

UGU DISTRICT MUNICIPALITY

“The Municipality”



VIREMENT POLICY

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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 Manger of Ugu District Municipality,

“Chief Financial Officer” means the Chief Financial Officer of Ugu District Municipality

“Financial year” means a twelve months period commencing on 1 July and ending on 30 June each year;

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

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

“Vote” means

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

2. OBJECTIVES OF THE POLICY

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

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

3. LEGISLATIVE FRAMEWORK

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

4. DETERMINATION OF VOTE

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

5. AUTHORISATION OF VIREMENTS

- 5.1 A transfer of funds from one line item to another under this Policy may, subject to the provisions of this Policy, be authorised as follows:
 - a) If the amount does not exceed R1 000 000.00 the transfer may be authorised by the Chief Financial Officer of the Municipality or the Accounting Officer of the Municipality after consultation with the Chief Financial Officer;
 - b) If the amount exceeds R1 000 000.00 but does not exceed R5 000 000.00 the transfer may be authorised by the Accounting Officer after consultation with the Chief Financial Officer;
 - c) The Mayor may authorise expenses in an emergency or other exceptional circumstances and the adjustment budget must be passed during the adjustment period after the expenses were incurred.

- d) Notwithstanding the provisions of 5.1.a, a transfer of funds between cost or functional centres within a particular Vote/Department may not be authorised by the Chief Financial Officer but may only be authorised by:

- a) The Accounting Officer, if the amount does not exceed the amount of
R5 000 000.00

6. RESTRICTIONS ON AMOUNT OF VIREMENTS

- 6.1 Notwithstanding the provisions of section 5:

- 6.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 40 % of the amount allocated to that vote;

- 6.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 25 % of the total operating budget for that year;

- 6.2 A transfer which exceeds, or which would result in the exceeding of any of the limits referred to in 6.1 above may, however, be performed if the Council by resolution approves thereof.

- 6.3 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.

7. MANAGEABLE GROUPS OF REVENUE

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

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

Head Of Department's are responsible for all grants and donations which are budgeted for under their departments. They must report any deviations to the Chief Financial Officer or the budget office in writing. They must seek reasons for deviations from the responsible donor or the transferring sector departments.

If Head Of Department's become aware that budgeted revenue will not materialise or will not be collected, they must inform the Chief Financial Officer or the Budget Office to ensure that revenue will be adjusted downwards in the Adjustments Budget.

8. NON-MANAGEABLE GROUPS OF REVENUE AND EXPENDITURE

No funds Transfers can be made on these groups:-

- a) Depreciation,
- b) Finance Charges,
- c) Departmental Charges,
- d) Investment Income and
- e) Employee Related Costs

9. OPERATING BUDGET VIREMENTS

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

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

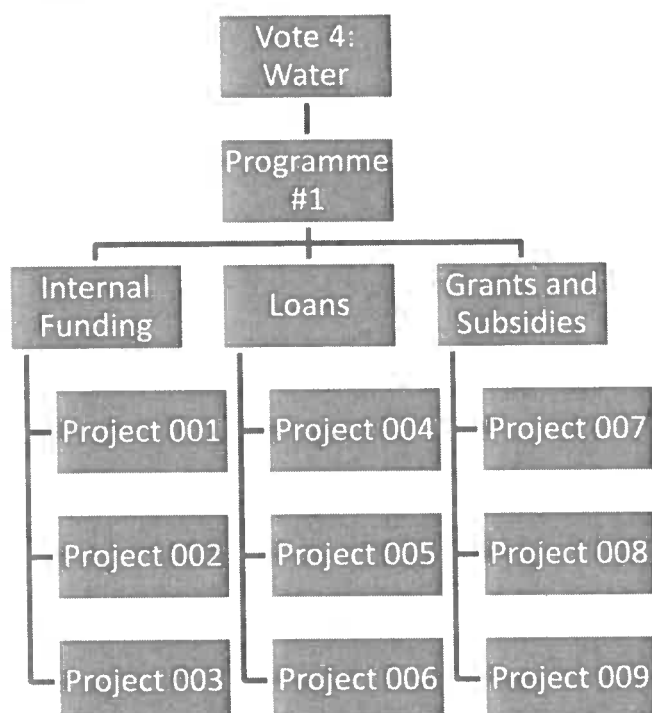
- 9.2 All requests for the transfer of funds must be in writing using the prescribed request forms in Appendix A and B, and must be properly authorised by the Manager and General Manager responsible for that vote and the Chief Financial Officer as per the set limits.

- 9.3 The prescribed request form shall include, but not limited to, provisions for the following:
- a) The name of the department concerned;
 - b) Descriptions of the line items from and to which the transfer is to be made;
 - c) The amount of the proposed transfer;
 - d) The cause of the saving in the line item from which the transfer is to be made;
 - e) The justification for the transfer;
 - f) A description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

- 9.4 Each Head Of Department is responsible for his/her own operational budget and must ensure that all expenditure is contained to the approved allocations by Council.

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

10. **CAPITAL BUDGET VIREMENTS**



- 10.1 Virements on the Capital budget allocations can be done from one project to another within the same vote and source of funding, i.e. from Water, CRR to Water CRR. Virements cannot be done to a new project which was not part of the approved capital budget. Any other transfer of funds or requests for new allocations must be done through an adjustments budget and approved by Council.
- 10.2 Virements can be done on conditional grant funded projects; provided that there is a written agreement by the said funder.
- 10.3 All requests must be in writing on the prescribed form in Appendix B and must be properly authorised by the responsible Manager, General Manager and the Chief Financial Officer.

11. **REVIEW OF POLICY**

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

12. **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.

13. EFFECTIVE DATE

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

14. 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”



FREE WATER SERVICES POLICY

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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:.....

Free Basic Water Policy

<u>UGU DISTRICT MUNICIPALITY</u>	
Policy Custodian	BTO
Policy Name	Free Basic Water Policy
Policy Number	17/1/1/2
Status	Approved
Date	29 April 2021
Approved By	Council
Date Of First Approval	FY 2010/2011
Date Approved	28 May 2020
Date Last Amended	29 April 2021
Date for Next Review	FY 2021/2022
Date Published on Intranet & Website	

Free Basic Water Policy

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Free Basic Water Policy

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 a safe, hygienic and adequate collection. Removal, disposal or purification of human excreta, domestic wastewater and sewerage from households, including informal households

“Chief Financial Officer” CFO means a person employed by the Municipality in terms of section 57 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 Accounting Officer in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;

“Council” means the Council of the Ugu District Municipality

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

“Indigent person” means a person lacking the basic necessities of life in respect of water and sanitation services, who meets the criteria for indigent support as per the policy

“Municipality” means Ugu District Municipality



Free Basic Water Policy

2. THE LEGAL CONTEXT

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

The Constitution of South Africa Section 27 (1)(b)

3. PREAMBLE OF THE POLICY

The municipality fully supports the National Government's policy on providing free basic services to the poorer of the community. It also intends to ensure that no one is completely denied access to basic water supply of water because they are unable to pay for the service. Underlying this is the recognition that the supply of water at a basic level assists in alleviating poverty and improves health. The financial implication must determine the extent to which water can be provided free to certain consumers.

As part of government's strategy in South Africa, a policy for the provision of a free basic level of services has been introduced. In response to this commitment, the Department of Water Affairs and Forestry (DWAF) commenced the implementation of phase 1 of the National Free Basic Water Strategy in February 2001.

The Ugu District Municipality will progressively introduce the Policy to its areas. Full advantage will be taken of subsidies and grants made available by other spheres of government to enable the municipality to implement a policy of free basic water without violating the fundamental principle.

4. OBJECTIVES OF THE POLICY

There are two interrelated long-term objectives which will guide the municipality regarding the provision of free basic services, and these are:

- (a) The elimination of poverty in the Ugu District Municipality's 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 the basic services, therefore different levels of service must be provided at affordable or no cost, but the Policy is accepted that, overtime realistically computed, these distinctions should be eliminated, and everyone should be treated equally

5. PURPOSE

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

6. ADMINISTRATION OF FREE BASIC WATER SERVICES

In recognition of the primary importance of having clean and adequate water supply, the South African Government in 2000 introduced the Free Basic Services Policy, which allows for households to get 6 000litres (6kl) of water per month



Free Basic Water Policy

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.

6.1 Free Basic Water

Private, 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 the municipality will receive a free water usage of 200 litres per day, based on the quota allocation and the number of days in a meter reading period.

6.2 Qualification Criteria

- (a) Indigent households
- (b) Rural communities where water is supplied by standpipes
- (c) Informal settlements where water is supplied by standpipes
- (d) People served from springs and borehole water in rural areas
- (e) Rainwater 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, or as may be prescribed by it.

7. FREE BASIC SANITATION

7.1 Free basic sanitation shall be provided to the following:

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

8. MONITORING AND EVALUATION

This information will be reported monthly to the relevant committees for the oversight

9. COMMENCEMENT OF THE POLICY

The policy will come into effect on adoption by Council

10. AMENDMENT AND / OR ABOLITION

The policy's amendment and / or abolition will come into effect on approval by Council

11. COMPLIANCE AND ENFORCEMENT

Violation or non-compliance with this policy will give just cause for disciplinary steps to be taken.

12. POLICY REVIEW

This policy will be reviewed annually to ensure applicability and relevance.




Free Basic Water Policy

Records of Approval

Meeting	Date	Resolution
Council Meetings		
Council	24 May 2018	Approved
Council	30 May 2019	Approved
Council	28 May 2020	Approved
Council	29 April 2021	Approved
Reviews		
Policy Review Committee	27 February 2020	Recommended to MANCO
Policy Review Committee	28 January 2021	Recommended to MANCO



<p style="text-align: center;"><u>UGU DISTRICT MUNICIPALITY</u></p> 	
Policy Custodian	BTO
Policy Name	Credit Control and Debt Collection Policy
Policy Number	5/22/P
Status	Approved
Date	29 April 2021
Approved By	Council
Date of First Approval	FY 2002/2003
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1. PURPOSE

This Policy, read together with the Ugu District Municipality Credit Control and Debt Collection By-law, provides procedures and mechanisms for credit control and debt collection. The Policy has been compiled in compliance with the Local Government: Municipal Systems Act 32 of 2000 (the Systems Act), Chapter 9 S(95) – (97), which requires the adoption of a credit control and debt collection policy, which is consistent with the Municipality's Tariff Policy and which complies with the Systems Act. The Policy aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.

