

## BUDGET POLICY

- b) Must prevent unauthorised, irregular and fruitless or wasteful expenditure and other losses within her Department.
- c) Must ensure that all revenue due to the municipality is collected.
- d) Must ensure that all information required by the accounting officer for compliance with the provisions of the Acts is timeously submitted.

### **(6) Role of the Budgeting Steering Committee**

1. Reg.4 of the municipal budgeting and reporting regulations requires the Mayor to establish a Budget steering comprising of the following members:-

- o The Mayor – Chairperson
- o The Speaker
- o The Whips of Political Parties
- o The Accounting Officer (Municipal Manager)
- o The Chief Financial Officer
- o The IDP Manager
- o The Manager Budget Office and,
- o Members of Senior Management (Top Management)

2. The role of the Committee shall be:-

- a) To assist the Mayor in carrying out his statutory roles & responsibilities in accordance with S52 and S53 of the MFMA.
- b) To provide technical assistance to municipal political office bearers during policy formulation and to assist priority determination.
- c) To interrogate and make recommendations on the adoption of the Annual Budget, the Service Delivery and Budget Implementation Plan (SDBIP), S71 monthly budget statements and S72 Midyear budget and performance report and the Adjustments Budget.
- d) To evaluate the progress report of the Municipal Manager with regard to the financial year end closure and compilation of the municipal audit file.
- e) To evaluate progress report on the statutory audit by the office of the Auditor General.
- f) To exercise oversight in the compilation of the Annual Report.
- g) To evaluate action plans from the Municipal Manager on corrective measures to be taken on issues raised by the Auditor General.
- h) To evaluate and recommend payment of Annual Performance Bonuses to the Municipal Manager and Senior Management after the annual report has been adopted by Council on 31 January each year.

3. Council may adopt its existing Finance Portfolio Committee as its Budget and Steering Committee.

### **(7) Role of the Budget and Treasury Office**



## BUDGET POLICY

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

### **(8) Delegation of roles and responsibilities**

1. All delegations by the Mayor to the Municipal Manager, Mayor to the members of the Finance portfolio Committee, the Municipal Manager to the CFO and other Senior Managers, of their roles, duties and responsibilities as per the MFMA:-

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

### **7. ANNUAL SCHEDULE OF KEY DEADLINES**

7.1. The deadline dates for all budget preparation processes shall be as per the approved Process Plan as tabled by the Mayor to Council in August.

7.2. Such Process Plan shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the MFMA, for the submission of all the budget-related documentation to the Mayor, Finance Committee, Executive Committee and Council.

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

7.4. The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.



## BUDGET POLICY

### 8. BUDGET PRINCIPLES

The sequence in which the Annual Budget shall be prepared shall be, first, the capital component and second, the operating component, except where the CFO with the consent of the Mayor decides otherwise.

The municipality's annual budget should:-

- a) Move towards the achievement of goals and objectives of the municipality within the constraints of the available resources.
- b) Consider the Priorities as identified in the State of the Nation Address, State of the Province Address and the State of the District Address.
- c) Reflect the priorities contained in the municipality's IDP.
- d) Be credible and fully funded from realistically anticipated revenues.
- e) Consider any resolutions taken by Council or the Executive Committee in the previous Budget Year which have financial implications on the current MTREF.
- f) The basis of measurement and accounting policies underpinning the municipality's annual financial statements must be the same as those used in the preparation of the municipality's annual budget and supporting documentation.

### 9. FUNDING OF EXPENDITURE

An Annual budget must be funded only from:

- a) Realistically anticipated revenues to be collected.
- b) Cash-backed accumulated surpluses from previous years not committed for other purposes;
- c) Borrowed funds, but only for revenue-generating capital projects; and
- d) Grants and subsidies as per DORA.

### 10. THE CAPITAL BUDGET

- a) The Budget shall be prepared in the prescribed budget format of National Treasury.
- b) The annual capital budget shall be prepared from a zero base, except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year.
- c) The annual capital budget shall only be approved by Council if it is properly balanced. I.e. if the sources of finance have been secured to fund the budget and are equal to the proposed capital expenditure.
- d) Before approving the capital budget, the Council shall consider the impact on the present and future operating budgets in relation to Finance Charges on external loans, Depreciation on fixed assets,



**VIREMENT POLICY**



**VIREMENT POLICY**

**UGU DISTRICT MUNICIPALITY**



# VIREMENT POLICY

## Contents

1. Definitions
2. Object of the policy
3. Legislative framework
4. Determination of vote
5. Manageable groups of revenue
6. Non manageable groups of revenue and expenditure
7. Operating Budget virements
8. Capital Budget virements
9. Review of policy



