

6.7 **Role of the Budget and Treasury Office**

- a) To assist the Accounting Officer in tabulating key time frames for the Budget Process.
- b) To provide guidance to the Accounting Officer and Senior Managers during the budget preparation process in accordance with National Treasury MFMA Reforms.
- c) To consolidate departmental Capital and Operating budgets.
- d) To consolidate departmental S71 monthly budget statements, quarterly returns and the Midyear monitoring report and submit to the Finance Portfolio Committee.
- e) To report any unauthorised, irregular, fruitless and wasteful expenditure or any deviations from the approved budget to the Finance Portfolio Committee.
- f) To assist the Accounting Officer in implementing recommendations of the Finance Portfolio Committee.
- g) To manage the administrative operations of the Budget and Treasury Office to ensure full compliance with the MFMA and any issued guidelines or Circulars from National Treasury.

6.8 **Delegation of roles and responsibilities**

6.8.1 All delegations by the Mayor to the Accounting Officer, Mayor to the members of the Finance portfolio Committee, the Accounting Officer to the Chief Financial Officer and other Senior Managers, of their roles, duties and responsibilities as per the MFMA:-

- a) Must be in writing,
- b) Are subject to the limitations as may be imposed by the Act,
- c) Does not absolve the Mayor, the Accounting Officer or the Senior Officials of the responsibilities concerning the exercise of the delegated power or the performance of the fiduciary duties, and
- d) Should not be indefinite and must be reviewed annually.

7 **ANNUAL SCHEDULE OF KEY DEADLINES**

- 7.1 The deadline dates for all budget preparation processes shall be as per the approved Process Plan as tabled by the Mayor to Council in August.
- 7.2 Such Process Plan shall indicate the target dates for the draft revision of the Integrated Development Plan and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the MFMA, for the submission

of all the budget-related documentation to the Mayor, Finance Committee, Executive Committee and Council.

- 7.3 Such time schedule shall provide for the deadlines set out in Appendix A, unless the Mayor, after consultation with the Chief Financial Officer, determines otherwise and provided that the requirements of the MFMA shall at all times be adhered to.
- 7.4 The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

8 BUDGET PRINCIPLES

The sequence in which the Annual Budget shall be prepared shall be, first, the capital component and second, the operating component, except where the Chief Financial Officer with the consent of the Mayor decides otherwise. The Municipality's annual budget should:-

- a) Move towards the achievement of goals and objectives of the Municipality within the constraints of the available resources.
- b) Consider the Priorities as identified in the State of the Nation Address, State of the Province Address and the State of the District Address.
- c) Reflect the priorities contained in the Municipality's Integrated Development Plan.
- d) Be credible and fully funded from realistically anticipated revenues.
- e) Consider any resolutions taken by Council or the Executive Committee in the previous Budget Year which have financial implications on the current Medium Term Revenue Expenditure Framework.
- f) The basis of measurement and accounting policies underpinning the Municipality's annual financial statements must be the same as those used in the preparation of the Municipality's annual budget and supporting documentation.
- g) Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

9 FUNDING OF EXPENDITURE

An Annual budget must be funded only from:

- a) Realistically anticipated revenues to be collected.
- b) Cash-backed accumulated surpluses from previous years not committed for other purposes;

- c) Borrowed funds, but only for revenue-generating capital projects; and
- d) Grants and subsidies as per DORA.

10 THE CAPITAL BUDGET

- 10.1 The Budget shall be prepared in the prescribed budget format of National Treasury.
- 10.2 The annual capital budget shall be prepared from a zero base, except in so far as capital projects represent a contractual commitment to the Municipality extending over more than one financial year.
- 10.3 The annual capital budget shall only be approved by Council if it is properly balanced (i.e. if the sources of finance have been secured to fund the budget and are equal to the proposed capital expenditure).
- 10.4 Before approving the capital budget, the Council shall consider the impact on the present and future operating budgets in relation to Finance Charges on external loans, Depreciation on fixed assets, Maintenance costs of fixed assets, and any other ordinary operational expenses associated with any item in that capital budget.
- 10.5 The Council shall also consider any impact of operating expenses – net of any revenues to be generated from the project – i.e. on future service tariffs.
- 10.6 Expenditure of a project shall be included in the Capital Budget if it meets the asset definition in terms of Council's approved Asset Management Policy

11 OPERATING REVENUE

- 11.1 The Operating revenue must include:
 - a) Estimates for all municipal revenue sources and;
 - b) All gazetted grants and subsidies, donations and subsidies in kind or emergency relief funding.
- 11.2 The allocation of interest on investments shall be budgeted for in terms of the cash, banking and investment policy.
- 11.3 In preparing the revenue budget, the Municipality shall strive to maintain the aggregate revenues from service charges at not less than 90% of the aggregate revenues net of operating grants.
- 11.4 The proposed increases in tariffs should be affordable, i.e. in line with CPIX, and should take into account the need to address infrastructure backlogs.
- 11.5 Tariff increases must respond to the population growth rate and the Division of Revenue Act.

- 11.6 The water and sanitation charges shall be calculated and levied as per the reviewed Water and Sanitation Tariffs Policy for that MTREF.
- 11.7 All tariffs shall be published in a local newspaper, and placed on the Municipal website and at the entrance of Ugu offices at least 30 days before the start of the financial year.
- 11.8 All tariffs must be gazetted in the Government Gazette before the 1st July each year.

12 OPERATING EXPENDITURE

- 12.1 The Municipality shall budget in each annual and adjustments budget for the contribution to:
 - a) provision for accrued leave entitlements.
 - b) entitlement of officials as at 30 June of each financial year;
 - c) provision for impairment of debtors in accordance with its Rates and Tariffs Policies;
 - d) provision for the obsolescence and deterioration of stock in accordance with its Supply Chain Management Policy;
 - e) depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;
- 12.2 The operating budget shall duly reflect the impact of the capital component on:
 - a) Depreciation and impairment charges;
 - b) Repairs and maintenance expenses;
 - c) Interest payable on external loans, and
 - d) Any other operating expenses associated with fixed assets.
 - e) The operating budget must be in the prescribed National Treasury Format.

12.3 SALARIES AND ALLOWANCES

The budget for salaries and allowances shall be separately prepared and shall not exceed the parameter (percentage) of the aggregate operating budget component of the annual or adjustments budget, the parameters as may be contained in the budget circular issued by National Treasury from time to time. If the salary budget, exceed the parameter (percentage) of the aggregate operating budget as issued by National Treasury Council will be advised and provided with reasons and remedial action. The remuneration of Councillors and other political office bearers shall be excluded from this limit.

12.4 PROVISION FOR MAINTENANCE

The Municipality shall adequately provide in each annual and adjustments budget, for the maintenance of its fixed assets in accordance with its Fixed Asset Management and Accounting Policy as well as the routine maintenance plans. A minimum of 8% of the carrying amount of the fixed assets shall be provided for the expenditure on Repairs and Maintenance in the annual budget of the Municipality in accordance with the National Treasury norms.

12.5 FINANCE CHARGES, DEPRECIATION AND IMPAIRMENT

12.5.1 The Finance Charges payable by the Municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the outstanding loan balances belonging to such department or vote to the aggregate outstanding loan balances. However, should Council decide to raise loans only for financing of fixed assets in a specified service or vote, finance charges shall be charged to or apportioned only between the departments or votes relating to such service.

12.5.2 The depreciation expenses shall be apportioned to each department based on the cost of assets allocated to that department. The depreciation method used shall be in terms of the Fixed Assets Management and Accounting Policies.

13 CONSULTATION ON TABLED DRAFT BUDGETS

The Municipality shall, after the annual draft budget is tabled in Council, consider the views of the local community, the National and Provincial Treasuries, organs of state and local municipalities, as required by Section 23 of the MFMA, and shall comply with all other requirements of that section. For the purpose of consultation, the draft budget will be made available to the community, through the community libraries, the municipal offices and the municipal website soon after tabling in Council.

14 APPROVAL OF THE ANNUAL BUDGET

The Council shall approve the budget before the start of the financial year, in accordance the provisions of Section 24 of the MFMA, failing which, the Municipality shall be subject to the provisions of Section 25 of the MFMA.

15 PUBLICATION OF THE BUDGETS

In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in the Council:

- a) The budget is made public in accordance with the provisions of Section 17 (3) of the Local Government Municipal Systems Act.
- b) The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;
- c) The budget is submitted to any prescribed organs of state and to other municipalities affected by it.

16 MONTHLY BUDGET REPORTS

The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall furnish the Chief Financial Officer with all explanations required for deviations from the budget.

The Chief Financial Officer shall submit these monthly reports to the Mayor, Finance Committee and Executive Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

17 RELATED POLICIES

This Policy must be read in conjunction with the following budget-related policies of the Municipality:-

- 17.1.1 Indigent Support Policy
- 17.1.2 Asset Management Policy
- 17.1.3 Water Services Policy (incorporating the Tariff Policy)
- 17.1.4 Cash, Banking and Investments Policy
- 17.1.5 Supply Chain Management Policy
- 17.1.6 Credit Control and Debt Collection Policy
- 17.1.7 Funding and Reserves Policy
- 17.1.8 Virement Policy
- 17.1.9 Basic Services Policy

18 REVIEW OF THE POLICY

This Policy will be reviewed annually by the Budget Steering Committee prior to the commencement of the budget process to ensure compliance with any changes in

legislation or any 'best practice' guidelines and MFMA Circulars as may be issued by National Treasury from time to time.

19 COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b. It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

20 EFFECTIVE DATE

This Policy shall come to effect upon approval by Council.

21 POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

ANNEXURE: LEGAL REQUIREMENTS

MUNICIPAL FINANCE MANAGEMENT ACT

Section 15 Appropriation of funds for expenditure

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.

Section 16 Annual budgets

The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.

The Mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget-related policies;

- measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- the projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- particulars of the municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the municipality.

Section 18 Funding of expenditures

The budget may be financed only from:

- realistically expected revenues, based on current and previous collection levels;
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- borrowed funds in respect of the capital budget only.

Section 19 Capital projects

A municipality may spend money on a capital project only if the money for the project (excluding the cost of any required feasibility studies) has been appropriated in the capital budget.

The total cost of the project must also be approved by the Council.

The envisaged sources of funding for the capital budget must be properly considered, and the Council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

Section 20 Matters to be prescribed

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

Section 21 Budget preparation process

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.

- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.

Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Accounting Officer must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

Section 23 Consultations on tabled budgets

After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget.

After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

Section 24 Approval of annual budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

Section 25 Failure to approve budget before start of budget year

This Section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

Section 27 Non-compliance with provisions of this chapter

This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

Section 28 Municipal adjustments budgets

A municipality may revise its annual budget by means of an adjustments budget.

However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

A municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor.

A municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- the Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- these expenses must be reported by the Mayor to the next Council meeting;
- the expenses must be appropriated in an adjustments budget; and
- the adjustments budget must be passed within sixty days after the expenses were incurred.

Section 30 Unspent funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year's allocation;
- the increase is funded in the next financial year's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget.

Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

Section 42 Price increases of bulk resources for provision of municipal services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.
- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

Section 53 Budget processes and related matters

The Mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.

- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

Section 68 Budget preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

Section 69 Budget implementation

The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and

- revenues and expenses are properly monitored.

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

Section 70 Impending shortfalls, overspending and overdrafts

The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

Section 71 Monthly budget statements

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

The report to the National Treasury must be both in electronic format and in a signed written document.

Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the Municipal Manager, the Mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
- submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

If the municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

Section 55 Report to provincial executive if conditions for provincial intervention exist

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the Mayor must

immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

Section 72 Mid-year budget and performance assessment

The Municipal Manager must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.

The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1)(f) the Mayor must promptly submit this assessment report to the Council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other policies

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

Section 75 Information to be placed on websites of municipalities

The Municipal Manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;

- all long-term borrowing contracts;
- all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff.

Section 81 Role of chief financial officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the Municipal Manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- account to the Municipal Manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in council timetable for preparation of coming year's annual budget	-
20 January	-	Assess current year's budget performance and submit report to board of directors and municipality
25 January	Assess current year's budget performance	-
31 January	Table assessment report in council	-
31 January or earlier	-	Submit proposed budget for coming year to municipality
(31 January)	Consider municipal entity's proposed budget for coming year and make recommendations	-
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	-
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	-
Mid-March	-	Submit revised budget for coming year to municipality
31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	-
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public

30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	-	
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury	-	
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	-	
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-	
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-	
Late June to late July: 28 days after budget approved	Conclude performance agreements	-	
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	-	P136

DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations

21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing	Mayor	Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury (presumably immediately).	Accounting officer	P137
54(1)(f)	31 January	Mayor must submit accounting officer's report to council.	Mayor	Special council meeting may have to be scheduled.
87	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.

87		(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.			It is not clear what person or structure in the parent municipality must perform this action, but the council seems the logical party. It would also make sense for the council to consider this budget by 31 January.
87		(Tabled in council by 31 January)	Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public.	Board of directors and mayor of parent municipality		Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget for the new financial year is considered.
54(1) and (2)		(Between 31 January and 31 March)	If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).	Mayor		Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered. Adjustments budgets may be prepared by the accounting officer, and tabled in council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.

54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the mayor's approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	P139
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer	
23(2)	Before 31 May	Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by council.	Mayor and council	-

24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4)	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, mayor, councillors and accounting officer must co-operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council	Mayor	

		may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)).			
53(1)(c)(iii)(aa) & (bb)	Within 28 days after annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).	
16(1)	30 June	Annual budget must be approved by council	Council	-	
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC.	P141

P142

UGU DISTRICT MUNICIPALITY
“The Municipality”



DRAFT FREE WATER SERVICES POLICY

TABLE OF CONTENT

PAGE NO.

1. DEFINITIONS
2. THE LEGAL CONTEXT
3. OBJECTIVE OF THE POLICY
4. PURPOSE
5. ADMINISTRATION OF FREE BASIC WATER SERVICES
6. FREE BASIC WATER
7. QUALIFICATION CRITERIA
8. FREE BASIC SANITATION
9. EFFECTIVE DATE
10. POLICY ADOPTION

1. DEFINITIONS

“Accounting Officer” is the Accounting Officer of the Municipality;

“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;

“Basic sanitation” means the prescribed minimum standard of services necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic waste-water and sewage from households, including informal households;

“Chief Financial Officer” means the Chief Financial Officer of the Municipality;

“Council” means the Council of the Ugu Municipality;

“Household” means all the people who permanently reside in the dwelling;

“Indigent person” means a person who meets criteria on qualification for indigent support;

“Municipality” means Ugu Local Municipality.

2. THE LEGAL CONTEXT

2.1 This Policy is informed by the following legislations:

Municipal Finance Management Act, No 56 of 2003

Water Services Act, No 108 of 1997

Municipal Systems Act, No. 32 of 2000, section 74.

3. OBJECTIVE OF THE POLICY

3.1 The Ugu District Municipality fully supports the National Government's Policy on providing free basic services to the poorer of the community. In that regard it will fully co-operate in implementing the Policy.

3.2 However, being committed to the fundamental principle set out in paragraph 4 above, the financial implication 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 District 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 regards 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.

4. PURPOSE

- 4.1 The primary purpose of ~~the basic water services~~ this Policy is to assist in promoting sustainable access to basic water supply and sanitation to all households.

5. ADMINISTRATION OF FREE BASIC WATER SERVICES

- 5.1 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 households 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.

5.2 Free basic water

5.2.1 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 paragraph 5.2.2 below .All households who fall in the group who qualify for free basic water in terms of ~~Ugu District~~ the 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.

5.2.2 Qualification Criteria:

- a) Indigents households
- b) Rural communities where water is supplied by stand pipes
- c) Informal settlements where water is supplied by stand pipes
- d) People served from springs and borehole water in rural areas
- e) Rain water harvesting schemes

- f) 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.

6. FREE BASIC SANITATION

6.1 Free basic sanitation shall be provided to the following

- a) Indigents households
- b) Rural communities where there is no sanitation infrastructure
- c) Informal settlements

7. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

8. POLICY ADOPTION

This revised Policy replaces the current Policy; it has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

**UGU DISTRICT MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION BY-LAW**

Statement

To provide for credit control and the collection of all monies due and payable to the Municipality; to provide for the requirements for registration of municipal services.

Preamble

Whereas the Municipality is entitled in terms of section 229 of the Constitution of the Republic of South Africa, Act 108 of 1996, to impose surcharges on fee for services provided by or on its behalf within its area of jurisdiction;

WHEREAS the Municipality is entitled in terms of section 75A of the Local Government Municipal Systems, Act 32 of 2000 to levy and recover fees, charges or tariffs in respect of any function or services of the Municipality and to recover collection charges and interest on any outstanding amount;

WHEREAS the Municipality is obliged in terms of section 96 of the Local Government Municipal Systems, Act 32 of 2000 to collect all monies that is due and payable to it subject to the provisions of the Act and any other applicable legislation

AND WHEREAS the Municipality in terms of section 98 of the Local Government Systems, Act 32 of 2000 to adopt By Laws to give effect to the Municipality's credit control and debt collection policy, its implementation and enforcement

NOW THEREFORE the municipal council of Ugu District Municipality hereby makes the following By-Law

TABLE OF CONTENTS

**CHAPTER 1
INTERPRETATION**

1. Definitions
2. Interpretation of By-law
3. Objects of By-law
4. Application of By-law

**CHAPTER 2
REQUIREMENTS FOR THE PROVISION OF MUNICIPAL SERVICES**

5. Registration for the provision of municipal services
6. Deposits
7. Service agreement between the Municipality and a customer
8. Measurement of consumption
9. Review of existing service agreements
10. Termination of service agreements
11. Notice of compliance

**CHAPTER 3
ACCOUNT ADMINISTRATION**

12. Accounts
13. Account information
14. Account administration and monitoring
15. Responsibility for payment of account
16. Disputes in respect of accounts rendered by the Municipality
17. Failure to pay accounts on due date
18. Interest charges
19. Municipal service charges upon the property
20. Termination or restriction of a municipal service
21. Reinstatement of the supply of a municipal service
22. Acknowledgements of debt
23. Agreement with Employer
24. Administration charges
25. Municipality's discretion in appropriation of payments received
26. Recovery of debt
27. Recovery of cost
28. Full and final settlement

**CHAPTER 4
ASSISTANCE TO THE POOR AND IRRECOVERABLE DEBTS**

29. Registration as an indigent person
30. Irrecoverable debts

**CHAPTER 5
MISCELLANEOUS**

- 31. Municipality's right of access to premises
- 32. Transmission of documents
- 33. *Prima facie* evidence of information
- 34. Update of customer details
- 35. Illegal connections

**CHAPTER 6
PROCUREMENT OF GOODS AND SERVICES BY THE MUNICIPALITY**

- 36. Procurement of goods and services by the Municipality

**CHAPTER 7
GENERAL**

- 37. Appeals
- 38. Offences and penalties
- 39. Compliance and enforcement
- 40. Short title and commencement

CHAPTER 1

DEFINITIONS AND APPLICATIONS

Definitions

1. In this By-law, unless the context indicates otherwise—

"account" means written notification of municipal services, sundry charges and other charges due to the Municipality, and addressed to a person liable for payment thereof;

"acknowledgement of debt" means an admission of liability and written undertaking by a debtor to repay an amount owing to the Municipality, and includes a consent to judgement contemplated in section 58 of the Magistrates Court Act, 1944 (Act No. 32 of 1944);