2. DEFINITIONS

Words contained in this Policy have the same meaning as in the Ugu District Municipality: Credit Control and Debt Collection By-law, except where the context indicates otherwise. In addition, the following words and phrases have the following meanings:

- 2.1 **Account** means written notification in the form of a statement of account in respect of municipal services, sundry charges and other charges, addressed to a person liable for payment thereof;
- 2.2 **Agent** means a person authorised by the customer to act on his or her behalf;
- 2.3 **Arrears** means any amount which is due, owing and payable and which remains unpaid by due date;
- 2.4 **Authorised Official** means any official or agent of the Municipality who has been authorised by the Municipality to administer, implement and enforce the provisions of these Bylaws,
- 2.5 **Bulk customer** means a customer who consumes large amounts of water for commercial or industrial purposes;
- 2.6 **By-law** means Ugu District Municipality: Credit Control and Debt Collection By-Law, as amended;
- 2.7 **CFO** means a person employed by the Municipality in terms of section 57 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 Accounting Officer in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;
- 2.8 **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 the By-law or any other law;
 - (d) in respect of any other charge which the Municipality is by law entitled to recover;
- 2.9 **Company** shall bear the same meaning as "Company" in the Company's Act, 2008 (Act 71 of 2008);
- 2.10 **Consolidated account** means a monthly account reflecting municipal service fees, charges, surcharges on fees, sundry charges, levies and all consolidations in terms of section 102 of the Systems Act;
- 2.11 **Credit Authority** means any arrangement made by agreement between the Municipality and a customer for the payment of any arrears in instalments. Such arrangement may take the form of an agreement or an acknowledgment of debt;

Credit Control and Debt Collection Policy

- 2.12 **Customer** means any person or their agent with whom the Municipality or an authorised official has entered into an agreement for the provision of any municipal service to the premises;
- 2.13 **Deemed Owner** means the occupiers contemplated in **section 27.2** of this Policy;
- 2.14 **Defaulter** means a Customer whose account is in arrears;
- 2.15 **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;
- 2.16 **Due date** means the date on which a customer's account becomes payable, which in the case of monthly accounts is thirty (30) days from the date of the account
- 2.17 **Effective Date** means the date on which this Policy comes into effect which shall be 1 July 2018;
- 2.18 **Unauthorised reconnections** means any reconnection after restriction of disconnection, to a system through which municipal services are provided, which is not authorised or approved by the Municipality or an authorised official;
- 2.19 **Juristic person** includes a partnership, a proprietor, association or other body of persons, corporate or unincorporated and includes a trust and organ of state;
- 2.20 **Municipal charges** mean municipal service fees, surcharge on fees, penalties and interest, as well as any other charges in terms of Legislation, Policy or an agreement including Sundry Charges and Collection charges;
- 2.21 **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;
- 2.22 **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 any part thereof were let, whether for his own account or as agent for any person entitled thereto or having an interest therein;
 - (d) in the case of premises for which a lease agreement of 30 years or longer has been entered, 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;

- 2.23 **Person** means a natural person or Juristic Person
- 2.24 **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, excluding a permission to occupy; or
(d) a public service infrastructure;
- 2.25 **Prescribed form** means any document that may be prescribed by law or required by the municipality from time to time; in a format approved by Council;
- 2.26 **Residential property** means a dwelling, in any building, premises, structure, or any other place, or any part thereof, used predominantly as a place of residence or abode of any natural person excluding a dwelling where the dominant use is for any purpose other than residential
- 2.27 **Revenue Clearance Certificate** means a certificate of the kind referred to in Section 118(1) of the Systems Act;
- 2.28 **Service Agreement** means an agreement entered between the Customer and the Municipality for the provision of municipal services;
- 2.29 **Staff means** a person who is not an elected or appointed officer who is employed on a full or part-time basis by a municipality.
- 2.30 **Sundry charge** means an amount charged to a customer which is not directly linked to a property and includes but is not limited to–
(a) charges arising from damage 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 the municipality staff (staff debts);
- 2.31 **Systems Act** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended;
- 2.32 **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;
- 2.33 **Water services** means the supply of potable water and, where a municipal sewerage reticulation system exists, the disposal of sewage;
- 2.34 **Multi property owner** means an owner of 50 or more registered properties in the Municipality's area of jurisdiction

PREScriptive/LEGAL FRAMEWORK

3. Municipal Systems Act 2000, Act 32 of 2000, Chapter 5 Section 96

PROVISION OF MUNICIPAL SERVICES

4. REGISTRATION FOR MUNICIPAL SERVICES

- 4.1 **Residential property** - The Municipality will endeavour to register **owners only** for services on their properties. Tenant registrations currently in place will continue until the tenant vacates, the account is closed, or the Municipality cancels the contract of the tenant in default in terms of subsection 8.1 (b) of this Policy.
- 4.2 **Business property** - The Municipality will only enter into new contracts for municipal services with tenants if the owner of the property is a multi-property owner as defined, and the municipal accounts on all of his or her properties are paid. Where the landlord is not a multi-property owner, the owner of the property must register for services.
- 4.3 **Government property** - The Municipality will continue to register tenants for services. The respective Government Departments shall be held liable for the debts on their own property.
- 4.4 **Sundry debtors** - Each sundry debtor must have an account
- 4.5 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the municipality has been produced in each instance.
- 4.6 If there is an outstanding debt on the property, this debt must be settled in full
- 4.7 Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.
- 4.8 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer or owner to advise the Municipality of such change.
- 4.9 A person applying for a Municipal Service must enter into a service agreement with the Municipality in order for such Municipal Service to be provided.
- 4.10 Documentation and Information (Juristic Persons)- An application by a Juristic Person for a Municipal Service must include –
- (a) The submission of a resolution delegating authority to the applicant and furnishing, if applicable, the Juristic Person's Registration Number or Trust Reference Number with the Master of the High Court.
 - (b) The names, identity number, cell phone number, physical and postal addresses, email addresses and any other particulars of all the directors or members or trustees or proprietors or partners, as maybe prescribed.
 - (c) Certified Copies of the following where applicable:
 - (i) Current Letter of Authority of the Trustee(s).
 - (ii) Identity documents of the persons referred to in (b) above.
 - (iii) CIPC registration documents.
 - (iv) Constitution.
 - (d) if the applicant is not the registered owner of the property to which water and sanitation services are to be supplied, be accompanied by:



(i) a written undertaking, in a form prescribed by the authority or an authorised provider, signed by such registered owner in favour of the authority or an authorised provider, whereby such registered owner agrees and undertakes to pay to the authority or such authorised provider any outstanding debt owing by the applicant for water and sanitation services provided to the applicant by the authority or the authorised provider in the event that the applicant absconds leaving such debt unpaid.

3.12 A person may be required to provide to the Municipality such personal information, as may be prescribed, for any purpose contemplated in this policy, amongst others, all contact details (postal/physical/email address etc.), proof of identification, financial information and such other relevant documentation, as may be required by the Municipality from time to time (e.g. binding lease agreement, title deed etc.).

3.13 All information furnished may be verified by the Municipality with any or all data information institutions, credit information bureau's and any financial institutions as may be deemed necessary by the Municipality in determining a person's credit worthiness or for any other reason as determined by the municipality.

3.14 The Municipality has a right to conduct a full credit check on any person who is or who will become subject to this policy or any other policy of the Municipality.

5. DEPOSITS AND GUARANTEES

5.1 Deposits

- (a) All new customers applying for a new connection are required to pay a minimum deposit of R550.00 (urban) and R200.00 (rural), R1 000.00 (tenant)
- (b) All new customers with existing connections will be required to pay a minimum deposit based on 3 months historic charges on the property.
- (c) Where a tenant applies for a municipal account, the registered owner's account must be settled in full.
- (d) The Municipality may appropriate a customer's deposit on any account related to that customer.
 - (i) Sureties shall not be accepted in lieu of deposits.
 - (ii) Where a business customer does not present a valid South African ID Document, a deposit equivalent to twice the prescribed deposit shall apply, in addition to the personal suretyships.
 - (iii) If a customer is in arrears, the deposit may, upon due notice, be increased.
 - (iv) No deposit will be raised on a vacant stand however a basic charge shall be raised monthly.
- (e) Accounts that were taken over from rural water schemes may have no deposit
- (f) No deposit will be raised on the registered owner's account that is opened for raising basic charges where the old owner has requested the closure of their account until the registered owner has signed a contract with the municipality

5.2 Guarantees

- (a) Where an applicant for any credit service is a commercial customer, they may lodge with the Municipality a guarantee for a deposit amount as calculated by the Municipality and provide the guarantee in a form that is satisfactory and acceptable to the Municipality from a recognised financial institution.
 - (i) Any guarantee provided shall not be regarded as being in payment of any current account or any arrears due to the authorised provider; and
 - (ii) Where liability for monthly charges ceases, the authorised provider shall issue a written release of any guarantees given on behalf of the juristic person or persons concerned.
 - (iii) The determination of the cessation of any monthly charges or liability shall be solely within the discretion of the authorised provider which shall however, be exercised



reasonably.

- (iv) The authorised provider may at any time require by notice to any liable party or juristic person to furnish a further guarantee, which may in the discretion of the authorised provider, be from a recognised financial institution for any additional amount as the authorised provider may reasonably determine is necessary, in a time period as set out in such notice.

5.3 Review of Deposits

(a) The authority may from time to time review the sum of money deposited by a customer and in accordance with such review -

- (i) require that an additional amount be deposited by the customer; or
- (ii) refund to the customer such amount as may be held by the authority in excess of the reviewed deposit.

(b) If the customer poses a credit risk, the value of the original deposit paid, or a guarantee held may be reviewed from time to time by the Municipality.

(c) The deposit on an account shall be reviewed when-

- (i) the Account is paid after the due date;
- (ii) payment by negotiable instrument or direct debit is dishonoured; or
- (iii) there is increased consumption of services.

(d) The Municipality may increase the deposit payable by a customer by up to 12 months average usage.

6. ACCOUNTS MANAGEMENT

6.1 The Municipality will deliver notices and accounts in accordance with section 115 (1)(a) – (e) of the Municipal Systems Act.

6.2 Failure to receive or accept accounts does not relieve a customer of the obligation to pay any amount due and payable. The onus is on the customer to make every effort to obtain a copy of the account or establish the amount payable for payment by due date as indicated on the invoice.

6.3 If payment of an account is received after the date referred to in Subsection (6.2), a late payment charge or interest, as provided for in section 11 as may be prescribed, must be paid by the customer to the authority.

6.4 The Municipality or an authorized official must, if administratively possible, issue a duplicate account to a customer on request.

6.5 Customers are required to update their information details with the Municipality promptly whenever information on record changes and or whenever requested by the Municipality. A failure to update information with the Municipality or a failure to respond to the Municipality's request for updated information may, subject to the principles of administrative justice, result in with-holding of services, disconnection of services or prosecution. Such update of information includes, but is not limited to-

- (a) Details of executors or administrators of deceased estates;
- (b) Deregistration of a company if the company is the account holder;
- (c) Details of deceased company directors, members of Close Corporations and trustees of Trusts;
- (d) Details of deceased partners and;
- (e) Letters of appointment of a Trustee or Liquidator in the case of an insolvency /liquidation together with contact particulars.

6.6 A request for a reconciliation of any account shall be processed after payment of a prescribed fee.



6.7 There is no obligation on the Municipality to provide records older than 5 years from the date such records are requested.