# VIREMENT POLICY

## 10. DEFINITIONS

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

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

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

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

## 11. OBJECT OF THE POLICY

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

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

## 12. LEGISLATIVE FRAMEWORK

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

## 13. DETERMINATION OF VOTE

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

## 14. MANAGEABLE GROUPS OF REVENUE

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

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

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



## VIREMENT POLICY

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

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

### **15. NON-MANAGEABLE GROUPS OF REVENUE AND EXPENDITURE**

No funds Transfers can be made on these groups:-

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

### **16. OPERATING BUDGET VIREMENTS**

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

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

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

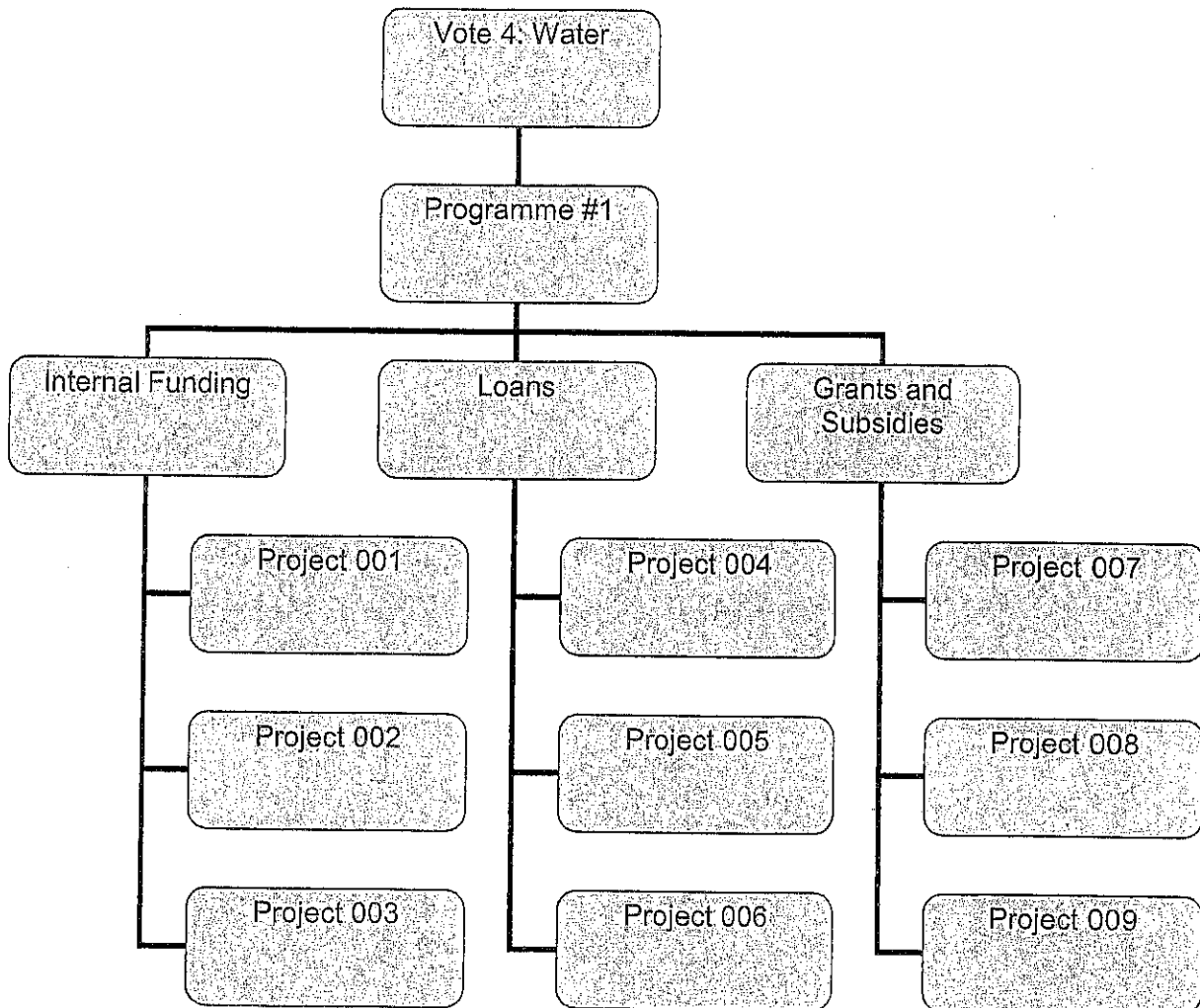
Each HOD is responsible for his own operational budget and must ensure that all expenditure is contained to the approved allocations by Council.