"agent" means a person authorised by the customer to act on his or her behalf;

"arrears" means any amount which is due, owing and payable and which remains unpaid by the due date;

"authorised official" means any official or agent of the Council who has been authorised by the Council to administer, implement and enforce the provisions of these Bylaws,

"basic charge" means a charge as determined in terms of the Municipality's Tariff By-law and Tariff Policy;

"CFO" means a person employed by the Municipality in terms of section 56 of the Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the municipal manager in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;

"collection charges" means the charges which the Municipality is entitled to recover in terms of section 75A (1) of the Systems Act, and includes the administrative cost—

- (a) of reminding any customer of arrears;
- (b) for the disconnection, restriction or reinstatement of any municipal service to a defaulting customer;
- (c) of any notice rendered, sent, delivered or published to a customer in terms of this By-law or any other law;
- (d) in respect of any other charge which the Municipality is by law entitled to recover;

"Constitution" means the Constitution of the Republic of South Africa Act 108 of 1996, as amended;

"customer" means any person or their agent with whom the Municipality has entered into an agreement with for the provision of any municipal service to the property;

"deposit" means a monetary amount raised by the Municipality in relation to the consumption of a municipal service and mitigation of credit risk to the Municipality, irrespective of the existence of an agreement;

"disconnection" means a termination or restriction of a municipal service supplied to a

meter;

"due date" means the final date on which a payment, as shown on the debtor's municipal account is due and payable

"fee" means a prescribed amount charged by the Municipality to a customer for the provision of any municipal service;

"illegal connection" means any connection or reconnection to a system through which municipal services are provided, where such connection or reconnection which was is not authorised or approved by the Municipality;

"interest" means a charge levied with the same legal priority as service fees and calculated at a rate determined by the municipality from time to time on all arrear monies;

"Juristic person" includes a partnership, a proprietor, association or other body of persons, corporate or unincorporated and includes a trust and organ of state;

"municipal council" or **"council"** means the Ugu District Municipality Council, a municipal council referred to in section 157(1) of the Constitution;

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

"Municipality" means the Ugu District Municipality

"municipal manager" means a person appointed in terms of section 54A of the Municipal Systems Act as the Accounting Officer of the municipal council;

"municipal service" means a service provided by the Municipality in terms of its powers and functions to or for the benefit of the local community, irrespective of whether or not—
(a) such service is provided by the Municipality itself or by engaging an external mechanism contemplated in section 76 of the Systems Act; or
(b) any fees, charges or tariffs are levied in respect thereof;

"occupier" means any person who occupies any property or part thereof, without regard to the title under which such person occupies the property concerned;

"Owner" means —

- (a) a person in whom is vested the legal title to the premises or property
- (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 of 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 and 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, the lessee thereunder;

(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;

"person" means a natural person or Juristic Person;

"person in charge" for the purposes of the definition of 'consumer' shall include the registered owner (or his/her legally authorized representative) of the premises to which water and sanitation services are provided;

"Policy" means the Credit Control and Debt Collection Policy adopted by the Council, as amended from time to time;

"property" means—

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

"publicly controlled" means owned by or otherwise under the control of an organ of state, including a—

- (a) public entity listed in the Public Finance Management Act, 1999 (Act 1 of 1999);
- (b) municipality; or
- (c) municipal entity as defined in the Systems Act;

"sundry charge" means an amount charged to a customer which is not directly linked to a property and which includes but is not limited to—

- (a) charges arising from damages to municipal property and equipment;
- (b) monies owed for municipal services other than water and sanitation;
- (c) monies awarded to the Municipality through court orders and judgments;
- (d) fines; and

(e) monies owed to the Municipality by municipal staff.

"Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); and

"tenderer" means a contractor, service provider or supplier who has submitted a tender for the provision of services or the delivery of goods to the Municipality.

Interpretation of By-law

2. (1) If there is a conflict of interpretation between the English version of this By-law and a translated version, the English version prevails.
- (2) This By-law must be read in conjunction with the Credit Control and Debt Control Policy.
- (3) Where there is a conflict between this By-law and another By-law of the Municipality, this Bylaw prevails over the affected provision of the other By-law in respect of any credit control and debt collection matter.

Objects of By-law

3. The objects of this By-law are to--
 - (a) give effect to the Municipality's Policy, and its implementation and enforcement in terms of section 156(2) of the Constitution read with sections 96 and 98 of the Systems Act;
 - (b) provide for the collection of monies due and payable to the Municipality; and
 - (c) provide for matters incidental thereto.

Application of the By-laws

4. (1) These By-laws only apply in respect of amounts of money due and payable to the Council for-
 - (a) Fees, surcharges on fees in respect of the following municipal services:
 - i. The provision of water and any charges thereof;
 - ii. Sewerage and any charges thereof;
 - iii. Any other sundry charges thereof; and
 - (b) Interest which has or will accrue in respect of any amount of money due and payable or which will become due and payable to the Council regarding any charges
 - (c) (c) Collection charges;
- (2) These By-laws also apply to any municipal service provided through prepaid services, in so far as the By-laws may be relevant

CHAPTER 2

SERVICE AGREEMENTS AND GENERAL TERMS AND CONDITIONS OF PROVISION OF MUNICIPAL SERVICES

Registration for the provision of municipal services

- 5 (1) An applicant for a municipal service must comply with the registration process determined by the Municipality in the policy for the provision of service.
- (a) Application for the service has been made in writing on a prescribed form as determined by the Municipality;
 - (b) Furnishing any information or documentation required by the Municipality for the purposes of registering for such service;
 - (c) Entering into a service agreement with the Municipality; and
 - (d) The payment of a deposit of an amount prescribed by Council to be held by the Municipality as consolidated security in respect of municipal services provided by the Municipality to the applicant.
- (2) If an applicant is an existing customer of the Municipality in respect of any other municipal service on premises in respect of which any amount is in arrears, such applicant must –
- (a) pay the arrears in full; or
 - (b) at the discretion of the Municipality, make the suitable arrangements with the Municipality for the payment of such arrears,
- before an application for a new service in terms of this By-law may be considered.
- (3) A consumer shall be liable for all the prescribed tariffs and or charges in respect of water and sanitation services rendered to him or her by the authority or an authorised provider, until the agreement contemplated herein has been terminated in accordance with these by-laws, or until all or any water, sewer or sanitation services arrears owing by such consumer have been paid, which ever shall be the later date.
- (4) If a consumer absconds, dies or is incapacitated and:
- (a) despite search cannot be located, or
 - (b) the next of kin of such consumer fail or neglect to cause an executor, representative or curator, to be appointed within twelve months after such death or incapacity to comply with the obligations of the consumer under any agreement concluded under this section or section 5(3), then the authority, or the authorised

provider, may serve notice in terms of section 11 of this By-Law on any occupier or person in charge of the premises to which any agreement as aforesaid applies and in such notice the authority or the authorised provider, may notify such occupier or person in charge, that with effect from a date 14 days after the delivery of such notice to such occupier or person in charge, he or she shall be deemed to be the consumer under the aforesaid agreement and liable to comply with all the duties and obligations of the consumer in respect of water and sanitation services supplied to such premises under the said agreement.

(5) Any occupier or person in charge on whom a notice in terms of subsection 5(4) is served may, during the period of 14 days referred to in that subsection, provide the authority or the authorised provider, with the name and address of the immediate next of kin of the deceased or incapacitated consumer, and, provided that such information is found on investigation by the authority or the authorised provider, to be accurate and provided further that such next of kin is, in fact, a consumer of the water and sanitation services supplied under the agreement, such next of kin shall, instead of the occupier or person in charge, be deemed to be the consumer under the aforesaid agreement and liable to comply with all the duties and obligations of the consumer in respect of water and sanitation services supplied to such premises under the said agreement.

Deposits

- 6 (1) The payment of a deposit mentioned in subsection 5(1)(d) is subject to the criteria determined by Council in accordance with the Policy and is due and payable at-
 - (a) the time of application for municipal services; and
 - (b) any other time deemed necessary by the Municipality
- (2) Payment of a deposit must be made in cash unless otherwise provided for in terms of the Policy
- (3) Deposits paid by the customer to the Municipality shall be held as a consolidated deposit and used as security for any or all the charges or amounts owed by the customer as included in the account.
- (4) Deposits shall be returned to the customer upon termination of the service agreement whereby the account of the customer is fully paid.
- (5) the Municipality may in its discretion by due notice to a customer, require a customer to increase the deposit furnished in terms of subsection 5(1)(d).
- (6) No interest on cash deposits held by the Municipality shall accrue to the customer.

Services Agreement between the Municipality and the customer

- 7 (1) The Municipality may not approve an application for provision of municipal services unless the applicant has signed an agreement on a form prescribed by the Municipality for that purpose accepting the terms and conditions for the provision of such service all of which are deemed to be incorporated into this By-law.

(2) Where the purpose for or extent to which any municipal service used has changed, the onus and obligation rests on the customer to advise the municipality of such change.

(3) Where there are more than one municipal meters on a property, the municipality will have a separate account linked to each meter.

Measurement of consumption

8 (1) The Municipality must conduct or cause to be conducted an accurate measurement of the municipal services consumed by a customer at intervals determined by the Municipality: Provided that nothing in this section prevents the Municipality from making an estimate of the consumption of municipal services for any relevant period if–

(a) the reading of the meter could not be obtained in respect of the period in question

(b) for any other reason the meter could not be accessed to be read; or

(c) as a result of an illegal connection, a reading could not be obtained

(2) Irrespective of the fee payable for the consumption of municipal services being based on measured or estimated consumption, the customer concerned remains liable for the payment of the prescribed fee in respect thereof.

Review of existing service Agreements.