6.8 Accounts will –

(a) show the following –

- (i) the consumption or estimated consumption or assumed consumption as determined for the measuring and or consumption period;
- (ii) the measuring or consumption period;
- (iii) the applicable tariff;
- (iv) the amount due in terms of the consumption;
- (v) the amount due and payable for any other service rendered by the authority or the authorised agent;
- (vi) the amount in arrears, if any;
- (vii) the interest payable on any arrears, if any;
- (viii) the final date for payment;
- (ix) the methods, places and the names and location of any authorised agents where payments may be made; and

(b) state that –

- (i) the customer may conclude an agreement with the authority for payment of the arrears amount in instalments, at the authority offices before the final date for payment, if a customer is unable to pay the full amount due and payable;
- (ii) if no such agreement is entered into the authority will limit the water and sanitation services after sending a final demand notice to the customer; and
- (iii) that legal action may be instituted against any customer for the recovery of any amount sixty days in arrears;
- (iv) proof of registration, as an indigent customer, in terms of the authority's indigent policy must be handed in before the final date for payment; and an indigent customer is only entitled to a basic water supply and basic sanitation as defined in the Act and that an indigent customer will be liable for payment in respect of water and sanitation services used in excess of the quantity of such basic water supply or basic sanitation.

6.9 All payments made to the authority in respect of any amount payable under this Policy, including any arrears, interest or penalties shall be made in cash, by bank guaranteed cheque or by electronic deposit to the authorities banking account, and such payment shall be deemed to have been received when:

- (a) an official receipt is issued therefore by the authority, or
- (b) such amount is credited to the bank account of the authority in such a manner that the authority may immediately deal therewith, whichever is the sooner.

6.10 All payments shall be made only to the offices of the authority or at such other places as the authority may in writing appoint.

7. METERING

7.1 The municipality will endeavour, within practical and financial limits, to provide meters to every paying customer for all metered services.

7.2 All meters will be read monthly, however on exceptional cases the municipality will average the consumption for the preceding month(s).

7.3 Customers are entitled to request verification of meter readings and accuracy within reason but may be held liable for the cost thereof if municipal reading was correct.

7.4 Customers may be informed of meter replacement as the municipality may replace a meter as and when the need arises



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7.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an average consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

7.6 An estimated account is determined by calculating an average of the past three (3) months' consumption.

8 RESPONSIBILITY FOR AMOUNTS DUE

8.1 In terms of Section 118 (3) of the Systems Act, an amount due for municipal service fees and surcharge on fees, charge upon the property in connection with which the amount is owing against the property. Accordingly —

- (a) The owner of such property shall be liable for charges incurred in connection with such property and all municipal debts must be paid by the owner of such property without prejudice to any claim or right of recovery which the Municipality may have against another person; the Municipality reserves the right to cancel a contract with the customer in default and register the owner of such property for services on the property; and
- (b) Subject to the right to a basic water supply as contemplated in the Water Services Act, 1997 (Act No. 108 of 1997), as amended, the Municipality will not provide any services on the property until all municipal debts on the property have been paid in full or suitable arrangements have been made to pay such debts. The Municipality reserves the right to determine the manner in which access to a basic water supply will be provided.

8.2 Where the property is owned by more than one person, each owner shall be jointly and severally liable, the one paying the other to be absolved, for all municipal debts charged on the property.

- (a) Owners with their tenants who are registered as customers shall be held jointly and severally liable, the one paying the other to be absolved, for debts on their property
- (b) When a Juristic person opens a Service Account, the directors, members or trustees as the case may be, must sign personal suretyships in favour of the Municipality. Liability for outstanding amounts may be extended to such directors, members or trustees jointly and severally, the one paying the other to be absolved.

8.3 Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute that are due and payable, pending the finalisation of the dispute lodged in respect of the specific amount owed by the customer.

8.4 The owner of the property may be held liable for tampering with the water metering equipment on the property as well as charges that arise there from.

8.5 Debtors may be referred to a third-party debt collector and tracing agent.

9 PAYMENT OPTIONS

9.1 The Municipality will endeavour to establish a payment network to ensure that wherever practically possible, customers in receipt of accounts have access to a payment site i.e Ugu District Municipality offices: Preston Street Park Rynie, Connor Street Port Shepstone, Marine Drive Oslo Beach, Musgrave Rd Harding

9.2 The Municipality shall accept payment under the following circumstances—

- (a) Payment by cheque – provided it is a Bank cheque in ALL instance.
- (b) Payment via a Bank cheque, electronic funds transfer (EFT)
- (c) Subject to a. and b. above, the following payment methods are also available:
 - (i) EFT;



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- (ii) Internet Transfers;
- (iii) Third party collectors appointed from time to time by the Municipality;
- (iv) Direct Debit; and
- (v) Debit Order payments.
- (d) The following shall apply for all EFT payments of the customer's arrears accounts:
 - (i) Only proof of payments from customers will be accepted.
 - (ii) The proof of payment will be verified, where applicable, for authenticity (through the submitting bank's website).
- (e) All reconnection requests where services have been disconnected or restricted will ONLY be actioned once the proof of payment has been received and verified.

9.3 Where any direct debit or payment made to the Municipality or an authorised official is later dishonoured by the bank, the Municipality or its authorised official–

- (a) will recover the bank charges incurred relating to that dishonoured payment against the account of the customer.
- (b) may regard such an event as default on payment and the account shall be dealt with as an arrear account; and
- (c) reserves the right to take legal action for recovery of arrears

9.4 The methods of payment shall be determined by the municipality from time to time.

10. FULL AND FINAL SETTLEMENT

10.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, shall not be in full and final settlement of such an account, except when duly accepted in terms of a delegated authority.

10.2 Subsection 10.1 shall prevail notwithstanding the fact that such lesser payment was tendered or receipted in full settlement.

11. CASH ALLOCATION

11.1 In accordance with section 102 of the Systems Act, the Municipality may–

- (a) consolidate any separate accounts of persons liable for payments to the Municipality;
- (b) credit a payment by such a person against ANY account of that person; and
- (c) implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.

11.2 Any amounts paid may be appropriated to the oldest debt first in the following manner:

- (a) Once off charges
- (b) Sanitation charges (both fixed and variable)
- (c) Water Basic charges
- (d) Interest and administration fees
- (e) Water consumption charges

11.3 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future fees for municipal services, and no interest will be payable on that amount.

11.4 The Municipality's allocation of payment is not negotiable, and the customer may not choose which account to pay.

11.5 Where a customer makes a payment in error into their Ugu District Municipality's account that has a debt outstanding: -

- (a) meant for a different institution,
- (b) where a customer has multiple accounts



the municipality will only refund or transfer the amount in credit after settlement of the debt.

12. INTEREST AND ADMINISTRATIVE CHARGES

12.1 An interest rate of 6.5% per annum will be raised on overdue accounts that are more than 30 days.

12.2 The rate of interest will be reviewed on an annual basis as part of the municipality's adopted tariff structure.

12.3 Interest shall accrue 30 days from date of account on unpaid accounts. Interest shall accrue for each completed month in respect of any arrears remaining unpaid after 30 days of the account. A part of a month shall be deemed to be a completed month on the basis that interest is charged as from the first day of the account being in arrears.

12.4 Interest may only be reversed under the following circumstances—

- (a) exemptions as determined by this Policy from time to time;
- (b) if the Municipality has made an administrative error on the account;
- (c) Where any debt has arisen as a result of a faulty meter or the Municipality has applied an incorrect charge, meter constant or tariff due to an administrative error;
- (d) where the Municipality approves such reversal from time to time.

12.5 Where any payment made to the municipality or its authorised agent by negotiable instrument is later dishonoured by the bank, the municipality or its authorised agent:

- (a) may recover the bank charges incurred relating to dishonoured negotiable instruments against the account of the customer
- (b) shall regard such an event as default on payment

12.6 A customer will be liable for any administration fees, costs incurred in taking action for the recovery of arrears and any penalties, including the payment of a higher deposit.

13. PROCUREMENT OF GOODS AND SERVICES AND PAYMENTS IN TERMS OF CONTRACTS

13.1 When submitting a tender for the provision of services or the delivery of goods, each potential tenderer must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date, and that all accounts for which each and every director, member, owner, partner or trustee of the tenderer is liable, have also been paid up to date.

13.2 Before awarding a tender, the Municipal debts of the tenderer and of each director, member, owner, partner or trustee of the tenderer must be paid in full.

13.4 Where payments are due to a creditor of the Municipality, or in terms of any contractual arrangement with the Municipality, any arrear amount owing to the Municipality may be set off against such payments.

13.5 This Policy applies to quotations, public tenders and tenders in terms of section 36 of the Municipality's Supply Chain Management Policy.

14. AGREEMENT WITH EMPLOYERS

14.1 Section 103 of the Systems Act reads as follows—

A Municipality may—

- (a) with the consent of a person liable to the Municipality for the payment of fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of that person—
 - (i) any outstanding amounts due by that person to the Municipality; or
 - (ii) regular monthly amounts as may be agreed.



- 14.2.1 In the event that the employee voluntarily chooses to use the method of payment as contemplated in subsection 13.1 for the payment of his or her municipal accounts, the employee may approach the Municipality for the agreement to be concluded.

15. STAFF, COUNCILLORS AND WARD COMMITTEE MEMBERS IN ARREARS

15.1 STAFF

- (a) Item 10 of Schedule 2 to the Systems Act (Code of Conduct for Municipal Staff Members) states that–
- (i) a staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months; and
 - (ii) a Municipality may deduct any outstanding amounts from a staff member's salary after this period; and
- (b) The Municipality shall liaise with the relevant staff on repayment of their arrears.
- (c) No special treatment shall be afforded to staff members whose accounts are arrears.
- (d) Any staff member who has breached the code will be dealt with in accordance with the disciplinary procedures adopted by the Municipality or as prescribed by Law or determined by a Collective Agreement.

15.2 COUNCILLORS

- (a) Item 12A of Schedule 1 to the Systems Act states that a Councillor may not be in arrears to the Municipality for a period longer than three (3) months.
- (a) The Accounting Officer shall liaise with the Speaker and issue the necessary salary deduction instruction where appropriate.

16 ARREAR ACCOUNTS

Disconnection and Reconnection of Services

- 16.1 If a customer fails to pay the amount/s due and payable on or before the final date for payment, the unpaid amount is in arrears and a final demand and disconnection notice may be hand delivered or posted, e-mailed, to the most recent recorded address of the customer, within fourteen(14) days.
- 16.2 Failure to deliver or send a final demand notice within fourteen (14) days does not relieve a customer from paying such arrears.
- 16.3 The final demand notice must contain the following statements, in the English or IsiZulu language –
- (a) the amount in arrears and any interest payable;
 - (b) that the customer may conclude an agreement with the authority for payment of the arrears amount in instalments within fourteen (14) days of the date of the final demand notice;
 - (c) that if no such agreement is entered into within the stated period that the water and sanitation services will be limited and that legal action may be instituted against any customer for the recovery of any amounts sixty (60) days in arrears;
 - (d) proof of registration, as an indigent customer, in terms of the authority's indigent policy must be handed in before the final date of the final demand notice.
 - (e) that an indigent customer is only entitled to basic water supply and or basic sanitation, as defined in the Act and in accordance with any regulations adopted by the authority and that an indigent customer will be liable for payment in respect of water and sanitation services used in excess of the quantity of basic services.
- 16.4 Interest may be levied on all arrears at a rate prescribed by the municipality from time to time.