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



# VIREMENT POLICY

## 17. CAPITAL BUDGET VIREMENTS



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

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

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

## 18. REVIEW OF POLICY





## VIREMENT POLICY

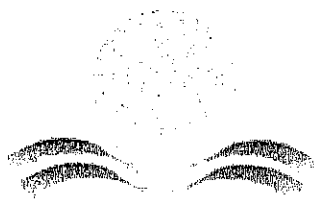
This policy will be reviewed once annually during the Annual Budget Process.

### Records of Approval

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



**FUNDING AND RESERVES POLICY**



**FUNDING AND RESERVES POLICY**

**UGU DISTRICT MUNICIPALITY**



## FUNDING AND RESERVES POLICY

### Contents

1. Definitions
2. Object of the Policy
3. Scope and Intended Audience
4. Regulatory Framework
5. Funding of the Annual Budget
6. Cash Management
7. Donations, grants and subsidies
8. The Capital Replacement Reserve
9. Capital Contributions
10. Other Items to be cash backed
11. Policy review



## FUNDING AND RESERVES POLICY

### 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.

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

### 2. OBJECT OF THE POLICY

The objectives of this policy are to:

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

### 3. SCOPE AND INTENDED AUDIENCE

The funding and reserves policy aims to ensure that the Municipality has sufficient funding in order to achieve its objectives through the implementation of its operating and capital budgets.

This policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

### 4. REGULATORY FRAMEWORK

The legislative framework governing funding of the Annual Budget is:

- 4.1 Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and,
- 4.2 Local Government: Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.



## FUNDING AND RESERVES POLICY

### 5. FUNDING OF THE ANNUAL BUDGET

- 5.1 An annual budget may only be funded from:
- Cash backed accumulated funds from previous years' surpluses and reserves not committed for any other purpose;
  - Realistically anticipated revenues to be collected;
  - Borrowed funds only for capital expenditure, and
  - Grants and subsidies.
- 5.2 Realistic anticipated revenue projections must take into account:
- Projected revenue for the current year based on the previous year's billing information.

### 6. CASH MANAGEMENT

The availability of cash is the most important requirement for financial sustainability and must be closely monitored by the CFO. In doing so the CFO must ensure a minimum cash on hand to cover 60 days operational expenditure.

Surplus cash not immediately required for operational purposes must be invested in terms of the Municipality's Cash and Investment Policy to maximize the return on cash.

### 7. DONATIONS, GRANTS AND SUBSIDIES

Revenue from donations or any other grants may only be included in the budget if there is acceptable documentation that guarantees the funds such as:

- Signed service level agreement;
- Contract or written confirmation; or
- Any other legally binding document.

The conditions of the specific grant must be taken into consideration when allocated to a specific project.

Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.



## FUNDING AND RESERVES POLICY

### 8. THE CAPITAL REPLACEMENT RESERVE

All reserves must be "ring fenced" and "cash backed" as internal reserves within the accumulated surplus, except for provisions as allowed by GRAP.

Once the municipality has reached its maximum gearing ability, no further borrowings can be taken up. The municipality must invest in a capital replacement reserve. This reserve provides internal funding for the municipality's capital replacement and renewal programme.

Contributions to the capital replacement reserve through the operating budget will be:

- (i) Interest received on investments;
- (ii) Contributions from surplus if cash are available;
- (iii) Proceeds from sale of assets.

**Comment [f1]:** Added in 2015 to ensure additional funding for future capital expenditure

### 9. THE CAPITAL CONTRIBUTIONS

These supplement capital expenditure for the necessary expansions and upgrading of bulk infrastructure. Revenue generated from capital contributions is allocated to this reserve for each applicable service. The unspent contributions must be cash backed to ensure availability of cash when the infrastructure upgrades are required.

**Comment [f2]:** Should this not be added to the CRR but shown separately under that reserve to keep track of the available funds for capital expansion of water and sanitation infrastructure.

[This contribution must be made through the operating budget as the income is taken as unconditional contributions]

**Comment [f3]:** Developers contributions are recognised as income so this contribution should be via the income statement.