9 (1) The municipality may review the terms and conditions of any existing service agreement with a customer to take into account–

(a) any change in law:-

(b) any change in the circumstances of the customer: or

(c) any change in the circumstances surrounding the provision of any municipal service by the Municipality,

and require such customer to enter into a new service agreement with the Municipality based on the resultant changes in law or circumstances.

(2) Sub section 6 (3) and 6 (5) apply to any deposit payable by a customer in respect of a new service agreement referred to in subsection 9 (1)

Termination of Service Agreement

10 (1) Subject to section 17 and section 22

(a) a customer may terminate an agreement for municipal services by giving at least 30 (thirty) days written notice to the municipality of such intention to do so; or

- (b) the Municipality, - has given written notice of not less than 14 (fourteen) days to the customer, if the customer concerned has breached or failed to comply with any specific term or condition of the service agreement, and has failed to remedy such breach or rectify such failure after service on such customer of a notice to do so in terms of section 11 of this By-law.
- (c) a customer shall remain liable for all arrears and applicable charges that are payable for municipal services rendered prior to the termination of an agreement.

Notices of compliance

- 11 A written notice of compliance must be served on a customer-
- (a) in order to avoid the service agreement to which the non-compliance relate being terminated in terms of subsection 10 (1)(b); or
 - (b) where there has been a breach of a provision of the By-law and the Municipality is of the opinion that it is necessary to serve such notice

CHAPTER 3

ACCOUNT ADMINISTRATION

Accounts

- 12 (1) The Municipality must maintain proper and accurate accounts which must be rendered and administered by it in accordance with the Policy, this By Law, as well as any applicable law.
- (2) Failure by the Municipality to render an account does not relieve a customer of the obligation to pay any amount that is due and payable by such customer in terms of the Policy and this By-law.
- (3) The Municipality shall provide every customer who is liable in terms of a signed agreement for services charges in respect of Municipal Services, with an account in respect of every property for which that customer is liable and all services rendered in respect of
- (4) The Municipality may, in accordance with section 102 of the Systems Act –
- (a) Consolidate any separate accounts of a customer liable for payments to the Municipality
 - (b) Credit any payment by such customer against any account of that customer; or
 - (c) Implement any of the debt collection and credit control measures provided for in this By-law or Policy in relation to any arrears on any of the accounts of the customer.

- (5) In the event of separate accounts being consolidated as contemplated in subsection 12(4)(a), the total amount due and payable by a customer shall constitute a consolidated debt, and any payment made by a customer of an amount less than the total amount due will, subject to section 25 be allocated in a reduction of the consolidated debt in the order prescribed by the municipality.
- (6) Any amount paid by the customer in excess of an existing debt may be-
 - (a) held in credit for the customer in anticipation of future charges for municipal services or for the purposes contemplated in subsection 19, without any interest accruing on such amount.
 - (b) Refunded either as a whole or a portion thereof to the customer concerned, subject to the right of the Municipality to withhold payment until it is satisfied that payment of such refund is not in contravention of any law; or
 - (c) Refunded to the conveyancing attorney if the property in question has been transferred
- (7) Should the Municipality become aware that the customer has since vacated the premises supplied as his or her address in terms of this By-law, the Municipality must, after deducting any outstanding amounts due to it from the deposit of such customer, place the balance thereof in an account retained for such customer for a period of time determined in the Policy from the date on which the customer's disappearance became known to the Municipality.
- (8) After the expiry of the period mentioned in subsection (7), the balance of the deposit, together with interest thereon that may have accrued in terms of repealed credit control and debt collection By-laws or previously adopted policies, will be forfeited to the Municipality, unless the Municipality is not satisfied that this is just and equitable to do so.

Account Information

- 13 Without limiting the amount of information which may be included by the Municipality in a customer's account, any account rendered by the Municipality to a customer must contain at least the following information:
 - (a) the consumption or estimated consumption as determined for the relevant consumption period;
 - (b) the period to which the consumption or estimated consumption relates;
 - (c) the amount due based on the consumption or estimated consumption;
 - (d) the amount due and payable for any sundry charge;
 - (e) the amount in arrears, if any;
 - (f) the interest payable on any arrears, if any;
 - (g) collection charges insofar as they may be relevant;
 - (h) the final date for payment; and
 - (i) the methods, places and approved agents where payments may be made.

Account administration and monitoring

- 14 The Municipality must, subject to section 8, implement reasonable measures to ensure—
- (a) accurate metering of consumption at fixed intervals;
 - (b) limited delay between service connection and the first and subsequent rendering of accounts;
 - (c) accurate and up-to-date information contained in accounts rendered to customers;
 - (d) accurate monthly accounts with the application of the appropriate and correct prescribed charges and other related amounts due and payable;
 - (e) timely dispatch of accounts to correct address furnished by a customer;
 - (f) adequate provision and the efficient operation of facilities for payment throughout the Municipality's area of jurisdiction;
 - (g) where necessary, the appointment of agents to accept payments on behalf of the Municipality; and
 - (h) appropriate and reasonable hours of business to facilitate account payments.

Responsibility for payment of Account

- 15 (1) It is the responsibility of the customer to ensure that his /her account is paid timeously and that such account does not fall into arrears.
- (2) Where a customer is a tenant of the property concerned, the owner of the property shall be held jointly and severally liable with the tenant for the debts of the property.

Disputes in respect of accounts rendered by the Municipality

- 16 (1) A customer must lodge a written dispute with the Municipality to challenge the correctness or accuracy of any amount due and payable by such customer reflected in an account rendered by the Municipality in terms of this By-law: Provided that such dispute must be lodged with the Municipality before or on the due date for payment specified in the account concerned.
- (2) A customer must, pending resolution of the dispute, continue to make regular monthly payments in respect of charges, if applicable, or in respect of any municipal service based on the average monthly charges for the preceding three months prior to the dispute arising, plus interest if applicable, until the dispute is resolved.
- (3) Where a customer fails to lodge a dispute within the period mentioned in subsection (1), any correspondence received from the customer after such period concerning the correctness or accuracy of an account, will be treated as an enquiry and—
- (a) the account will not be suspended; and
 - (b) such enquiry must be accompanied by the payment of at least an amount equal to the average amount per month that was due and payable in respect of the service concerned during the preceding three months.

(4) Any amount not in dispute must be paid in full by the customer and municipal services may be disconnected or restricted where such amounts remain unpaid.

(5) The Municipality must register the dispute or enquiry and take reasonable steps to ensure that the dispute or enquiry is addressed within a reasonable period.

(6) The Municipality may—

(a) investigate or cause the dispute to be investigated within 30 days, or as soon as possible after such dispute is received; and

(b) inform the customer, in writing, of his or her finding as soon as possible after conclusion of the investigation, instructing that either such customer's account will be credited with an amount found to have been overpaid or, alternatively, that any amount found to be due and payable must, subject to section 25, be paid within a reasonable period from the date on which the customer is notified thereof, unless an appeal is lodged within that period in terms of section 16 (7).

(7) Except for instances where the right of appeal is specifically afforded to a customer in terms of any other law, a customer may, subject to section 37, lodge an appeal in writing to the Accounting Officer in terms of section 62 of the Systems Act against a decision referred to in section 16 (6), within 21 days of the date of notification of the decision.

(8) The Municipality must inform the customer concerned in writing of the decision on the appeal, instructing that any amount found to be overpaid will be credited to such customer's account or, alternatively, that any amount found to be due and payable must be paid within 30 (thirty) days from the date on which the customer is notified thereof.

(9) The Municipality will only supply records of documents to the customer for the last 5 years.

Failure to pay to account on the due date

17 (1) The Municipality must take the necessary steps to recover payment of any accounts which remain unpaid after the due date for the payment thereof as detailed in the Policy and this By-law;

(2) Should the customer fail or refuse to pay over any monies to the Municipality in terms of this section, the municipal services of the customer may be restricted or disconnected.

(3) Before resorting to litigation for the recovery of arrears, the Municipality may send a final demand notice, which may appear on the account addressed to the defaulting customer, calling upon such customer to make payment within a stipulated period, failing which legal steps may be taken for the recovery thereof.

(4) Failure by the Municipality to send a final demand notice does not relieve a customer from paying the arrears.

Interest Charges

- 18 (1) The Municipality may charge interest and recover interest in respect of any arrear debt, as prescribed in this By Law, the Policy or any applicable legislation.
- (2) Interest calculated on arrears may only be reversed as determined by the municipality in terms of the policy.

Municipal service charges upon the property

- 19 (1) The municipal service charges are a charge upon the property, and the Municipality may take any of the following actions to secure payment thereof:
- (a) disconnect or restrict the provision of any municipal service in terms of section 20;
 - (b) allocate the whole or a portion of any payment of an account, or the whole or a portion of a pre-payment for future accounts as contemplated in paragraph 10(5)(a), as payment for arrear municipal service fees;
 - (c) subject to section 118(1) of the Systems Act, withhold the issuing of a prescribed clearance certificate until all amounts due in connection with the property concerned for municipal service charges and other municipal charges for the period contemplated in paragraph 118(1)(b) of the Systems Act have been fully paid;
 - (d) Where there is no consumption of services on premises, a basic charge as determined by the Municipality may be raised in respect of the premises concerned.

Disconnection or restriction of a municipal service

- 20 (1) The Council shall have a written policy on credit control and debt collection which provides 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) interest on arrears
 - (e) extensions of time for payment of accounts
 - (f) disconnection of services or the restriction of the provision of services when payments are in arrears

(g) in determining its policy the Council may differentiate between categories of persons, clients, debtors and owners as it may deem appropriate

(2) The Municipality may disconnect or restrict the provision of services in terms of the prescribed disconnection and restriction procedures set out in the Credit Control and Debt collection policy or any other applicable law to any premises of the customer in respect of municipal service –

(a) fails to make full payment of arrears on or before the final date for the payment thereof, and the customer fails to sign an acknowledgement of debt in terms of section 20 in respect of the arrears concerned before disconnection or restriction;

(b) fails to pay any instalment payable in terms of an agreement referred to in paragraph(a) before or on the due date;

(c) fails to comply with any condition of provision imposed by the Municipality in respect of the service concerned;

(d) obstructs the efficient provision of the service concerned to another customer;

(e) provides the service concerned to a person who is not entitled thereto or permits such provision to continue;

(f) causes a situation relating to any service which, in the opinion of the Municipality, is dangerous or constitutes a contravention of any applicable law, including the common law;

(g) tampers with a water meter or in any way reinstates without the

Municipality's knowledge or consent the provision of a previously terminated or restricted service;

(h) fails to notify the Municipality within 30 days from date of death of the customer.

