b) Shall ensure that every asset resignation form is counter signed by the Treasury Section: Equity & Accounts before processing the termination of service.

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2.7. All other Departments

All Departments:

- a) Shall ensure that employees in their departments adhere to the approved Asset Management Policies and Procedures.
- b) Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in his/her department. Budget Office must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the Head of Department.
- c) Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policy.
- d) Shall ensure that the assets and / or inventory items of the municipality are not used for private gain.
- e) Shall ensure that they budget for adequate funds for the purchase of bar coding equipment.
- f) Shall ensure that all their movable assets as reflected on the Asset Register and the Asset Inventory Register are bar coded.
- g) Shall ensure that The Budget Office is notified of any changes in the status of the assets under the departments. This must be done on the prescribed form and include the following:
 - Movements which relate to the writing-off of and transfer of assets (inter departmental transfers).
 - Changes in the estimated useful lives of assets for depreciation purposes.
 - The identification of impairment losses on assets by following the procedures as outlined in this policy document.
- h) Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- i) Shall ensure that a complete asset verification of all inventory and asset items is done during the course of every financial year and that the results of the verification are reported to Budget Office.
- j) Shall ensure that all obsolete and broken inventory and asset items, accompanied by the relevant asset form and attached condemnation forms, are handed in to the inventory management section without delay.

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- k) Shall be responsible for maintaining and managing their own Departmental Asset Inventory Records (DIR) for items that will not be recorded in the Asset Register or Asset Inventory Register. These inventory assets are acquired via the operational budget. The information to be recorded in the DIR must include the description, quantity and location of the items.
- l) Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- m) The detailed projects as created must be categorized and clearly identified as follows:

Immovable Assets:

- Infrastructure assets
- Roads
- Buildings
- Land
- Pedestrian Malls
- Airports
- Recreational Facilities
- Security Measures
- Asset under construction (Only an asset after completion)
- Town Development
- Investment Properties

Movable Assets:

- Office Equipment
- Furniture and Fittings
- Bins and Containers
- Emergency Equipment
- Motor Vehicles
- Aircraft
- Watercraft
- Plant and Equipment
- Vehicles
- Furniture
- Plant
- Small Plant

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PART 3 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and generally accepted municipal accounting practice (GAMAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- where applicable, the identification number, as determined in compliance with part 11 below
- the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- who did the (last) revaluation
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- Accumulated impairment losses to date
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- the source of financing
- the current insurance arrangements

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- whether the asset is required to perform basic municipal services
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

All heads of department under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register, and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 4 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

- land (not held as investment assets)

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- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources)

INVENTORY

- housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

- investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 5 INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

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Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

An expert valuer shall be engaged by the municipality to undertake such valuations unless available in-house.

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 an ordinary fixed asset until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

PART 6 FIXED ASSETS TREATED AS INVENTORY

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 position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

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PART 7 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

If no original costs or fair values are available in the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

PART 8 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the chief financial officer.

PART 9 SAFEKEEPING OF ASSETS

Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

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PART 10 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 11 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 12 CAPITALISATION CRITERIA: MATERIAL VALUE

No item with an initial cost or fair value of less than R5 000 (five thousand rand) – or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager – shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

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Every head of department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stocksheet. Every head of department shall moreover ensure that the existence of items recorded on such stocksheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stocksheets pursuant to such stock verifications shall be retained for audit purposes.

PART 13 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

PART 14 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

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The following matrix will assist in distinguishing capital expenditure from maintenance expenditure: -

Capital Expenditure	Maintenance
▪ Acquiring a new asset ▪ Replacing an existing asset ▪ Enhancing an existing asset so that its use is expanded ▪ Further developing an existing asset so that its original useful life is extended	▪ Restoring an asset so that it can continue to be used for its intended purpose ▪ Maintaining an asset so that it can be used for the period for which it was initially intended.

PART 15 MAINTENANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

PART 16 DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief

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financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the chief financial officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 17 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 18 DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

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However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

Each head of department, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

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 fixed assets.