### 10. OTHER ITEMS TO BE CASH BACKED

#### a) Unspent conditional grant funding

Revenue received from conditional grants is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Amounts in relation to the unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for.

#### b) Consumer Deposits

Consumer deposits are partial security for a future payment. Deposits are considered a liability as the deposit is utilised once the agreement is terminated. The funds are owed to consumers



## FUNDING AND RESERVES POLICY

and can therefore not be utilised to fund the operating or capital budget. Consumer deposits should be retained in cash and be ring-fenced.

### 11. POLICY REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and accounting standards.

#### Records of Approval

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



**BASIC WATER SERVICES POLICY**



**UGU DISTRICT MUNICIPALITY**  
**BASIC WATER SERVICES POLICY**





# BASIC WATER SERVICES POLICY

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# BASIC WATER SERVICES POLICY

## 1. THE LEGAL CONTEXT

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

## 2. OBJECT OF THE POLICY

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

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

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

## 3. PURPOSE

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

## 4. ADMINISTRATION OF FREE BASIC WATER SERVICES

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



## BASIC WATER SERVICES POLICY

### 4.1 FREE BASIC WATER

#### 4.1.1 PRIVATE CONNECTIONS

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

#### 4.1.2 QUALIFICATION CRITERIA

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

### 5. FREE BASIC SANITATION

Free basic sanitation shall be provided to the following:

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

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#### Records of Approval

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# BASIC WATER SERVICES POLICY

Meeting	Date	Resolution
Top Management		
EXCO		
<b>Revision 1</b>		
BTS Task Team		
Top Management		
Extended Top Management		
Finance Portfolio Committee		
EXCO		



**CREDIT CONTROL AND DEBT COLLECTION POLICY****CREDIT CONTROL AND DEBT COLLECTION POLICY****UGU DISTRICT MUNICIPALITY**

# CREDIT CONTROL AND DEBT COLLECTION POLICY

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# CREDIT CONTROL AND DEBT COLLECTION POLICY

## A. PREAMBLE:

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

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

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### C. SUPERVISORY AUTHORITY:-

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

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

### D. IMPLEMENTING AUTHORITY:





# CREDIT CONTROL AND DEBT COLLECTION POLICY

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

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

## E. DEFINITIONS:

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



# CREDIT CONTROL AND DEBT COLLECTION POLICY

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

### F. THE SCOPE OF THIS POLICY:

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

### G. SERVICE AGREEMENTS:-

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### H. THE RENDERING OF ACCOUNTS:

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

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### I. DEBT COLLECTION PROCEDURE:

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

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

#### DOMESTIC ACCOUNTS

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

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### K. DISHONOURD CHEQUES:

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### L. METER TAMPERING:

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

### M. UNOCCUPIED PREMISES:

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

### N. NEW DEPOSITS:

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





## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### O. ADDITIONAL DEPOSITS:

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

### COMMERCIAL ACCOUNTS:

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

### DOMESTIC ACCOUNTS:

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### FORFEITING DEPOSITS:

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

### P. CLEARANCE CERTIFICATES:

1. Certificates are issued in terms of Section 118 of Systems Act
2. In addition to the afore going the Municipality shall require a deposit equivalent to the cost of three month's average consumption on water and sanitation charges (where applicable);  
  
In case of a vacant stand,
3. Upon payment of the amounts referred to in 1 and 2 above, the Municipality shall issue a clearance certificate within 5 (five) working days of the request for such certificate.

### Q. DEBT COLLECTION:

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

Paragraph 11

### R. WATER AND SANITATION RATES:

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



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

### S. TEMPORARY MEASURES OF ASSISTANCE:

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



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

### Records of Approval

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



# **INDIGENT SUPPORT POLICY**

## **UGU DISTRICT MUNICIPALITY**



# INDIGENT SUPPORT POLICY

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# INDIGENT SUPPORT POLICY

## 1. PREAMBLE

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

**WHEREAS** Council therefore needs to approve an Indigent Support Policy;

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

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

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

## 2. DEFINITIONS

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

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

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

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

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

- (a) Acting in such position; and
- (b) to whom the Municipal Manager has delegated a power, function or duty;

**“Council”** means –

The Council of the Ugu Municipality established by Provincial Notice No. 1264 of Government Gazette 21807 of 28 November 2000, as amended, exercising its legislative and executive authority through the municipality; or