(3) The Municipality must notify a customer of a disconnection or restriction by informing such customer–

(a) that the provision of the service concerned will be, or has been disconnected on the date specified in such notification; and

(b) of the steps which can be taken to have the service reinstated.

(4) The notice of disconnection or restriction may be included on the bill or any other notice issued in terms of this By-law.

(5) If a customer intends to terminate or disconnect an account for municipal services, the customer must provide the Municipality with notice of such intention within the time period provided for in the Policy.

Reinstatement of the supply of municipal services

- 21 (1) Where the supply of a municipal service to a customer has been disconnected term or restricted by the Municipality in terms of section 19, the supply of such service to the customer concerned may not be reinstated either fully or partially until—
- (a) the full amount of arrears, including interest and collection charges, if any, have been paid;
 - (b) an agreement for payment of arrears contemplated in paragraph (a) has been entered into in terms of section 22
 - (c) the full amount of arrears in respect of any agreement referred to in paragraph (b), including interest and collection charges, if any, and any increased deposit, where required, have been paid; or
 - (d) any other condition considered by the Municipality to be appropriate, including payment of an additional deposit security, has been complied with.
- (2) Once all the conditions stipulated in subsection 21 (1) have been met, a reconnection order must be issued by the Municipality to the effect that every applicable condition contemplated in subsection 21 (1) has been complied with and that the municipal service concerned may be reconnected.
- (3) The Municipality may remove an entire water connection in the event of an illegal connection.

Acknowledgement of debt

- 22 (1) Any customer who is indebted to the Municipality may be required to sign a written acknowledgement of debt on a form prescribed by the Municipality for that purpose setting out the terms which are agreeable to the Municipality for the recovery of such debt.
- (2) If the amount payable by a customer in terms of an acknowledgement of debt contemplated in subsection 22 (1) is payable in instalments, any payment received shall be allocated in reduction of the debt of such customer in the order prescribed in the Policy
 - (3) A customer may be required to arrange a debit order for the payment of arrears in respect of which an acknowledgement of debt contemplated in subsection 22 (1) has been signed by the customer concerned.
 - (4) Subject to subsection 22(5), no acknowledgement of debt may provide for payment over a period longer than 12 months.
 - (5) (a) An acknowledgement of debt providing for payment over a period in excess of 12 months, may be accepted by the Municipality in terms of delegated authority, if special circumstances which the customer could not reasonably have prevented or

avoided, prevail and which, in the opinion of the Municipality, warrant a longer period of payment; and

(b) Documentary proof of any special circumstances as contemplated in paragraph (a) must be furnished by a customer on request by the Municipality

- (6) If a customer fails to comply with the terms of an acknowledgement of debt contemplated in subsection 22(1), the total outstanding amount, including the arrears, any interest thereon, any collection charges, and payment of a higher deposit if required by the Municipality, will immediately become due and payable, and the additional higher deposit, if so required, must be provided, without further notice.
- (7) If a customer fails to comply with the terms of an acknowledgement of debt contemplated in subsection 22(1) that was signed after receipt of a disconnection or restriction notice for municipal services, the municipal service concerned may be disconnected without further notice, in addition to any other action taken against or which may be taken by the Municipality against the customer concerned.
- (8) The Municipality may not grant or accept an acknowledgement of debt by a customer if—
 - (a) that customer has failed to honour a previous acknowledgement of debt for the payment of arrears to the Municipality, unless the CFO otherwise decides on good cause shown;
 - (b) arrears have arisen due to dishonoured cheques or direct debit reversals;
 - (c) instances of repeated illegal connections have been identified;
 - (d) municipal services connections have been removed; or
 - (e) any other relevant factors exists as provided for in the Policy.

Agreement with Employer

23 Subject to section 103 of the Systems Act, the Municipality may, with the consent of the customer, enter into an agreement with the customer's employer to deduct from the salary or wages of the customer—

- (a) any outstanding amount due by that customer to the Municipality; or

- (b) regular monthly amounts as may be agreed upon.

Administration charges

- 24 A prescribed administration charge may be levied by the Municipality against the account of a customer in respect of any legal action taken by or on behalf of the Municipality in terms of this By-law or the Policy.000.

Municipality's discretion in appropriation of payments received

- 25 (1) Subject to subsection 12(3), the Municipality may appropriate monies received in respect of any debt contemplated in this By-law at its sole discretion, irrespective of any instruction issued by the customer directing how such monies are to be appropriated.
- (2) If any amount due and payable to the Municipality in terms of this By-law has not been paid in full, any lesser amount tendered to and accepted by the Municipality does not constitute payment in full and final settlement of the full amount due, unless the lesser amount was accepted in full and final settlement in writing under a power delegated or sub-delegated to such employee in terms of section 59 of the Systems Act.

Recovery of Debt

- 26 (1) The Municipality may with regards to any debt;
- (a) by Legal Action recover any debt from its customer;
 - (b) recover debt from any organ of state with due consideration of the provisions of Chapter 3 of the Constitution of the Republic of South Africa and may refer a debtor to a third party debt collecting agencies and have such a debtor placed on the National Credit Rating list.
 - (c) The Municipality may, in order to recover debt, and as a last resort, approach a competent court for an order to attach a debtor's movable or immovable property.

Recovery of Costs

- 27 (a) The Municipality may recover the following costs, in instances where such costs are incurred by or on behalf of the Municipality;
- costs and administration fees where payments made to the Municipality by negotiable instruments are dishonoured by banks when presented for payment; legal and administration costs, including attorney and client costs and tracing fees incurred in the recovery of debts;

- (c) Restriction or disconnection fees, where any services has been restricted as a result of non-compliance with this By-law
- (d) any losses the Municipality may suffer as a result of tampering with municipal equipment or meters; and
- (e) any collection commission incurred.

Full and Final Settlement Payments

- 28 (1) Any amount tendered in defrayment of a debt, will be accepted at any payment office of the Municipality and any other agent as appointed by the Municipality.
- (2) The Accounting Officer shall be at liberty to appropriate monies received in respect of any municipal services rendered by the Municipality in accordance with the Policy of the Municipality.
- (3) No offer of payment in full and final settlement of a debt, when such amount is less than the outstanding amount, must be accepted, unless confirmed in writing by the delegated authority.
- (4) Notwithstanding section 28(2) the payment so offered must nevertheless be credited against the debtor's account, without prejudice to the Municipality's rights.

CHAPTER 4

ASSISTANCE TO THE POOR AND IRRECOVERABLE DEBTS

Registration as Indigent person

- 29 (1) A person who wishes to receive assistance in terms of the Municipality's Indigent Support Policy for the provision of municipal services to indigent persons, must make application for registration as an indigent person on a prescribed form at any of the Municipality's offices.
- (2) An application in terms of subsection 29(1), must be considered by the Municipality which must adhere to the principles of transparency, equity, consistency, non-discrimination, accessibility, empathy, integrity, confidentiality and objectivity during the evaluation process.
- (3) An applicant, contemplated in subsection 29(1), must, at the request of the Municipality, furnish any further information to enable the Municipality to arrive at a decision and the Municipality may, for the purpose of properly evaluating the application, also conduct any investigation which it considers appropriate.

- (4) An applicant must be informed that he or she will automatically be disqualified from receiving any assistance contemplated in subsection 29(1), and be liable to-
 - a) refund the amount of any such assistance received from the Municipality, if the application or information contemplated in subsection 29(3), contains any false information; and
 - (b) prosecution if any false information as contemplated in paragraph (a) is furnished by the applicant.
- (5) If the Municipality finds an applicant to be indigent, such applicant is entitled to assistance in terms of the Policy referred to in subsection (1), and his or her personal particulars must be recorded in a prescribed register of indigent persons.
- (6) The position of every indigent person so recorded, must be reviewed annually by an authorised official in accordance with the directives of the Municipality.
- (7) A successful applicant must be informed in writing that he or she must immediately notify the Municipality when his or her indigent status has changed.

Irrecoverable debts

- 30 (1) Where a debt owing to the Municipality is considered irrecoverable in terms of the criteria set out in the Policy, and provided that there is sufficient provision to cover bad debts due to the Municipality, the CFO must write off such debt in accordance with the Policy.
- (2) The CFO must report to the council at its next meeting all amounts that have been written off as irrecoverable in terms of subsection 30(1), and all such information must also be included in the monthly budget statements which must be rendered by the Accounting Officer in terms of section 71 of the Municipal Finance Management Act.

CHAPTER 5

MISCELLANEOUS

Municipality's right of access to premises

- 31 (1) In accordance with the Policy and section 101 of the Systems Act, an authorised official may access any premises at any reasonable time in order to read, inspect, install or repair any meter or service connection, or to disconnect, stop or restrict the provision of any service.
- (2) Should access to the premises be unreasonably denied or prevented for the purposes of effecting a disconnection or restriction, a disconnection penalty fee may be raised in the account, over and above any penalty which may be imposed in terms of section 38.