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- 16.5 The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a customer of an amount less than the total amount due, will be allocated in reduction of the consolidated debt in the following order –
- (a) towards payment of arrears.
 - (b) towards payment of interest; and
 - (c) towards payment of the current account
- 16.6 The authority may, within fourteen (14) days after the expiry of the due date allowed for payment in terms of the final demand notice –
- (a) limit the provision of water and sanitation services to the defaulting customer; and
 - (b) hand deliver or post, email, to the last recorded address of the customer, a discontinuation notice informing him or her that the provision of water and sanitation services will be disconnected within fourteen days (14) of the date of the discontinuation notice;
- if –
- (i) no payment was received within the allowed period;
 - (ii) no agreement was entered into for the payment of arrears in instalments;
 - (iii) no proof of registration as indigent was handed in within the fourteen day period allowed; or
 - (iv) no payment was received in accordance with an agreement for payment of arrears.
- 16.7 A discontinuation notice must contain –
- (a) the amount in arrears and any interest payable;
 - (b) a statement that the customer may conclude an agreement with the authority for payment of the arrears amount in instalments, within fourteen (14) days of the date of the discontinuation notice;
 - (c) that if no such agreement is entered into within the stated period, the authority may discontinue the provision of water and sanitation services with immediate effect, notwithstanding any legal action instituted or in the process of being instituted against the customer for the recovery of the arrears amount; and proof of registration, as an indigent customer, in terms of the authority's indigent policy must be handed in within fourteen (14) days of the date of the discontinuation notice.
- 16.8 The authority may, within ten (10) working days after the expiry of the fourteen (14) day period allowed for payment in terms of the discontinuation notice, discontinue water and sanitation services to the defaulting customer, if –
- (a) no payment was received within the allowed period;
 - (b) no agreement was entered into for the payment of arrears in instalments;
 - (c) no proof of registration as indigent was furnished within the fourteen (14) day period allowed; or
 - (d) no payment was received in accordance with an agreement for payment of arrears.
- 16.9 Where an account rendered to a customer remains outstanding, the defaulting customer may be handed over to a debt collector or an attorney for collection of the amount owing to the authority without prejudice to the right of the authority or the authorised provider to limit or discontinue the water and sanitation services under the provisions of this Policy and Credit Control and Debt Collection By-Law or any other law.
- 16.10 A customer will be liable for any administration fees, costs incurred in taking action for the recovery of arrears and any penalties, including the payment of a higher deposit.
- 16.11 No action taken in terms of this section due to non-payment, will be suspended or withdrawn, unless the arrears, any interest thereon, administration fees, additional charges, costs incurred in taking relevant action and any penalties, including the payment of a higher deposit, payable are paid in full.
- 16.12 The authority will not be liable for any loss or damage suffered by a customer due to his, her or its water and sanitation services being disconnected.

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- 16.13 An agreement for payment of the arrears amount in instalments, entered into after the water services was discontinued, will not result in the water and sanitation services being restored until the arrears, any interest thereon, administration fees, costs incurred in taking relevant action and any penalties, including payment of a higher deposit, payable are paid in full.
- 16.14 Reconnections of municipal services will only be allowed when all applicable penalties and fees have been paid and the debt has been extinguished or suitable arrangements have been made to settle the debt.
- 16.15 Services may be disconnected, after due notice has been given, where the–
(a) owner or tenant is deceased; or
(b) company, close corporation or trust has been deregistered, and such has not been reported to the Municipality.
- 16.16 Reconnection of services where services have been disconnected in terms of subsection 15 above will be authorised when–
(a) an executor has been appointed; or
(b) the Company or Close corporation has been re-registered.
- 16.17 Where a municipal service, which is not in the name of the registered owner, has been restricted, disconnected or discontinued, the municipality may, subject to the principles of administrative justice, insist that the service be transferred into the name of such property owner; and
(a) Notwithstanding subsection 17 the municipality may at any other time insist that the service be transferred into the name of such property owner.
- 16.18 Any additional grounds for disconnecting municipal services as set out in the Bylaw, shall be deemed to form part of this Policy.
- 16.19 Confirmation of tampering of a restricted supply on two occasions may result in the entire water connection being removed. Customers have two options to facilitate the re-instatement of the water supply–
(a) pay the outstanding debt in respect of water services charges in full (including all charges) plus the prevailing costs of a new water connection and penalty charges; or
- 16.20 If a customer has received a new connection and then tampers with it again, the connection will be removed and will not be replaced until all outstanding water debts have been paid.
- 16.21 All illegal connections that are found will be removed and owners and occupiers may be prosecuted by a court of law.
- 16.22 The municipality will endeavour to reconnect water supply within 48hrs after receipt of proof of payment

17 ACKNOWLEDGEMENTS OF DEBT

The Municipality may, at its discretion, enter into an Acknowledgement of Debt and an admission of liability, with customers and owners in arrears with municipal service fees, surcharges on fees, and sundry charges

17.1 DOMESTIC ACCOUNTS

- 17.1.1 The Municipality recognises that in certain instances domestic customers may experience difficulty with the payment of a lump sum arrear amount and in such instances will accommodate any domestic customer who require paying their arrears over an extended period;

In these instances the Municipality shall require:-

- (a) an agreement stipulating:



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- (i) the extended period;
- (ii) the amount payable by the customer;
- (iii) any deposits payable.

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

Each request is treated on its individual merit; however, officials will be guided by the following minimum guidelines in entering into agreements of this nature: -

- (a) First time request: -

any amount in arrears – a deposit of 10% of the arrear amount is payable immediately with the balance payable over eleven (11) months;

In case of a default, complete disconnection will be effected and free basic water can be collected from the Ugu premises. The full amount becomes due and payable immediately before re-instatement of the supply

- (b) In respect of repeat requests by domestic defaulting customers or domestic customers with agreements as envisaged in sub-paragraph (a) above or first-time tampering customers: -

any amount in arrears – a deposit of 25% of the arrear amount is payable immediately with the balance payable over eleven (11) months;

In case of a default, complete disconnection will be effected and free basic water can be collected from the Ugu premises. The full amount becomes due and payable immediately before re-instatement of the supply.

- 17.1.2 Reconnection fees and additional deposits must be paid in full before any agreement as aforesaid can be entered into;
- 17.1.3 In the event of such agreements being negotiated with legal entities, then, the agreement must be duly signed by a duly authorised officer of the same and this must be accompanied by personal sureties of a natural person. All such agreements must be accompanied by a resolution of the entity authorising the signatory to sign as aforesaid;
- 17.1.4 In instances where agreements as envisaged in this clause are entered into, a customer may be required to complete a debit order authority for the payment of the arrears in terms of the agreement.
- 17.1.5 The customer's current account must be paid in full and maintained for the duration of the agreement.
- 17.1.6 The owner of the property is required to give consent in writing to an acknowledgement of debt and admission of liability with the municipality and the tenant.
- 17.1.7 The acknowledgement of debt shall be terminated if the debtor relocates from the property. The balance owing shall become immediately due and payable.

17.2 COMMERCIAL ACCOUNTS

17.2.1 In these instances where commercial accounts fall into arrears, the Municipality shall require: -

- (a) Arrears to be paid in full before water supply is re-instated
- (b) No instalment arrangement shall be accepted for any commercial account not unless authorised by the Accounting Officer or a delegated official
- (c) In such instances deposits shall be adjusted and payable either in cash or by bank guarantee
- (d) Reconnection fees and additional deposits must be paid in full before water supply is re-instated



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(e) The deposit amount and the period of payment will be at a discretion of the Accounting Officer or a delegated official.

- 17.2.2 Reconnection fees and any additional deposits must be paid in full before any agreement can be entered into;
- 17.2.3 In the event of such agreements being negotiated with legal entities, then, the agreement must be duly signed by a duly authorised officer of the same and this must be accompanied by personal sureties of a natural person. All such agreements must be accompanied by a resolution of the entity authorising the signatory to sign as aforesaid;
- 17.2.4 In instances where agreements as envisaged in this clause are entered into, a customer may be required to complete a debit order authority for the payment of the arrears in terms of the agreement.
- 17.2.5 The customer's current account must be paid in full and maintained for the duration of the agreement.
- 17.2.6 The acknowledgement of debt shall be terminated if the debtor relocates from the property. The balance owing shall become immediately due and payable.

18. DEBT RELIEF PROGRAMME

The debt relief programme is aimed at assisting customers who are in arrears for water services charges, for sixty (60) days or more. Customers, excluding officials and Councillors, eligible for the debt relief programme are those families as detailed in the municipality's Indigent Support Policy.

19. TERMINATION / TRANSFER OF SERVICES

- 19.1 A customer may terminate an agreement for the provision of water and sanitation services by giving to the authority, not less than 30 days' notice in writing of his or her intention to do so
- 19.2 The authority may, by notice in writing of not less than thirty (30) calendar days, advise a customer of the termination of his or her agreement for the provision of water and sanitation services if -
- (a) he or she has failed to comply with the provisions of this policy and has failed to rectify such failure to comply on notice in terms of section 11 of the Credit Control and debt Collection By-law or to pay any tariffs or charges due and payable after the procedure set out in section 17 was applied

20. LIMITATION AND DISCONTINUATION OF WATER AND SANITATION SERVICES PROVIDED

20.1 The authority may limit or discontinue water and sanitation services provided in terms of this policy –

- (a) on failure to pay the prescribed tariffs or charges on the date specified, after the provisions of section 15 was applied;
- (b) on failure to comply with any other provisions of this policy, after notice in terms of any provisions of this policy in the form required by section 11 of the Credit Control and debt Collection By-law was given;
- (c) at the written request of a customer;
- (d) if the agreement for the provision of services has been terminated in terms of section 17 and it has not received an application for subsequent services to the premises within a period of ninety (90) days of such termination;
- (e) the building on the premises to which services were provided has been demolished;
- (f) if the customer has interfered with a limited or discontinued service; or
- (g) in an emergency.

20.2 The authority will not be liable for any damages or claims that may arise from the limitation or discontinuation of water and sanitation services provided in terms of subsection (1).



21 UNALLOCATED CONSUMPTION

Notwithstanding that a water service may have been disconnected, the registered owner remains liable to monitor his/her property as well as the metering as defined in this Policy. Accordingly, when water consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges for water services shall be raised against the registered owner on his or her consolidated bill. Furthermore, the Municipality has the right to remove relevant Municipal infrastructure (and other components) at the cadastral boundary of the property to ensure that ongoing water consumption, is terminated.

22 REVENUE CLEARANCE CERTIFICATES

22.1 Subject to Sections 118(1) and (1A) of the Systems Act, the following shall apply to the issue of a revenue clearance certificate for the purpose of effecting transfer of a property to a new owner.