- (a) its successor in title; or
- (b) a structure or person exercising a delegated power or carrying out an instruction, where any power in these by-laws has been delegated or sub-delegated, or an instruction given, as contemplated in section 59 of the Act; or
- (c) a service provider fulfilling a responsibility under these by-laws, assigned to it in terms of section 81(2) of the act, or any other by-law, as the case may be;

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

**“municipality”** means municipalities within Ugu District Municipality

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

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

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



## INDIGENT SUPPORT POLICY

### 3. POLICY OBJECTIVE

The objective of the policy is to ensure the following:

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

### 4. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT

- The indigent subsidy shall apply to a household<sup>1</sup> per dwelling<sup>2</sup> and not an individual.
- The property must be zoned residential.
- The total gross monthly income of all members of the household must not exceed two old age grants (excluding disability and child grant)
- Household's dependant on social welfare grants only may also apply.
- The applicant as well as any other member of the household shall not own other fixed property other than the one on which they reside.
- Multi unit residential - bulk users and Non Government Organizations are excluded from this policy
- Each household will receive 6kl
- *Free basic water will not be carried over. Only water consumed in that particular month will be rebated up to a maximum of 6kl.*

### 5. REQUIREMENTS

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

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





## INDIGENT SUPPORT POLICY

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

### 6. APPLICATION FOR INDIGENT SUPPORT

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

### 7. AVENUES FOR SUBMISSION OF APPLICATION FORMS

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

### 8. PROCESSING OF APPLICATION

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

### 9. DURATION OF THE INDIGENT SUPPORT BENEFIT

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

### 10. RESPONSIBILITY OF THE INDIGENT SUPPORT APPLICANT/ BENEFICIARY

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

### 11. USAGE IN EXCESS OF THE BASIC SERVICE LEVELS



# INDIGENT SUPPORT POLICY

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

## 12. WITHDRAWAL OF INDIGENT SUPPORT BY THE MUNICIPALITY

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

## 13. EXTENUATING CIRCUMSTANCES

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

## 14. WHAT DOES THE INDIGENT SUPPORT BENEFIT COVER

On approval of the application the Municipality shall provide the following

- Basic Municipal Services which include:
- Access to a minimum safe water supply<sup>3</sup> as determined by Council
- Adequate sanitation<sup>4</sup> as determined by Council
- Once off credit equivalent to the outstanding balance on the dwelling at the date of approval.
- Where there are leaks after the meter or in the property, they may be attended to in terms of the bylaws S58 (4) (c) and the cost may be recovered from the Indigent Support allocation.
- Cost of restriction shall be recovered from the Indigent Support allocation.
- Excess usage in the event of death shall be recovered from the Indigent Support allocation

## 15. MISCELLANEOUS

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

<sup>3</sup> As determined in the annual municipal budget

<sup>4</sup> As determined in the annual municipal budget.



## INDIGENT SUPPORT POLICY

### 16. COMMUNICATION

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

### 17. SANITATION REBATE

All applications will be considered on the following basis:

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

#### Records of Approval

Meeting	Date	Resolution
Top Management		
EXCO		
<b>Revision 1</b>		
BTS Task Team		
Top Management		
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LLF		
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EXCO		



**CASH AND INVESTMENT POLICY**



**UGU DISTRICT MUNICIPALITY**  
**CASH AND INVESTMENT POLICY**



## CASH AND INVESTMENT POLICY

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6. Delegation of Authority
7. Investment issue pertaining to Municipal Council Approval
8. Municipal Entities
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10. Internal Control Procedures
11. Reporting and Monitoring Procedures
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22. Short and Long-term Debt
23. Conclusion



## CASH AND INVESTMENT POLICY

### 1. DEFINITIONS

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

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



## CASH AND INVESTMENT POLICY

### 2. OBJECT OF THE POLICY

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

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

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

### 3. CASH MANAGEMENT

#### 3.1 OPENING OF A BANK ACCOUNT

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

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

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



## CASH AND INVESTMENT POLICY

### 3.2 MANAGEMENT OF A BANK ACCOUNT

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

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

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

### 3.3 CASH MANAGEMENT

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

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

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

### 3.4 PETTY CASH

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

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

Each transaction of petty cash shall not exceed R2 000.

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

Comment [r1]: Amounts increased to R 2 000,00

An Imprest system of petty cash will be used.

## 4 CASH FLOW ESTIMATES

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

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





## CASH AND INVESTMENT POLICY

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

### 5 INVESTMENT ETHICS

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

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

#### 5.1 RISK MANAGEMENT

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

#### 5.2 PRUDENCE

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

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

#### 5.3 OWNERSHIP

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