PART 19 RATE OF DEPRECIATION

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

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PART 20 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 21 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

The chief financial officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

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In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

PART 22 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

- estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and
- actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

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Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 23 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

The chief financial officer shall ensure that in respect of all fixed assets financed from internal loans and advances, from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

The chief financial officer shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the chief financial officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

PART 24 CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

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The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 25 REVALUATION OF FIXED ASSETS (LAND AND BUILDINGS ONLY)

Subsequent to initial recognition as an asset, an item of **land and buildings** may be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations shall be made with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair value at the balance sheet date.

The fair value of land and buildings will be based on their market value indicated in the valuation roll. This value will normally be determined by a professional valuer.

The revaluation of land and buildings cannot be limited to specific sets of land or buildings but shall include the entire class of property to which such an asset belongs.

Any increase as a result of a revaluation in the carrying amount will be credited to the NDR under the heading "Revaluation Surplus", however a revaluation increase shall be recognised as revenue to the extent that it reverses a revaluation decrease previously recognised as an expense. Depreciation on the re-valued amount will be charged to the income statement and a transfer will be made from the NDR to offset this depreciation in the statement of changes in equity.

Where a decrease arises such a decrease should be recognised as an expense but may be charged directly against any revaluation surplus to the extent of the balance of such a revaluation surplus.

PART 26 IMPAIRMENT LOSSES

The accounting treatment relating to impairment losses is outlined as follows in **GAMAP 17**:

The carrying amount (Book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

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Recoverable amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve in accordance with GAMAP 17.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that an item of PPE has become impaired:

- The asset has been damaged.
- The asset has become technologically obsolete.
- The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

Example:

An example of where the municipality has suffered an impairment loss is the purchase of land for an amount of R 5 000 000. The land will be utilized for new subsidized housing developments. If at year end the expectation is that the Municipality will receive only R 1000 000 by way of subsidies an impairment loss of

R 4 000 000 needs to be recognized. The recoverable amount (R 1 m) is calculated as being the larger of

- **Net Selling price** of the land which is the amount obtainable from the sale of the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.
- **Value in use** of the land which is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

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The following steps will have to be performed regularly during the year to account for impairment losses:

- Departments will identify and inform Treasury Section: Equity & Accounts of assets that:
 - Are in a state of damage at year end.
 - Are technologically obsolete at year end. This can be facilitated if departments require Treasury Section: Equity & Accounts to supply them with a Fixed Asset Register printout pertaining to major assets showing the remaining useful lives of assets. The departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout.
 - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
 - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts. An example of this is Land that is purchased at market value and is to be utilized for subsidized housing developments.
- The recoverable amounts of these assets need to be calculated by calculating the Net selling Price per asset as defined above.
- The impairment loss per asset needs to be calculated as the difference between the Net selling price and the book value of the asset.
- The impairment loss needs to be accounted for by identifying the relevant funding source.

DISCLOSURE REQUIREMENTS RELATING TO IMPAIRMENT LOSSES:

All material impairment losses need to be disclosed in the notes to the income statement as a separately disclosable item. They are normally disclosed as part of the note on the amounts that are included in the calculation of the Net Surplus or Deficit for the year.

PART 27 VERIFICATION OF FIXED ASSETS

Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the

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end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

PART 28 ALIENATION OF FIXED ASSETS

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).

The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the

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income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's capital replacement reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

PART 29 OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the council of the municipality.

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

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The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 30 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 31 INSURANCE OF FIXED ASSETS

The municipal manager shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

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The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

PART 32 BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of IAS 41.

The chief financial officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the chief financial officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

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The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.

PART 33 ANNEXURE: FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

*	Electricity	
	Power stations	(30)
	Cooling towers	(30)
	Transformer kiosks	(30)
	Meters	(20)
	Load control equipment	(20)
	Switchgear	(20)
	Supply and reticulation networks	(20)
	Mains	(20)
*	Roads	
	Motorways	(15)
	Other roads	(10)
	Traffic islands	(10)
	Traffic lights	(20)
	Street lights	(25)
	Overhead bridges	(30)
	Stormwater drains	(20)
	Bridges, subways and culverts	(30)
	Car parks	(20)