(a) Clearance Figures–

- (i) an application shall be made by a conveyancer, in the prescribed format. Each application must be accompanied by the relevant application fee. The application will not be processed until the fee is paid.
- (ii) copies of all current accounts must accompany any application made manually. If the relevant information is not provided, the application will be returned to the conveyancer.
- (iii) the Municipality does not accept responsibility for errors on manual applications. The Conveyancer must check that all details on the application, assessment and the revenue clearance certificate are correct.
- (iv) Service charges are estimated for sixty (60) days based on previous consumption, taking into account any existing Rebate.
- (v) upon the receipt of the revenue clearance certificate request, a letter shall be sent to the nominated Conveyancer notifying him or her about his or her responsibilities to inform both the seller and the purchaser regarding the total amount of municipal outstanding debts charged against the property
- (vi) an “Attorneys’ Report” in respect of all amounts owing and the assessed figures, shall be issued upon the receipt of the request for the report.
- (vii) the assessment shall remain valid for a period of thirty (30) days from the issue date. If payment has not been received within this period, a re-assessment may be required, and payment of a further application fee will apply.
- (viii) any discrepancies may result in delays in the issuing of a revenue clearance certificate, and in addition may result in the levying of additional charges.
- (ix) any amounts paid shall be appropriated to the oldest debt first.
- (x) a separate application is required for each transfer.
- (xi) an assessment in terms of S118 (1) of the Systems Act will only be issued on request by a Conveyancer.
- (xii) A revenue clearance certificate shall be issued within five (5) days of the date of payment of the amount requested in the “Attorneys’ Report”.
- (xiii) Where simultaneous transfers of a property are contemplated, the Conveyancer must apply for a separate revenue clearance certificate in respect of each new transfer.

(b) Payment of clearance figures–

- (i) must be made in cash, EFT payments, direct debit, bank transfers, bank cheques or other instruments accepted by the municipality from time to time.
- (ii) there shall be no refunds on the cancellation of a sale or otherwise.
- (iii) the certificate shall be valid for a period of sixty (60) days from date of issue.

(c) Information and contact details of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner (purchaser) for the purposes of billing for rates, services and consolidated accounts, until the same has been changed by the purchaser.

- (d) On the date of ownership transfer, the new owner (purchaser) must conclude a new service agreement with the Municipality.
- (e) The purchaser shall furnish to the Municipality with new contact details, in writing, comprising a postal and physical address and such further information as may be determined by the municipality from time to time, prior to the Municipality issuing the revenue clearance certificate.

23 LEGAL ACTION

23.1 Legal proceedings may be instituted by the Municipality to recover arrear amounts on service accounts, where—

- (a) disconnection action yielded no satisfactory result;
- (b) disconnection action is not possible due to the nature of the services for which the account has been rendered; or
- (c) the arrears are older than ninety (90) days.

23.2 For residential properties occupied by owners, all reasonable steps shall be taken to ensure that the ultimate sanction of judgment and sale-in-execution is avoided or taken as the last resort. The Municipality, however, has total commitment to follow the legal process through to judgment and sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time.

23.3 Once judgment is obtained the properties will be advertised and sold through public auction, unless appropriate settlement has been made to the satisfaction of the Municipality. The Municipality shall assess annually, the appropriate minimum amount below which it will not attach properties. All Collection Charges shall be debited to the relevant debtor's account.

23.4 Proceeds of the Sale in Execution may be appropriated to any of the debtor's accounts in arrears.

23.5 Metering and connection equipment always remain in the ownership of the Municipality and the owner of the property, on which such meters and connection equipment is installed, shall be held responsible for all instances of tampering, damage or theft. Accordingly, the owner of the property concerned is liable for any breach of this duty and may be prosecuted.

23.6 Where a Sectional Title Body Corporate is in arrears, the municipality may apply to court for the appointment of an administrator in terms of Sections 46 and 47 of the Sectional Titles Act 95 of 1986, as amended.

24 DISPUTES

24.1 A customer may lodge a dispute in writing in respect of the accuracy of the amount due and payable in terms of an account rendered by the municipality

24.2 The dispute must be submitted on or before the due date for payment specified in the account. If a dispute is raised after this period, it will be treated as an enquiry, the account will not be suspended from the disconnection or restriction list, and normal credit control procedures will apply.

24.3 The dispute must relate to a specific amount on the account. Amounts not in dispute must be paid in full. If the amounts not in dispute remains unpaid, services may be disconnected.

24.4 Should any dispute arise with respect to the amount owing, the debtor will continue to make regular payments based on the average charges for the preceding three (3) months prior to the dispute, plus interest where applicable.

24.5 A query is not regarded as a dispute. A query is a verbal enquiry whereas a dispute must be in writing and lodged with the relevant municipal department or section.



24.6 Proven tampering charges are not regarded as a dispute.

24.7 The customer must provide the Authorised Official with the account alleged to be in dispute, which includes incorrect readings, misallocation of payments, incorrect tariffs charged and any other relevant information that may be required.

24.8 The authority will register the dispute and shall acknowledge receipt within two (2) working days of the receipt thereof and provide the customer with a reference number

24.9 The customer has the right to appeal against the decision of the Authorised Official. The CFO may hear representations and either confirm, vary or revoke the decision of the Authorised Official and must communicate his decision within 30 days of date of receipt of the appeal.

24.10 A person whose rights are affected by the decision of the CFO may lodge an appeal against that decision within 21 days of the date of notification of the decision, to the Municipal Manager in terms of section 62 of the Systems Act. The appeal must be lodged in writing.

25 INTERNAL LEAKS

25.1 Internal leaks may be charged at the lowest tariff, upon approval and submission of the following documents:

- (a) Letter from registered customer requesting reduction of account
- (b) Letter from a plumber who fixed the leak and copy of the invoice
- (c) A sworn affidavit by the accountholder where leak was self-repaired
- (d) Three subsequent water statements after the leak was fixed indicating reduction in consumption

25.2 Registered customer shall pay for consumption at the lowest tariff for the months the account was affected by the internal leak whilst awaiting approval and at normal tariffs for any other account

26 REFUNDS

26.1 Credits on accounts shall be refunded, upon application and submission of proof of payment, as follows:

- (a) on a water or sanitation account: to the account holder;
- (b) where the owner pays the tenants account the refund will be paid to the owner;
- (c) on transfer of a property: to the conveyancing attorney or their nominee.

25.3 All accounts will be refunded within three (3) months from date of application

25.4 A refund shall be forfeited after 3 years if it remains unclaimed.

27 PROVISION FOR DOUBTFUL DEBT

FIRST ASSESSMENT

In terms of paragraph 62 of GRAP 104, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

Since the standard is quite broad in defining significant, the municipality will determine materiality of its debtors from time to time.

This is done by using the detailed age analysis and sorting the debtors' balances from largest to smallest value. The age analysis report is sorted in order to identify the debtors with the highest balance at year end.



SECOND ASSESSMENT

In terms of GRAP, if an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

The municipality has the following categories of debtors: -Business, Private Individuals and Government.

The municipality is responsible for providing services to the community. In the absence of information that suggests otherwise, these members of the community can be seen to fall within the same credit risk profile. This includes Business, Private Individuals including Indigent Support beneficiaries.

Government debt is then seen as a financial asset falling within a different credit profile to the usual community consumers. For all intents and purposes, all intergovernmental debt should be fully collectible. However, government departments have not been seen to be settling their debt within the normal period and will therefore be subjected to the provision calculation.

The impairment loss will be calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the financial assets original effective interest rate.

The past payment history of consumer debtors is used as the basis to estimate the future cashflows. Once the estimated cashflow is established, it is then discounted at the effective interest rate.

The difference between the carrying value and the discounted cashflows is then the provision amount.

28 DECEASED ESTATES

28.1 The Executor of a Deceased Estate shall be liable for payment of all debts on the property.

28.2 For the purposes of liability for an account, including a consolidated account, the occupier or occupiers of a property which vests in a deceased estate where neither an executor nor administrator has been appointed, will be regarded as the Deemed Owner. The municipality may request a deemed owner to sign a services agreement. Where there is more than one occupier on the property, every occupier will be jointly and severally liable for an account or consolidated account.

28.3 "Deemed Ownership" does not confer any rights on an occupier other than the liability to pay the accounts.

28.4 In accordance with subsection 16 (15) (a), failure to inform the Municipality that the property forms part of a deceased estate may result in the disconnection of services, until an executor has been appointed.

29 IRRECOVERABLE DEBT

29.1 Debt will only be considered as irrecoverable if it complies with one or more of the following criteria—

- (a) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount;
- (b) any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it;
- (c) the cost to recover the debt does not warrant further action;
- (d) it has been proven that the debt has prescribed;
- (e) the debtor is untraceable or cannot be identified so as to proceed with further action;
- (f) the debtor has emigrated leaving no assets of value to cost-effectively recover the Municipality's claim;



- (g) it is not possible to prove the debt outstanding;
- (h) a court has ruled that the claim is not recoverable;
- (i) the claim is subject to any order of court;
- (j) the claim is subject to an out of court settlement agreement;
- (k) the debt is subject to a settlement in terms of section 109 of the Systems Act;
- (l) the Municipality has resolved that the debt is irrecoverable;
- (m) if an offer of Full and Final Settlement is accepted and confirmed in writing by the Head: Legal and CFO if it has financial implications;
- (n) the outstanding amount is–
 - (i) as a result of an administration error;
 - (ii) an interest as a result of a property debt that arose prior to the current owner taking transfer and successive transfers before his; or
- (o) expenditure incurred in respect of internal accounts raised in the name of the Municipality, in any previous financial year;
- (p) conversion of old dormant account balances of debtors, inherited from the previous municipalities which now form part of the Municipality, and where reasonable steps have been taken to recover these debts; or
- (q) where the Municipality–
 - (i) expropriates any property; or
 - (ii) purchases any property in terms of its Sales in Execution.

29.2 Provided there is sufficient provision for bad debt, the CFO shall write off any revenue which is irrecoverable or the recovery of which is considered not to be reasonably practicable.

29.3 The CFO must report to Council all amounts that have been written off as irrecoverable with the Section 71 MFMA report.

30 LEASES

30.1 Persons who lease property from the Municipality for the purposes of any business or trade must sign a surety agreement covering all debt incurred on the said property during the duration of the lease.

30.2 Where the lessee is a company or close corporation, the directors or members are required to sign a personal surety covering all debt incurred on the said property during the duration of the lease.

30.3 Municipal service accounts must be opened in the name of the lessee only.

31 MISREPRESENTATIONS

31.1 Any person who has received any benefit or relief in terms of this Policy and who has misrepresented themselves in order to qualify for such benefit or relief will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Municipality from time to time, and the municipality–

- (a) Will reverse all benefits and relief received;
- (b) Will raise any fee, as determined by Council from time to time, as set out in the Tariff Policy; and
- (c) Will cancel any Credit Authority and all amounts due to the Municipality will become payable immediately.

31.2 The Municipal Manager shall report any misrepresentation in terms of this Policy to the South African Police Services.