Transmission of documents

- 32 Where any account, notice or other document issued by the Municipality in terms of this By-law is required to be given or delivered by the Municipality to any person, such communication may be-
- (a) posted by ordinary mail to the last known address of the customer;
 - (b) e-mailed to the customers e-mail account provided;
 - (c) messaged (sms'd) to the customers cell phone number; or
 - (d) be given or delivered in terms of Section 115 of the Systems Act or the Electronic Communications Act, 2005 (Act 36 of 2005)

***Prima facie* evidence of information**

- 33 For the purposes of the recovery of any amount due and payable to the Municipality in terms of this By-law—
- (a) a copy of any relevant account; and
 - (b) a certificate issued by the Municipality confirming the amount,
- shall constitute *prima facie* evidence of the information contained in such documents.

Update of customer details

- 34 A customer must furnish the Municipality with updated information details of the customer when a change of such information occurs, or on request by the Municipality, which includes but is not limited to—
- (a) contact details of the customer;
 - (b) details of executors or administrators of deceased estates;
 - (c) deregistration or termination of a company, close corporation or trust if the company, close corporation or trust is the account holder;
 - (d) details of deceased—
 - (i) company directors;
 - (ii) members of close corporations; or
 - (iii) trustees of Trusts;
 - (e) notice of a company or close corporation placed under business rescue or liquidation; or
 - (f) any change of members, or directors or trustees of a juristic person.

Illegal connections

- 35 (1) An owner is responsible for taking measures to secure his or her water meter.
- (2) No person may—
- (a) reconnect, attempt to reconnect or cause or permit a reconnection to any municipal service where the Municipality has restricted or disconnected such supply;
 - (b) tamper, break or interfere with any municipal equipment or unlawfully use or interfere with municipal services provided by the Municipality; or
 - (c) knowingly consume, use or distribute any municipal service which has been obtained in an unlawful manner.

(3) A person must notify the Municipality if he or she becomes aware of an illegal connection.

(4) Where there is evidence of an illegal connection, or reconnection it shall be presumed that the owner caused or allowed such illegal connection. tampered or illegally connected, unless such owner proves otherwise.

(5) Where prima facie evidence of an illegal connection, tampering, or interference referred to in subsection 35(2) exists, the Municipality has the right to disconnect the supply immediately without prior notice to the owner and the owner is liable for all fees and charges levied by the Municipality for the disconnection and subsequent reconnection.

CHAPTER 6

PROCUREMENT OF GOODS AND SERVICES BY THE MUNICIPALITY

Procurement of goods and services by the Municipality

- 36 (1) When submitting a tender for the provision of goods or services to the Municipality, every tenderer must prove to the satisfaction of the Municipality that all accounts for municipal services for which the tenderer and each of its directors, members, owners, partners or trustees are liable, have been paid in accordance with the requirements contained in the Policy and the Municipality's Supply Chain Policy.
- (2) The Municipality may at its sole discretion check whether all the municipal accounts of its supplier of goods or services are up to date and if found to be in arrears, any amount payable to the supplier may be set off against the arrear amount
- (3) Where a contractor, or its directors, members, owners, partners or trustees, is indebted to the Municipality for any service charges and payments are due to that contractor in respect of goods or services provided to the Municipality, or in terms of any contractual arrangement with the Municipality, the arrear amount owing may be set off against such payments.
- (4) No acknowledgement will be accepted

CHAPTER 7

GENERAL

Appeals

- 37 (1) A person whose rights are affected by a decision taken by the Municipality in terms of this By-law may appeal against the decision in terms of the Appeals provision contained in Section 62 of the Systems Act by giving written notice of the appeal and reasons to the Accounting Officer within 21 days of the date of the notification of the decision.
- (2) The Accounting Officer must promptly submit the appeal to the appropriate appeal authority.

(3) All appeals lodged are done so in terms of Section 62 the Systems Act and not in terms of this By-law.

Offences and penalties

- 38 (1) A person commits an offence if he or she-
- (a) obstructs, hinders, or in any manner interferes with an authorised official who is acting or who is entitled to act in terms of this By-law;
 - (b) fails to comply with any lawful instruction or notices given in terms of this By-law or Policy;
 - (c) deliberately furnishes false or misleading information to an authorised official;
 - (d) tampers, breaks, or interferes with any equipment owned by or municipal services provided by the Municipality;
 - (e) makes any misrepresentation in order to qualify for any benefit or relief in terms of this By-law or Policy; or
 - (f) contravenes any provision of this By-law.

Compliance and Enforcement

- 39 (1) Violation of or non-compliance with this By-law will give a just cause of disciplinary steps to be taken.
- (2) It will be the responsibility of the Accounting Officer to enforce compliance with this Policy.

Short title and commencement

- 40 This By-Law is called the Credit Control and Debt Collection By-Law, 2018 and takes effect on the date of publication thereof in the Provincial Gazette or otherwise indicated in the notice thereto.

UGU DISTRICT MUNICIPALITY

“The Municipality”



DRAFT

INDIGENT SUPPORT POLICY

Contents

	Page no.
1. Preamble	3
2. Definitions	3
3. Policy objectives	4
4. Criteria for qualification for Indigent Support	4
5. Requirements	5
6. Application for Indigent Support	5
7. Avenues for submission of application forms	5
8. Processing of application forms	5
9. Duration of the Indigent support benefit	5
10. Responsibility of the Indigent support applicant/beneficiary	5
11. Usage in excess of basic service levels	5 -6
12. Withdrawal of Indigent support by the municipality	6
13. Extenuating circumstances	6
14. What does Indigent support benefit cover	6
15. Miscellaneous	6
16. Communication	7
17. Sanitation Rebate	7
18. Effective Date	
19. Policy Adoption	

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 Accounting Officer of the Municipality

“Council” means the Council of the Ugu Municipality

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

“municipality” means 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

3. POLICY OBJECTIVE

The objective of this Policy is to ensure the following:

- 3.1 The provision of basic services to the community in a sustainable manner, within the financial means of Council; and
- 3.2 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.
- 3.3 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:
- 3.4 Setting rates and tariffs which will balance the economic viability of continued service delivery; and
- 3.5 Determine appropriate service levels.

4. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT

- 4.1 The indigent subsidy shall apply to a household per dwelling and not an individual.
- 4.2 The property must be zoned residential.
- 4.3 The total gross monthly income of all members of the household must not exceed two old age grants (excluding disability and child grant).
- 4.4 Indigent support will apply to all households whose total monthly income is less than or equal to the above-mentioned amount, irrespective of the source of income.
- 4.5 Household's dependant on social welfare grants only may also apply.
- 4.6 Child headed households dependant on foster care social grants qualifies.
- 4.7 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, whether within or outside of the municipal area.
- 4.8 Multi unit residential - bulk users and Non Government Organizations are excluded from this Policy.

5. APPLICATION FOR INDIGENT SUPPORT

- 5.1 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.
- 5.2 Application forms are available from any of the Water Services Offices within the Ugu District Municipality and can also be posted on request and the following documents should be submitted together with the application form:
- a) Copies of identity documents for household members 18 years and above.
 - b) Copies of birth certificates of household members younger than 18 years.
 - c) Copies of proof of income or written affidavits confirming status of employment or circumstances from each household member 18 years and above
 - d) Proof of ownership or occupancy e.g. Title deed or letter from ward councillor confirming occupancy status
 - e) 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. AVENUES FOR SUBMISSION OF APPLICATION FORMS

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

7. PROCESSING OF APPLICATION

- 7.1 Each application will be given a number, for reference purposes
- 7.2 Indigent Support Application register and an Indigent Support Application card will be issued to the applicant for control purposes.
- 7.3 The application will be processed within two weeks of receipt by the Municipality in a manner prescribed by the internal processes.
- 7.4 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.
- 7.5 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:
- a) Names of Households benefiting from the Indigent Support
 - b) Stand number where services are rendered to the recipients
- 7.6 Any resident may query the qualification of a recipient in writing within days from the date of publication of such listings.
- 7.7 A report on Indigent Support shall be done to the Budget and Finance Committee quarterly.

8. DURATION OF THE INDIGENT SUPPORT BENEFIT

- 8.1 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.
- 8.2 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.

9. RESPONSIBILITY OF THE INDIGENT SUPPORT APPLICANT/ BENEFICIARY

- 9.1 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.
- 9.2 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.
- 9.3 A household must immediately request de-registration if their circumstances have changed to the extent that the household no longer meets the requirements set out in this Policy. Failure to disclose will result in such a person being immediately liable to repay to the Municipality all the debt accumulated from such date of change in indigent status, and immediately removed from the indigent register of the Municipality. Such debt will be recovered in terms of the applicable Credit Control Debt Collection policy.

10. USAGE IN EXCESS OF THE BASIC SERVICE LEVELS

- 10.1 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.
- 10.2 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.

11. WITHDRAWAL OF INDIGENT SUPPORT BY THE MUNICIPALITY

- 11.1 The Indigent support shall be withdrawn by the Municipality in the event of the beneficiary misusing the system or providing incorrect information.
- 11.2 In this regard the Municipality shall recover from the recipient the amount of relief furnished by debiting the beneficiary's account.

- 11.3 The Municipality shall apply its credit control policy in accordance with the Credit Control and Debt Collection policy.
- 11.4 The Municipality shall institute a criminal charge of fraud against the beneficiary and may not again be considered for indigency relief for a period extending for two years beyond the financial year in which the misconduct is detected.
- 11.5 The Indigent support will cease should the form UIS 3 not be supplied to the Municipality.

12. EXTENUATING CIRCUMSTANCES

- 12.1 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.
- 12.2 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.

13. WHAT DOES THE INDIGENT SUPPORT BENEFIT COVER

On approval of the application the Municipality shall provide the following

- 13.1 Basic Municipal Services which include:
 - a) Access to a minimum safe water supply i.e. 6kl of water free of charge on a monthly basis or as determined by Council
 - b) Adequate sanitation as determined by Council
 - c) Once off credit equivalent to the outstanding balance on the dwelling at the date of approval.
- 13.2 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.
- 13.3 Cost of restriction shall be recovered from the Indigent Support allocation.
- 13.4 Excess usage in the event of death shall be recovered from the Indigent Support allocation.