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	Bus terminals	(20)
*	Water	
	Mains	(20)
	Supply and reticulation networks	(20)
	Reservoirs and storage tanks	(20)
	Meters	(15)
	Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
*	Gas	
	Supply and reticulation networks	(20)
	Storage tanks	(20)
	Mains	(20)
	Meters	(20)
*	Sewerage	
	Sewer mains	(20)
	Outfall sewers	(20)
	Sewage purification works	(20)
	Sewerage pumps	(15)
	Sludge machines	(15)
*	Pedestrian malls	
	Footways	(20)
	Kerbing	(20)
	Paving	(20)
*	Airports	
	Runways	(20)
	Aprons	(20)
	Taxiways	(20)

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	Airport and radio beacons	(20)
*	Security measures	
	Access control systems	(5)
	Security systems	(5)
	Security fencing	(3)

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

*	Buildings and other assets	
	Ambulance stations	(30)
	Aquariums	(30)
	Beach developments	(30)
	Care centres	(30)
	Cemeteries	(30)#
	Civic theatres	(30)
	Clinics and hospitals	(30)
	Community centres	(30)
	Fire stations	(30)
	Game reserves and rest camps	(30)
	Indoor sports	(30)
	Libraries	(30)
	Museums and art galleries	(30)
	Parks	(30)
	Public conveniences and bath houses	(30)
	Recreation centres	(30)
	Sports and related stadiums	(30)
	Zoos	(30)
*	Recreation facilities	

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Bowling greens	(20)
Tennis courts	(20)
Swimming pools	(20)
Golf courses	(20)
Jukskei pitches	(20)
Outdoor sports facilities	(20)
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(20)
Lakes and dams	(20)
Fountains	(20)
Flood lighting	(20)

Sum-of-units method of depreciation may be preferred.

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each

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municipality. However, the following will be among the most frequently encountered:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties)

(30)
- Shopping centres (again developed along similar lines)

(30)
- Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit)

(30)

OTHER ASSETS

The following is a list of other assets, again showing the estimated useful life in years in brackets:

- Buildings

(30)
- Abattoirs

(30)
- Asphalt plant

(30)
- Cable stations

(30)
- Caravan parks

(30)
- Compacting stations

(30)
- Hostels used to accommodate the public or tourists

(30)
- Hostels for municipal employees

(30)
- Housing schemes

(30)
- Kilns

(30)
- Laboratories

(30)
- Fresh produce and other markets

(30)

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	Nurseries	(30)
	Office buildings	(30)
	Old age homes	(30)
	Quarries	(30) #
	Tip sites	(30) #
	Training centres	(30)
	Transport facilities	(30)
	Workshops and depots	(30)
*	Office equipment	
	Computer hardware	(5)
	Computer software	(3-5)
	Office machines	(3-5)
	Air conditioners	(5-7)
*	Furniture and fittings	
	Chairs	(7-10)
	Tables and desks	(7-10)
	Cabinets and cupboards	(7-10)
*	Bins and containers	
	Household refuse bins	(5)
	Bulk refuse containers	(10)
*	Emergency equipment	
	Fire hoses	(5)
	Other fire-fighting equipment	(15)
	Emergency lights	(5)
*	Motor vehicles	
	Ambulances	(5-10)
	Fire engines	(20)

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	Buses	(15)
	Trucks and light delivery vehicles	(5-7)
	Ordinary motor vehicles	(5-7)
	Motor cycles	(3)
*	Plant and equipment	
	Graders	(10-15)
	Tractors	(10-15)
	Mechanical horses	(10-15)
	Farm equipment	(5)
	Lawn mowers	(2)
	Compressors	(5)
	Laboratory equipment	(5)
	Radio equipment	(5)
	Firearms	(5)
	Telecommunication equipment	(5)
	Cable cars	(15)
	Irrigation systems	(15)
	Cremators	(15)
	Lathes	(15)
	Filling equipment	(15)
	Conveyors	(15)
	Feeders	(15)
	Tippers	(15)
	Pulverising mills	(15)
*	Other	
	Aircraft	(15)
	Watercraft	(15)

Sum-of-units may be preferred.

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**PART 34 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE
MUNICIPAL FINANCE MANAGEMENT ACT 2003**

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

- the council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- the council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.