31 MONITORING AND EVALUATION

The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Finance Committee, who will report to the Executive Committee who will report to Council

32 COMMENCEMENT OF THE POLICY

The policy shall commence upon approval by Council

33 AMENDMENTS AND/OR ABOLITION

Any amendments and /or abolition will have to be approved by the Council

34 COMPLIANCE AND ENFORCEMENT

The policy will be in accordance with the Acts, guidelines and all relevant legislations

35 POLICY REVIEW

The policy will be reviewed on an annual basis

Records of Approval

Meeting	Date	Resolution
Council Meetings		
Council	24 May 2018	Approved
Council	30 May 2019	Approved
Council	28 May 2020	Approved
Council	29 April 2021	Approved
Reviews		
Policy Review Committee	27 February 2020	Recommended to MANCO
Policy Review Committee	28 January 2021	Recommended to MANCO

UGU DISTRICT MUNICIPALITY

“The Municipality”



INDIGENT SUPPORT POLICY

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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.

UGU DISTRICT MUNICIPALITY

ASSETS MANAGEMENT POLICY

1. INTRODUCTION

Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets. Ugu District Municipality should use assets to affect efficient and effective service delivery to the community within the Ugu District.

The purpose of the Asset Management Policy is to govern the management of assets owned by Ugu District Municipality (both operationally and financially) to ensure that they are managed, controlled, safeguarded, and used in an efficient and effective manner.

2. DEFINITIONS

2.1. Accounting Standards Board means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa

2.2. Assets are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

2.3. Asset Manager is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality's assets in accordance with the council's standards, policies, procedures, and guidelines.

2.4. Infrastructure means assets that usually display some or all of the following characteristics

- 2.4.1.** they are part of a system or network;
- 2.4.2.** they are specialised in nature and do not have alternative uses;
- 2.4.3.** they are immovable; and
- 2.4.4.** they may be subject to constraints on disposal
- 2.4.5.** Examples of infrastructure assets include road networks, sewer systems, water
- 2.4.6.** and power supply systems and communication networks

2.5. Investment properties are defined as properties that are acquired for economic and capital gains. Examples are leased office buildings and underdeveloped land acquired for the purpose of resale in future years.

2.6. Attractive items are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.

2.7. Capitalization is the recognition of expenditure as an Asset in the Financial Asset Register.

2.8. Carrying amount is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon. is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses

2.9. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

2.10. Cost of acquisition is all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.

- 2.11. Component** is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts
- 2.12. Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.
- 2.13. Depreciable amount** is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- 2.14. Economic Life** is either:
- 2.14.1.** the period over which an asset is expected to yield economic benefits or service potential to one or more users, or
 - 2.14.2.** the number of production or similar units expected to be obtained from the
 - 2.14.3.** asset by one or more users
- 2.15. Enhancement/Rehabilitation** is an improvement or augmentation of an existing asset (including Separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality
- 2.16. Fair value** is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
- 2.17. Financial asset register** is the controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy. is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.
- 2.18. Financially Sustainable**, in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—the initial capital expenditure required for the service; operating the service; and maintaining, repairing and replacing the physical assets used in the provision of the service
- 2.19. Property, plant, and equipment** are tangible assets that: *Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose, and are expected to be used during more than one period.*
- 2.20. Recoverable amount** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal. is the higher of a cash-generating asset's or units net selling price and its value in use.
- 2.21. Recognition** is the process by which expenditure is included in the Financial Asset Register as an asset.

- 2.22. Recognition** is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element (of financial statements) and satisfies the criteria for recognition, namely:
- 2.22.1.** It is probable that any future economic benefit or service potential associated with the item will flow to or from the entity and
 - 2.22.2.** The item has a cost or value that can be measured reliably
- 2.23. Refurbishment/Maintenance** to an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved
- 2.24. Residual value** is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life
- 2.25. Remaining Useful Life** is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness
- 2.26. Service Potential** is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life
- 2.27. Stewardship** is the act of taking care of and managing property, plant or equipment on behalf of another.
- 2.28. Useful life** is either:
- 2.28.1.** *The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality, or*
 - 2.28.2.** *The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.*

3. POLICY OBJECTIVES

- 3.1.** To ensure the effective and efficient control, utilization, safeguarding and management of Ugu District Municipality's property, plant, and equipment.
- 3.2.** To ensure Senior managers are aware of their responsibilities in regards of infrastructure assets.
- 3.3.** To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- 3.4.** To specify the process required before expenditure on property, plant and equipment occurs.
- 3.5.** To prescribe the accounting treatment for property, plant and equipment in Ugu District Municipality including:
 - 3.5.1.** The criteria to be met before expenditure can be capitalised as an item of property, plant, and equipment,
 - 3.5.2.** The criteria for determining the initial cost of the different items of property, plant, and equipment,

- 3.5.3. The method of calculating depreciation for different items of property, plant, and equipment,
- 3.5.4. The criteria for capitalising subsequent expenditure on property, plant, and equipment,
- 3.5.5. The policy for scrapping and disposal of property, plant, and equipment,
- 3.5.6. The classification of property, plant, and equipment

4. PRESCRIPTIVE/LEGAL FRAMEWORK

4.1. This policy must comply with all relevant legislative requirements including:

- 4.1.1. The constitution of the republic of south Africa, 1996
- 4.1.2. Municipal systems act, 2000
- 4.1.3. Municipal Finance Management Act

4.2. This policy does not over rule the requirements to comply with other policies such as:

- 4.2.1. Supply Chain Management Policy
- 4.2.2. Asset Management Policy
- 4.2.3. Disposal Policy
- 4.2.4. Fleet Management Policy
- 4.2.5. Insurance Policy
- 4.2.6. Security Policy
- 4.2.7. Facilities Management Policy

4.3. This policy is informed by the four Standards of Generally Recognised Accounting Practice (GRAP), the following standards are components of fixed assets i.e.

- 4.3.1. Property, Plant and Equipment, GRAP 17
- 4.3.2. Inventories, GRAP 12
- 4.3.3. Investment Property, GRAP 16 and
- 4.3.4. Impairment of Non-cash generating assets, GRAP 21

4.4. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation, or regulations

5. POLICY APPLICATION

5.1. This policy applies to all Ugu District Municipality's permanent and temporary employees: internal or external contractors (hereafter referred to as "Users" and "Third Parties") who utilise the Municipality's assets.

6. ROLES AND RESPONSIBILITIES

6.1. The Municipal Manager

- 6.1.1. is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.
- 6.1.2. Shall ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- 6.1.3. Shall ensure that the municipality's assets are valued in accordance with standards of generally recognized accounting practice
- 6.1.4. Shall ensure that the municipality has and maintains a system of internal control of assets, including an asset register; and

- 6.1.5.** Shall ensure that the General Managers and their departments comply with this policy
- 6.1.6.** Shall ensure that all items of property plant and equipment are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.
- 6.1.7.** Shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

6.2. The Chief Financial Officer.

- 6.2.1.** The CFO shall be the custodian of the fixed asset register of the Municipality;
- 6.2.2.** No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.
- 6.2.3.** Appropriate systems system of financial management and internal control are established and carried out diligently around asset management;
- 6.2.4.** Shall ensure that the financial and other resources of the municipality are utilized effectively, efficiently, economically, and transparently;
- 6.2.5.** Shall ensure that any unauthorized, irregular, or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- 6.2.6.** Shall provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Fixed Asset Register.
- 6.2.7.** Shall ensure that financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- 6.2.8.** Shall ensure that the municipal manager is appropriated advised on the exercise of powers and duties pertaining to the financial administration of assets;
- 6.2.9.** Shall ensure that this policy and any supporting procedures or guidelines are established, maintained, and effectively communicated

6.3. Asset Manager:

- 6.3.1.** Shall ensure that complete asset registers kept, verified, and balanced regularly.
- 6.3.2.** Shall ensure that all movable and immovable assets are properly bar coded and accounted for.
- 6.3.3.** Shall ensure that quarterly physical verification for movable assets are conducted
- 6.3.4.** Shall ensure that annual physical verification for immovable assets are conducted.
- 6.3.5.** Shall ensure that adequate bar codes and equipment to exercise the function relating to asset management is available at all times.
- 6.3.6.** Shall ensure that all assets are insured in accordance with the Insurance Policy.
- 6.3.7.** Shall ensure that the Fixed Asset Register is balanced quarterly and annually with the general ledger and the Trial balance/financial statements.
- 6.3.8.** Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Budget Treasury Office department in the prescribed format.
- 6.3.9.** Shall ensure that asset acquisitions are allocated to the correct asset code.

- 6.3.10.** Shall ensure that, before accepting an obsolete or damaged asset, a completed asset disposal form, counter signed by the Asset Management Section, is presented.
- 6.3.11.** Shall ensure that a verifiable record is kept of all obsolete, damaged, and unused asset or asset inventory items received from all the departments.
- 6.3.12.** shall issue an asset control sheet which shall serve as a control register for all moveable assets of the Municipality. The responsible official shall sign the asset control sheet to confirm the receipt and custody of the list of assets in their offices.
- 6.3.13.** Shall compile a list of the items to be auctioned in accordance with the Supply Chain Management (SCM) Policy.
- 6.3.14.** Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- 6.3.15.** Shall ensure that the SCM unit is notified of any auctioning or disposing of written-off asset.

6.4. General Managers

- 6.4.1.** Shall ensure that employees in their departments adhere to the approved Asset Management Policy.
- 6.4.2.** Shall ensure that an assets coordinator with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset Management Section must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the general manager.
- 6.4.3.** Shall ensure that employees who contravenes the operational procedure or who use the municipal assets negligence and for their personal gain are disciplined accordingly.
- 6.4.4.** shall be directly responsible for the physical safekeeping of any asset controlled or used by the Department in question.
- 6.4.5.** In exercising this responsibility, shall adhere to any written directives issued by the Municipal Manager to the Department in question, or generally to all Departments, in regard to the control of or safekeeping of the Municipality's fixed assets.

6.5. General Manager responsible for Infrastructure Assets.

- 6.5.1.** Shall ensure that a maintenance policy is approved and properly implemented.
- 6.5.2.** Shall develop a maintenance plan for the infrastructure assets for their section.
- 6.5.3.** Shall ensure that their departments had implemented operational procedures.
- 6.5.4.** Shall ensure that assets are properly maintained in accordance with the maintenance policy.
- 6.5.5.** Shall ensure that the assets of the council are not used for private gain.
- 6.5.6.** Shall ensure that all their movable assets as reflected on the Fixed Asset Register and are bar coded where possible.
- 6.5.7.** Shall ensure that the Asset Management Section is notified of any changes in the status of the assets under the department's control.
- 6.5.8.** Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- 6.5.9.** Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Section without delay.

- 6.5.10.** Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- 6.5.11.** Shall assist during the annual physical verification of infrastructure assets including the land and building.
- 6.5.12.** Shall develop an infrastructure assets management plan for their department such as Water supply, Sanitation, Solid waste, and other Properties.
- 6.5.13.** Shall unbundled or componentized and assign estimated useful life to each component of all completed projects during the financial year and submit the componentized list to the Asset Management Unit for updating the asset register.
- 6.5.14.** Shall sign and date declarations stating that the list of componentized assets for their departments is complete & accurate except for the discrepancies as reported to Asset Management Unit.