14. MISCELLANEOUS

- 14.1 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.

15. COMMUNICATION

- 15.1 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.
- 15.2 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
- 15.3 Any communication issued by the Municipality must be coordinated by the Communications Unit or the Municipal Manager or his delegated authority.

16. SANITATION REBATE

All applications will be considered on the following basis:

- 16.1 The Sanitation Rebate subsidy will apply to a household per dwelling and not to an individual.
- 16.2 Each household shall receive a rebate on the fixed sanitation basic charge as determined by Council.
- 16.3 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.
- 16.4 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.
- 16.5 The sanitation rebate shall be withdrawn by the Municipality in the event of the beneficiary misusing the system or providing incorrect information.

17. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

18. POLICY ADOPTION

This Policy has been considered and approved by the COUNCIL OF UGU DISTRICT MUNICIPALITY as follows:

Resolution No:.....

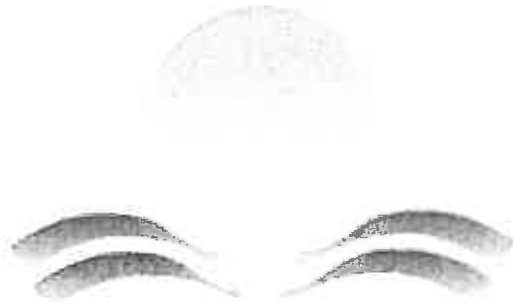
Approval Date:.....

Records of Approval

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

UGU DISTRICT MUNICIPALITY

“The Municipality”



DRAFT CASH, BANKING AND INVESTMENT MANAGEMENT POLICY

CONTENTS

2. Objective of the Policy	5
3. Banking Arrangements	5
4. Cash Management	6
5. Cash Flow Estimates	7
6. Investment Ethics	7
7. Investment Principles	8
8. Investment Procedure	9
9. Delegation of Authority	10
10. Investment issue pertaining to Municipal Council Approval	11
11. Municipal Entities	12
12. Policy Review	12
13. Internal Control Procedures	12
14. Reporting and Monitoring Procedures	13
15. Permitted Investments	13
16. Existing Investments	14
17. Investment Diversification	14
18. Performance Evaluation	14
19. Use of Independent Investment Managers	14
20. Unallocated Receipts	14
21. Payment of Creditors	14
22. Bank and Cash in terms of the MFMA	15
23. Management of stock	15
24. Short and Long-term Debt	15
25. Compliance and Enforcement	16
26. Effective Date	16
27. Policy Adoption	16

1. **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.

“Accounting Officer” means the Municipal Manager of Ugu District Municipality.

“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 recognised by the Registrar of Banks.

“Bank Account” is the recognised 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 the Chief Financial Officer of Ugu District 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.

2. OBJECTIVE OF THE POLICY

- 2.1 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 cash, banking and investment policy regarding the investment of its cash resources not immediately required.
- 2.2 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 Municipality to have its own cash, banking and investment management policy located within the local government legislative framework. This Policy should be read and understood against this background.
- 2.3 The primary and the ultimate goal of the investing 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 authorised instruments as per the MFMA

3. BANKING ARRANGEMENTS

3.1 Opening of a Bank Account

The Chief Financial Officer will ensure that the Municipality opens and maintains the following minimum bank accounts:

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

3.2 Management of a Bank Account

Only the Accounting Officer or his/her delegate is authorised 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.

4. CASH MANAGEMENT

- 4.1 All monies received by the Municipality must be deposited into the Municipal primary bank account promptly.

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

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

- 4.2 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.

4.3 Cash Collection:

- 4.3.1 All monies due to the Municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for larger amounts to ensure that these are banked on the next working day they are received.
- 4.3.2 All monies collected by the Council must be banked in the primary bank account of the Municipality.
- 4.3.3 The respective responsibilities of the Chief Financial Officer and other Heads of Departments in this regard are defined in a procedures manual approved by the Municipal Manager and the Chief Financial Officer.

4.3.4 It is important that all monies owing to the Council are correctly reflected in the debtors system. The following control measures are necessary:

- a) A well managed debtors and banking control system will ensure that funds owed to the Council are received and banked; and
- b) It is also important to review debt collection performance by comparing the debtors outstanding in relation to total revenue and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating, or improving.

4.3.5 The unremitant support of and commitment to the Municipality's credit control Policy, both by the Council and the Municipality's officials, is an integral part of proper cash collections, and by approving the present Policy the Council pledges itself to such support and commitment.

4.4 Petty Cash

- a) 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.
- b) Each transaction of petty cash shall not exceed R2 000.-
- c) The officials who are responsible for petty cash management will be independent of all other cash functions like cashiering
- d) An imprest system of petty cash will be used.

5. CASH FLOW ESTIMATES

5.1 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.

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

5.3 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.

6. INVESTMENT ETHICS

6.1 The Accounting Officer and his/her delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.

- 6.2 Under no circumstances may the Accounting Officer and his/her delegate ~~he/she~~ accept bribes into making an investment.
- 6.3 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.
- 6.4 The gift must be declared to the Municipality.
- 6.5 The Accounting Officer 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.

7. INVESTMENT PRINCIPLES

7.1 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 Accounting Officer or his/her nominee prudently manages risk exposure. Risk profiles should be minimised by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.

7.2 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.

7.3 Ownership

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

7.4 Risk and Return

Although the objective of the Accounting Officer and/ Chief Financial Officer in making investments on behalf of the Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average

risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see Gazette 27431 1 April 2005).

8. INVESTMENT PROCEDURE

8.1 After determining whether there is cash available for investment and fixing the maximum term of investment, the Municipal Manager must consider the way in which the investment is to be made.

8.2 Short-term Investment

- a) The term of investment shall not be more than 12 months.
- b) Quotations must be obtained from a minimum of three financial institutions, for the term of which the funds will be invested.
- c) Should one of the institutions offer a better rate for a term, other than the term originally quoted for, the other institutions which were approached, must also be asked to quote a rate for the other term.
- d) Quotations can be obtained telephonically, as rates generally change on a regular basis and time is a determining factor when investments are made
- e) No attempts must be made to make institutions compete with each other.

8.3 Long-term investment

- a) Written quotations must be obtained for investments made for periods longer than twelve months.
- b) The prior approval of the Council must be obtained for all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

8.4 Investment maturity

- a) Upon maturity of the investment the Municipality shall do one of the following:
 - i. Shall withdraw the whole amount invested.
 - ii. Shall re-invest 100% interest plus the original amount that had been invested, in terms of the investment procedure, unless if Council wishes to utilise the original money or the interest.
 - iii. Shall withdraw the interest and re-invest the original capital amount.

8.5 Early withdrawal of invested funds

- a) When investing the funds with the banking institutions the Chief Financial Officer shall ensure that such funds are not withdrawn earlier than the maturity date agreed upon,

by so doing the Municipality will not incur fruitless and wasteful expenditures in form of penalties resulting from early withdrawal of investments.

- b) The Chief Financial Officer shall only withdraw funds if :
 - i) the banking institution concerned has agreed to exempt any penalties due to early withdrawal of investment or;
 - ii) the Accounting Officer may grant approval to withdraw the invested funds after he/she has satisfied himself/herself that the urgency was unforeseeable at the time when funds were invested and that the need for funds far outweighs the penalties being paid for such early withdrawal.

8.6 Call deposits and fixed deposits:

- a) Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three registered financial institutions.
- b) Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).
- c) Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).
- d) Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 8 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Chief Financial Officer shall ensure that the Municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the Municipality.

9. DELEGATION OF AUTHORITY

- 9.1 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 Accounting Officer or Chief Financial Officer or any other senior financial officer authorised by either the Accounting Officer or the Chief Financial Officer/ relevant assignee.

9.2 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.

9.3 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.

10. INVESTMENT ISSUE PERTAINING TO MUNICIPAL COUNCIL APPROVAL

10.1 In the event that an investment ~~that~~ needs to be made, quotations are required from at least three registered financial institutions. In the case of telephonic quotations, the following information is required:

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

10.2 All investment documents must be signed by two authorised cheque signatories.

10.3 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:

- a) 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
- b) Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.
- c) Promptly disclose information of any possible or actual change in the investment portfolio, which could or will have a material adverse effect.

11. 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.

12. POLICY REVIEW

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

13. INTERNAL CONTROL PROCEDURES

- 13.1 An investment register should be kept of all investments made. The following facts must be indicated:
- a) Name of institution;
 - b) Capital invested;
 - c) Date invested;
 - d) Interest rate; and
 - e) Maturity date and
 - f) Interests earned on investments.
- 13.2 The investment register and accounting records must be reconciled on a monthly basis.
- 13.3 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.
- 13.4 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.
- 13.5 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:
- a) Fixed deposit letter or investment certificate;
 - b) Receipt for capital invested;
 - c) Copy of electronic transfer or cheque requisition;
 - d) Schedule of comparative investment figures;
 - e) Commission certificate indicating no commission was paid on the investment; and
 - f) Interest rate quoted.
- 13.6 All investment must be denominated in South African Rand (ZAR)
- 13.7 The Chief Financial Officer or his/her assignee is responsible for ensuring that the invested funds have been invested with registered 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 minimise risk exposure.

14. REPORTING AND MONITORING PROCEDURES

- 14.1 The Accounting Officer 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.
- 14.2 The report must contain a statement, prepared in compliance with generally recognised accounting principles/generally accepted municipal accounting principles, that states the:
- a) beginning market value for the period
 - b) additions and changes to the market value during the period
 - c) ending market value for the period
 - d) fully accrued interest/yield for the reporting period
 - e) the credit risk rating for the institutions whose securities are held by the Municipality as at beginning and end of the reporting period
 - f) investments disposed of due to adverse changes in credit ratings
 - g) diversification of investments
 - h) 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.