6.6. All Municipal Personnel

- 6.6.1.** Shall ensure that assets assigned to them are utilized effectively, efficiently, economically, and transparently
- 6.6.2.** Shall ensure that the assets of the municipal are not used for private gain
- 6.6.3.** Shall notify the assets coordinators and assets management section of all obsolete, damaged, and stolen assets, without delay.
- 6.6.4.** Shall make available the assets under their possession for verification by the assets management unit quarterly and annually.
- 6.6.5.** Shall ensure that all assets under their possession are properly bar-coded.
- 6.6.6.** Shall ensure that on termination of service they returned the assets to their supervisors and complete a termination assets clearance form.
- 6.6.7.** Shall notify the asset coordinators and assets management unit of the movement and transfer of assets assigned to them by completing an assets transfer form.
- 6.6.8.** Shall ensure that they comply with the operational procedures.

7. POLICY PRINCIPLES: ASSET MANAGEMENT PART

7.1. Pre-Acquisition Planning:

- 7.1.1.** Before a capital project is included in the budget for approval, the senior manager of the relevant department must demonstrate that they have considered:
 - 7.1.2.** The projected cost over all the financial years until the project is operational;
 - 7.1.3.** The future operational costs and revenue on the project, including tax and tariff implications;
 - 7.1.4.** The financial sustainability of the project over its life including revenue generation and
 - 7.1.5.** The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal, and rehabilitation;
 - 7.1.6.** The inclusion of this capital project in the integrated development plan and future budgets:
 - 7.1.7.** The chief financial officer is accountable to ensure the senior manager of the relevant department receives all reasonable assistance, guidance, and explanation to enable them to achieve their planning requirements.

7.2. Approval to Acquire Property Plant and Equipment:

7.2.1. Money can only be spent on a capital project if:

- 7.2.1.1.** The money has been appropriated in the capital budget,
- 7.2.1.2.** The project, including the total cost, has been approved by the council,
- 7.2.1.3.** The CFO confirms that funding is available for that specific project, and
- 7.2.1.4.** Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed.
- 7.2.1.5.** Acquisition of the Assets will then follow the normal process of the Supply Chain
- 7.2.1.6.** Management Policy and Procedures

7.3. Funding of capital projects

Within the municipality's on-going financial, legislative, or administrative capacity, the chief financial officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its Strategic objectives as stated in the integrated development plan.

7.4. Disposal of property plant and equipment

- 7.4.1.** The municipality may dispose of an asset in line with the Asset Disposal Policy

7.5. Establishment and Management of the Financial Asset Register

- 7.5.1.** The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition. Asset Manager are responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.
- 7.5.2.** The Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition all assets in the registers.

7.6. Contents of the Financial Asset Register

- 7.6.1.** The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP) and any other accounting requirements which may be prescribed.
- 7.6.2.** The fixed asset register shall reflect at least the following information:
 - 7.6.2.1.** A brief but identifiable description of each asset
 - 7.6.2.2.** classification of each asset
 - 7.6.2.3.** the date on which the asset was acquired for use
 - 7.6.2.4.** the location of the asset
 - 7.6.2.5.** the departments within which the assets will be utilized
 - 7.6.2.6.** the responsible person for this asset
 - 7.6.2.7.** the title deed number, in the case of fixed property
 - 7.6.2.8.** the stand number, in the case of fixed property
 - 7.6.2.9.** a unique identification number
 - 7.6.2.10.** the original cost or fair value if no costs are available

- 7.6.2.11.** the (last) effective date of revaluation of the fixed assets subject to revaluation
- 7.6.2.12.** the revalued value of such fixed assets
- 7.6.2.13.** the valuer who did the (last) revaluation
- 7.6.2.14.** accumulated depreciation to date
- 7.6.2.15.** the carrying value of the asset
- 7.6.2.16.** whether this is a cash or non-cash generating asset
- 7.6.2.17.** the method and, where applicable, the rate of depreciation
- 7.6.2.18.** impairment losses
- 7.6.2.19.** impairment recovery
- 7.6.2.20.** the source of financing
- 7.6.2.21.** whether the asset is required to perform basic municipal services;
- 7.6.2.22.** the date on which the asset is disposed of
- 7.6.2.23.** the disposal proceeds
- 7.6.2.24.** the date on which the asset is retired from active use, and held for disposal
- 7.6.2.25.** the residual value of each asset
- 7.6.2.26.** measurement model

- 7.6.3.** An asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as Work-In-Progress until it is available for use, where after it shall be appropriately capitalised as an asset.
- 7.6.4.** An asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing off such an asset.

7.7. Physical Verification of all assets

- 7.7.1.** The Asset Management Section shall conduct a physical verification quarterly for movable assets and annually for immovable assets.
- 7.7.2.** The cooperation of all Municipal personnel shall be required in accomplishing the physical Verification task in attempt to minimize the time demanded of them.
- 7.7.3.** The designated officials in the different Departments within municipality must execute the functions listed below:
 - 7.7.3.1.** Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included
 - 7.7.3.2.** Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Section.
 - 7.7.3.3.** Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.

7.8. Classification, aggregations & components

7.8.1. Classification of Assets

- 7.8.1.1.** Assets that meet the definition and the recognition criteria shall be capitalized in the fixed assets register and be classified as follows
- 7.8.1.2.** Property Plant and equipment if its meet the definition of property plant and equipment as per GRAP 17,
- 7.8.1.3.** Intangibles assets if its meet the definition of an intangible assets as GRAP 102,
- 7.8.1.4.** Investment properties if it's the definition of the investment properties as per GRAP 16

7.8.2. Major Component

- 7.8.2.1.** The Asset Manager may, with agreement of the Chief Financial Officer, treat specified major Components of an item of property plant or equipment as a separate asset for the purposes of this Policy.
- 7.8.2.2.** These major components may be defined by its physical parameters or its financial parameters.
- 7.8.2.3.** In agreeing to these treatments, the CFO must be satisfied that these components:
 - 7.8.2.3.1.** *Have significantly a different useful life or usage pattern to the main asset,*
 - 7.8.2.3.2.** *Align with the asset management plans,*
 - 7.8.2.3.3.** *The benefits justify the costs of separate identification,*
 - 7.8.2.3.4.** *It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,*
 - 7.8.2.3.5.** *The cost of the asset to the municipality can be measured reliably,*
 - 7.8.2.3.6.** *The municipality has gained control over the asset,*
 - 7.8.2.3.7.** *The asset is expected to be used during more than one financial year.*
- 7.8.2.4.** Once a major component is recognized as a separate asset, it may be acquired, depreciated, and disposed of as if it were a separate asset.
- 7.8.2.5.** All other replacements, renewals of refurbishments of components will be expensed.

8. POLICY PRINCIPLES: ACCOUNTING POLICY PART:

8.1. Recognition of Assets

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- 8.1.1.** it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- 8.1.2.** the cost or fair value of the item can be measured reliably

8.2. Measurement at recognition.

- 8.2.1.** An item of assets that qualifies for recognition as an asset shall be measured at its cost.
- 8.2.2.** Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

8.3. Elements of cost

The cost of an item of property, plant and equipment comprises:

- 8.3.1.** Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- 8.3.2.** Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- 8.3.3.** The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- 8.3.4.** Examples of directly attributable costs are:
 - 8.3.4.1.** Costs of employee benefits (as defined in the Standard of Generally Recognised Accounting Practice on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant, and equipment,
 - 8.3.4.2.** costs of site preparation,
 - 8.3.4.3.** initial delivery and handling costs,
 - 8.3.4.4.** installation and assembly costs,
 - 8.3.4.5.** costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items produced while bringing the asset to that location and condition
 - 8.3.4.6.** Professional fees.

8.4. Measurement after recognition

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

- 8.4.1.** Each part of an item of property, plant, and equipment with a cost that insignificant in relation to the total cost of the item shall be depreciated separately
- 8.4.2.** The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.
- 8.4.3.** Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
- 8.4.4.** Depreciation of an asset ceases when the asset is derecognised.
- 8.4.5.** Therefore, depreciation does not cease when the asset become idle or is retired from active use held for disposal unless the asset is fully depreciated.
- 8.4.6.** The depreciable amount of an asset is determined after deducting its residual value.
- 8.4.7.** The residual value for infrastructure assets, Heritage assets, community assets and intangible assets shall be zero at initial measurement.

8.5. Initial determination useful life

- 8.5.1.** The asset management unit needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that

asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- 8.5.1.1.1. The operational, maintenance, renewal and disposal program that will optimize the expect long term costs of owning that asset,
- 8.5.1.1.2. economic obsolescence because it is too expensive to maintain,
- 8.5.1.1.3. functional obsolescence because it no longer meets the municipalities needs,
- 8.5.1.1.4. technological obsolescence,
- 8.5.1.1.5. social obsolescence due to changing demographics, and
- 8.5.1.1.6. Legal obsolescence due to statutory constraints

8.6. Rate of depreciation

- 8.6.1. The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's fixed asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives of assets set out in this Policy document. *Refer to Annexure A: Useful Lives*
- 8.6.2. In the case of an asset which is not listed in useful lives of assets, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the Head of Department who shall control or use the asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

8.7. Review of useful life, depreciation method and the residual value

- 8.7.1. The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.
- 8.7.2. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors

8.8. Review of depreciation method

- 8.8.1. The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors.

8.9. Alternative methods of depreciation in specific instances

- 8.9.1. The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of assets which are physically wasted in providing economic benefits or delivering services.
- 8.9.2. The Chief Financial Officer shall only employ this method of depreciation if the Head of Department controlling or using the asset in question gives a written undertaking to the Municipal Manager to provide:

8.9.2.1. estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and

8.9.2.2. actual statistical information, for each financial year.

8.9.3. The Head of Department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

8.9.4. Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the Municipality of the decision in question.

8.10. *Subsequent expenditure on property plant and equipment*

8.10.1. Assets are often modified during their life. There are two main types of modification:

8.10.1.1. Enhancements / Rehabilitation:

8.10.1.1.1. This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

8.10.1.1.2. These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.

8.10.1.1.3. Disbursements of this nature relating to an asset, which has already been recognized in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the Council over the remaining life of the asset.

8.10.1.1.4. To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

8.10.1.1.4.1. Modification of an item or plant to extend its useful life, including an increase in its capacity;

8.10.1.1.4.2. Upgrading machine parts to achieve a substantial improvement in the quality of output;

8.10.1.1.4.2.1. Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;

8.10.1.1.4.2.2. Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;

8.10.1.1.4.3. Improve the performance of the asset

8.10.1.1.5. Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future

economic benefits or service potential that a municipality can expect from the asset.

8.10.1.1.6. Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

8.10.1.2. *Maintenance / Refurbishments*

8.10.1.2.1. Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

8.10.1.2.2. Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

8.11. IMPAIRMENT OF ASSETS

8.11.1. The Municipality shall assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality shall estimate the recoverable service amount of the asset

8.11.2. Irrespective of whether there is any indication of impairment, the Municipality shall also test an intangible asset with an indefinite life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

8.11.3. In assessing whether there is any indication that an asset may be impaired the Municipality shall consider as a minimum the following indications:

8.11.4. External indicators

8.11.4.1. Cessation or near cessation of the demand or need for services provided by the asset

8.11.4.2. Significant long term changes with an adverse effect on the on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment which the Municipality operates.

8.11.5. Internal indicators

8.11.5.1. Evidence is available of physical damage of an asset

8.11.5.2. Significant long term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future in the extent to which or manner in which the asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset

belongs or plans to dispose of an asset before the previously expected date

8.11.5.3. A decision to halt the construction of the asset before it is complete or in a usable condition

8.11.5.4. Evidence is available from internal reporting that indicates that the service performance of an asset is or will be significantly worse than expected

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

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

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

8.11.9. Every General Manager shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the Chief Financial Officer, to the Internal Auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

8.11.10. In all the foregoing instances, the additional depreciation expenses shall be debited to the Department or Vote controlling or using the asset in question.

8.12. *Derecognition Of Assets*

8.12.1. 23.1 The carrying amount of an item of property plant and equipment shall be derecognised:

8.12.1.1. a) On disposal, or

8.12.1.2. b) When no future economic benefits or service potential are expected from its use or disposal

8.12.2. The gain or loss arising from the derecognition of an item of property plant and equipment shall be included in surplus or deficit when the item is derecognised

8.12.3. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds if any and the carrying amount of an item.

8.12.4. Every Head of Department shall report in writing to the Manager: Assets all assets controlled or used by the Department concerned which such Head of Department wishes to alienate by public auction. The Manager: Assets shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the Disposal Committee of the Municipality, refer to Disposal Policy.

- 8.12.5.** Once the item of property, plant, and equipment is disposed, the Chief Financial Officer shall delete the relevant records from the fixed asset register.
- 8.12.6.** Transfer of assets to other Municipalities, Municipal Entities (whether or not under the Municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

8.13. Other write-offs of assets

- 8.13.1.** The item of property, plant, and equipment even though fully depreciated shall be written off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Council of the Municipality.
- 8.13.2.** Every General Manager shall report to The Manager: Assets any items of property, plant, and equipment which such General Manager wishes to have written off, stating in full the reason for such recommendation. The Manager: Assets shall consolidate all such reports, and shall promptly submit a recommendation to the disposal committee on the assets to be written off.
- 8.13.3.** The only reasons for writing off property, plant and equipment other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the asset in question.
- 8.13.4.** In every instance where a not fully depreciated asset is written off, the Chief Financial Officer shall immediately debit to such Department or Vote, as additional depreciation expenses, the full carrying value of the asset concerned

9. Financial Disclosure

- 9.1.** The financial statements shall disclose, for each class of property, plant, and equipment recognised in the financial statements:

- 9.1.1.** the measurement bases used for determining the gross carrying amount,
- 9.1.2.** the depreciation methods used,
- 9.1.3.** the useful lives or the depreciation rates used,
- 9.1.4.** the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and
- 9.1.5.** a reconciliation of the carrying amount at the beginning and end of the period showing:

- 9.1.5.1.** additions,
- 9.1.5.2.** disposals,
- 9.1.5.3.** acquisitions through business combinations,
- 9.1.5.4.** increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in net assets under the Standard of GRAP on Impairment of Assets, impairment losses recognised in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
- 9.1.5.5.** impairment losses reversed in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,
- 9.1.5.6.** depreciation,

- 9.2.** The financial statements shall also disclose for each class of property, plant, and equipment recognised in the financial statements:

- 9.2.1.** the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities,
- 9.2.2.** the amount of expenditures recognised in the carrying amount of an item of property, plant, and equipment in the course of its construction,
- 9.2.3.** the amount of contractual commitments for the acquisition of property, plant, and equipment, and
- 9.2.4.** If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.
- 9.2.5.** If items of property, plant and equipment are stated at revalue amounts, the following shall be disclosed:
 - 9.2.5.1.** the effective date of the revaluation,
 - 9.2.5.2.** whether an independent valour was involved,
 - 9.2.5.3.** the methods and significant assumptions applied in estimating the items' fair values,
 - 9.2.5.4.** the extent to which the items' fair values were determined directly by
 - 9.2.5.4.1.** reference to observable prices in an active market or recent market
 - 9.2.5.4.2.** transactions on arm's length terms or were estimated using other
 - 9.2.5.4.3.** valuation techniques,
 - 9.2.5.4.4.** for each revalue class of property, plant, and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model, and
 - 9.2.5.4.5.** The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.
- 9.2.6.** Financial statements shall also disclose the following for each class of property, plant, and equipment:
 - 9.2.6.1.** The carrying amount of temporarily idle property, plant, and equipment,
 - 9.2.6.2.** The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, and
 - 9.2.6.3.** The carrying amount of property, plant and equipment retired from active use and held for disposal.
- 9.2.7.** The financial statement shall disclose the following for each class of intangible assets, distinguishing between the internally generated intangible assets and other intangibles assets:
 - 9.2.7.1.** Whether the useful lives are indefinite or finite and, if finite, the useful
 - 9.2.7.2.** Lives or the amortisation rates used.
 - 9.2.7.3.** The amortisation methods used for intangible assets with finite useful lives.
 - 9.2.7.4.** The gross carrying amount and any accumulated amortisation
 - 9.2.7.5.** (Aggregated with accumulated impairment losses) at the beginning and end of the period.
 - 9.2.7.6.** The line item(s) of the statement of financial performance in which any amortisation of intangible assets is included.
 - 9.2.7.7.** A reconciliation of the carrying amount at the beginning and end of the period showing:
 - 9.2.7.7.1.** additions, indicating separately those from internal development and those acquired separately;

- 9.2.7.7.2.** disposals;
- 9.2.7.7.3.** assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the Standard of GRAP on Non-Current Assets Held for Sale and Discontinued Operations;
- 9.2.7.7.4.** increases or decreases during the period resulting from revaluations under paragraphs .78, .88 and .89 and from impairment losses recognised or reversed directly in net assets in accordance (if any) with the Standards of GRAP on Impairment of Assets;
- 9.2.7.7.5.** impairment losses recognised in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets;
- 9.2.7.7.6.** impairment losses reversed in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets);
- 9.2.7.7.7.** any amortisation recognised during the period; net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
- 9.2.7.7.8.** Other changes in the carrying amount during the period.

10. MONITORING AND EVALUATION

- 10.1.** This Policy shall be monitored and evaluated by the General Manager: Budget Treasury Office and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee, and Full Council Meetings.

11. COMMENCEMENT OF THE POLICY

- 11.1.** This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

12. AMENDMENT AND/OR ABOLITION

- 12.1.** This policy may be amended or repealed by the Municipality through a Council Resolution.

13. COMPLIANCE AND ENFORCEMENT

- 13.1.** Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

14. POLICY REVIEW

- 14.1.** This Policy will be reviewed annually to ensure applicability and relevance.

15. APPEAL PROCESS/ GRIEVANCE PROCEDURE

- 15.1.** The policy must also state what will happen if one of the users thereof is not satisfied or there is a violation with the implementation process.

16. RECORDS OF APPROVAL

ANNEXURE A: ASSET USEFUL LIVES

1. INFRASTRUCTURE ASSETS

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

1.1. WATER	
1.1.1. Mains	(20)
1.1.2. Supply and reticulation networks	(20)
1.1.3. Reservoirs and storage tanks	(20)
1.1.4. Meters	(15)
1.1.5. Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
1.2. SEWERAGE	
1.2.1. Sewer mains	(20)
1.2.2. Outfall sewers	(20)
1.2.3. Sewage purification works	(20)
1.2.4. Sewerage pumps	(15)
1.2.5. Sludge machines	(15)
1.3. PEDESTRIAN MALLS	
1.3.1. Footways	(20)
1.3.2. Kerbing	(20)
1.3.3. Paving	(20)
1.4. SECURITY MEASURES	
1.4.1. Access control systems	(5)
1.4.2. Security systems	(5)
1.4.3. Security fencing	(3)

2. INVESTMENT ASSETS

2.1. It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipality. However, the following will be among the most frequently encountered:

2.1.1. Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties)	(30)
2.1.2. Shopping centres (again developed along similar lines)	(30)
2.1.3. Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit)	(30)

3. **BUILDINGS**

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

3.1.1. Abattoirs	(30)
3.1.2. Asphalt plant	(30)
3.1.3. Cable stations	(30)
3.1.4. Caravan parks	(30)
3.1.5. Compacting stations	(30)
3.1.6. Hostels used to accommodate the public or tourists	(30)
3.1.7. Hostels for municipal employees	(30)
3.1.8. Housing schemes	(30)
3.1.9. Kilns	(30)
3.1.10. Laboratories	(30)
3.1.11. Fresh produce and other markets	(30)
3.1.12. Nurseries	(30)
3.1.13. Office buildings	(30)
3.1.14. Old age homes	(30)
3.1.15. Quarries	(30)
3.1.16. Tip sites	(30)
3.1.17. Training centres	(30)
3.1.18. Transport facilities	(30)
3.1.19. Workshops and depots	(30)

4. **OTHER ASSETS**

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

4.1.1. **OFFICE EQUIPMENT**

4.1.1.1. Computer hardware	(5)
4.1.1.2. Computer software	(3-5)
4.1.1.3. Office machines	(3-5)
4.1.1.4. Air conditioners	(5-7)

4.1.2. **FURNITURE AND FITTINGS**

4.1.2.1. Chairs	(7-10)
4.1.2.2. Tables and desks	(7-10)
4.1.2.3. Cabinets and cupboards	(7-10)
4.1.2.4. Bins and containers Household refuse bins	(5)
4.1.2.5. Bulk refuse containers	(10)
4.1.2.6. Emergency equipment Fire hoses	(5)
4.1.2.7. Other fire-fighting equipment	(15)
4.1.2.8. Emergency lights	(5)

4.1.3. MOTOR VEHICLES

4.1.3.1. Ambulances	(5-
10)	
4.1.3.2. Fire engines	(20)
4.1.3.3. Buses	(15)
4.1.3.4. Trucks and light delivery vehicles	(5-
7)	
4.1.3.5. Ordinary motor vehicles	(5-
7)	
4.1.3.6. Motor cycles	(3)

4.1.4. PLANT AND EQUIPMENT

4.1.4.1. Graders	(10-
15)	
4.1.4.2. Tractors	(10-
15)	
4.1.4.3. Mechanical horses	(10-
15)	
4.1.4.4. Farm equipment	(5)
4.1.4.5. Lawn mowers	(2)
4.1.4.6. Compressors	(5)
4.1.4.7. Laboratory equipment	(5)
4.1.4.8. Radio equipment	(5)
4.1.4.9. Firearms	(5)
4.1.4.10. Telecommunication equipment	(5)
4.1.4.11. Cable cars	(15)
4.1.4.12. Irrigation systems	(15)
4.1.4.13. Cremators	(15)
4.1.4.14. Lathes	(15)
4.1.4.15. Filling equipment	(15)
4.1.4.16. Conveyors	(15)
4.1.4.17. Feeders	(15)
4.1.4.18. Tippers	(15)
4.1.4.19. Pulverising mills	(15)

4.1.5. OTHER

4.1.5.1. Aircraft	(15)
4.1.5.2. Watercraft	(15)