15. PERMITTED INVESTMENTS

- 15.1 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:
- a) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
 - b) Securities issued by the National Government;
 - c) Investments with the Public Investment Commissioners as contemplated by the Public Investment Commissions Act, 1984 (Act No. 5 of 1984);
 - d) Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
 - e) Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984);
 - f) Banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);
 - g) Municipal Bonds issued by a Municipality
 - h) Guaranteed endowment policies with the intention of establishing a sinking fund; and

- i) Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)

16. EXISTING INVESTMENTS

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

17. 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.

18. PERFORMANCE EVALUATION

- 18.1 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.

- 18.2 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.

19. 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.

20. UNALLOCATED RECEIPTS

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

21. PAYMENT OF CREDITORS

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

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

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

21.3 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.

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

- 22.1 All names of bank accounts must be changed to the name of the newly created municipality,
- 22.2 New bank accounts must be opened if required,
- 22.3 All cheques received from the disestablished municipalities must be banked,
- 22.4 All bank accounts currently held and transferred to the municipality must be accounted for in the new accounting system,
- 22.5 The official responsible must ensure that the name change on the accounts has been effected,
- 22.6 All bank and cash must be made in terms of the Cash Management Policy,
- 22.7 Every municipality must open and maintain at least one bank account in the name of the municipality and
- 22.8 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.

23. MANAGEMENT OF STOCK

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

24. 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.

24.1. SHORT-TERM DEBT

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

- a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year or

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

24.1.2 A municipality:

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

24.2. **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.

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

25. **COMPLIANCE AND ENFORCEMENT**

- a) Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b) It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

26. **EFFECTIVE DATE**

This Policy shall come to effect upon approval by Council of Ugu District Municipality.

27. **POLICY ADOPTION**

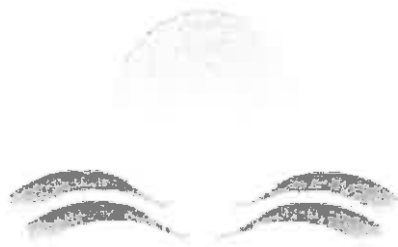
This Policy has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPLAITY** as follows:

Resolution No:.....

Approval Date:.....

UGU DISTRICT MUNICIPALITY

“The Municipality”



DRAFT

FUNDING AND RESERVES POLICY

CONTENTS

1.	Definitions	3
2.	Objectives of the Policy	3
3.	Scope and Intended Audience	3
4.	Regulatory Framework	3
5.	Funding of the Annual Budget	4
6.	Operating Budget	4
7.	Capital Budget	7
8.	Cash Flow Management	9
9.	Management of Debtors	9
10.	Donations, grants and subsidies	9
11.	The Capital Replacement Reserve	10
12.	Capital Contributions	10
13.	Provisions	10
14.	Other Items to be cash backed	11
15.	Policy review	11
16.	Compliance and Enforcement	11
17.	Effective Date	12
18.	Policy Adoption	12

1. **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.

"Accounting Officer" means the Municipal Manager of Ugu District Municipality

"Chief Financial Officer" means the Chief Financial Officer of Ugu District Municipality

"Council" means the Council of Ugu District Municipality

"MFMA" means the Municipal Financial Management Act, 2003 (Act No 56 of 2003)

"Municipality" means Ugu District Municipality

"GRAP" means Generally Recognised Accounting Practices standards.

2. **OBJECTIVES OF THE POLICY**

The objectives of this Policy are to:

- a. Ensure that the Medium Term Revenue/Expenditure Framework (Annual Budget) of the Municipality is appropriately funded.
- b. Ensure that cash resources and reserves are maintained at the required levels to avoid unfunded liabilities.
- c. To achieve financial stability in order to provide sustainable levels of service delivery to the community.

3. **SCOPE AND INTENDED AUDIENCE**

- 3.1 The Funding and Reserves policy aims to ensure that the Municipality has sufficient funding in order to achieve its objectives through the implementation of its operating and capital budgets.
- 3.2 This Policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

4. **REGULATORY FRAMEWORK**

The legislative framework governing funding of the Annual Budget is:

- a. Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and,

- b. Local Government: Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

5. FUNDING OF THE ANNUAL BUDGET

5.1 An annual budget may only be funded from:

- a. Cash backed accumulated funds from previous years' surpluses and reserves not committed for any other purpose;
- b. Realistically anticipated revenues to be collected;
- c. Borrowed funds only for capital expenditure, and
- d. Grants and subsidies.

5.2 Realistic anticipated revenue projections must take into account:

- a. Projected revenue for the current year based on the previous year's billing information.
- b. Actual revenue collected in previous financial years.

6. OPERATING BUDGET

6.1 The operating budget provides funding to departments for their medium term expenditure as planned. The Municipality categorises services rendered to the community according to its revenue generating capabilities in line with the tariffs policy

- a) Trading services – services that generate surpluses that can be used for cross subsidisation to fund other services.
- b) Economic services – services that break even with no surpluses.
- c) Rates and general services – services that are funded by surpluses generated by trading services, and/or other revenues generated such as, interest received, grants and subsidies etc.

6.2 The operating budget is funded from the following main sources of revenue:

- a) Surpluses generated from service charges.
- b) Government grants and subsidies.
- c) Other revenue, interest received etc.
- d) Cash backed accumulated surpluses from previous years not committed for any other purposes.

6.3 The following guiding principles apply when compiling the operating budget:

- a) The annual budget must be balanced and funded.

- b) Growth parameters must be realistic taking into account the current economic conditions.
- c) Tariff adjustments must be realistic, taking into consideration the general inflation, affordability, bulk increases and the demand according to the approved Integrated Development Plan (IDP).
- d) Revenue from government grants and subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes.
- e) Revenue from public contributions, donations or any other grants may only be included in the budget if there are acceptable documentation that guarantees the funds such as:
 - (i) Signed service level agreement;
 - (ii) Contract or written confirmation; or
 - (iii) Any other legally binding document.
- f) Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions. The following factors must be considered for each service when applicable:
 - i. Metered services namely water:
 - aa) The consumption trends for the previous financial years;
 - bb) Envisaged water restrictions when applicable; and
 - cc) Actual revenue collected in previous financial years.
 - ii. Sewerage services:
 - aa) The actual number stands/consumer points receiving the service and the consumption trends per category; and
 - bb) Actual revenue collected in previous financial years.
- g) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as expenditure most often (grant) as per directive in MFMA Budget Circular 51 depending on the conditions thereof.
- h) Other projected income is charged in terms of the approved sundry tariffs and fines considering the past trends and expected growth for each category.

- i) Provision for revenue that will not be collected is made against the expenditure item bad debt and based on actual collection levels for the previous financial year and the projected annual non-payment rate.
- j) Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends. The actual amount allocated for interest on investments is contributed to the Capital Replacement Reserve.
- k) Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure resulting there from.
- l) Transfers from the accumulated surplus to offset the increased depreciation charges as a result of the implementation of GRAP 17 will be phased out over a number of years.
- m) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and new and/or funded vacant positions are budgeted for six months only of the total package considering the recruitment process. As a guiding principle the salary budget should not exceed the parameter (percentage) of the aggregate operating budget component of the annual or adjustments budget, the parameters as may be contained in the budget circular issued by National Treasury from time to time.
- n) (Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17 a transfer from the accumulated surplus is made) However the annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs.
- o) To ensure the health of municipal assets, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels, resulting that maintenance budgets are normally lower than the recommended levels. Therefore the mere reduction of maintenance budgets to balance annual budgets must carefully be considered. As a guiding principle repair and maintenance should constitute between 5 and 8% of the carrying value of the property, plant and equipment and should annually be increased incrementally until the required targets are achieved.
- p) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure. Increases for these line items must be linked

to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.

7. CAPITAL BUDGET

7.1 The capital budget provides funding for the Municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

7.2 Capital expenditure may only be incurred on a capital project if:

- a. The funding for the project has been appropriated in the capital budget.
- b. The total cost for the project has been approved by Council.
- c. The future budgetary implications and projected cost covering all financial years until the project is operational has been considered.
- d. The implications of the capital budget on municipal tax and tariff increases been considered.
- e. The sources of funding are available and have not been committed for other purposes.

7.3 Provisions on the capital budget will be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:

- (a) Accumulated cash backed internal reserves;
- (b) Borrowings;
- (c) Government grants and subsidies; and
- (d) Public donations and contributions.

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

(a) Government grants and subsidies:

- i. Only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per provincial gazettes may be used to fund projects;
- ii. The conditions of the specific grant must be taken into consideration when allocated to a specific project; and
- iii. Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.

- (b) In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:
 - i. Signed service level agreement;
 - ii. Contract or written confirmation; and/or
 - iii. Any other legally binding document.
- (c) Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.
- (d) The borrowing requirements, to be used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings:
 - i. Long-term credit rating of BBB;
 - ii. Interest cost to total expenditure to not exceed 8%;
 - iii. Long-term debt to revenue (excluding grants) not to exceed 50%;
 - iv. Collection rate of above 95%;
 - v. Percentages of capital charges to operating expenditure less than 18%.
- (e) Allocations to capital projects from cash backed internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve as follows:
 - i. Infrastructure projects to service new developments and the revenue is received through the sale of stands/land/site must be allocated to the capital reserve for services;
 - ii. Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc. must be allocated to the capital reserve from revenue which is funding from the revenue budget for that specific year. A general principle is that these types of capital expenditure should not exceed more than 1% of total operating expenditure;
 - iii. Capital projects to replace and/or upgrade existing assets may be allocated to the capital replacement reserve;
 - iv. Capital projects to upgrade bulk services will be allocated to the capital bulk contributions reserve for each service.

7.5 All capital projects have an effect on future operating budget therefore the following cost factors should be considered before approval: