



PART D
BUDGET RELATED POLICIES

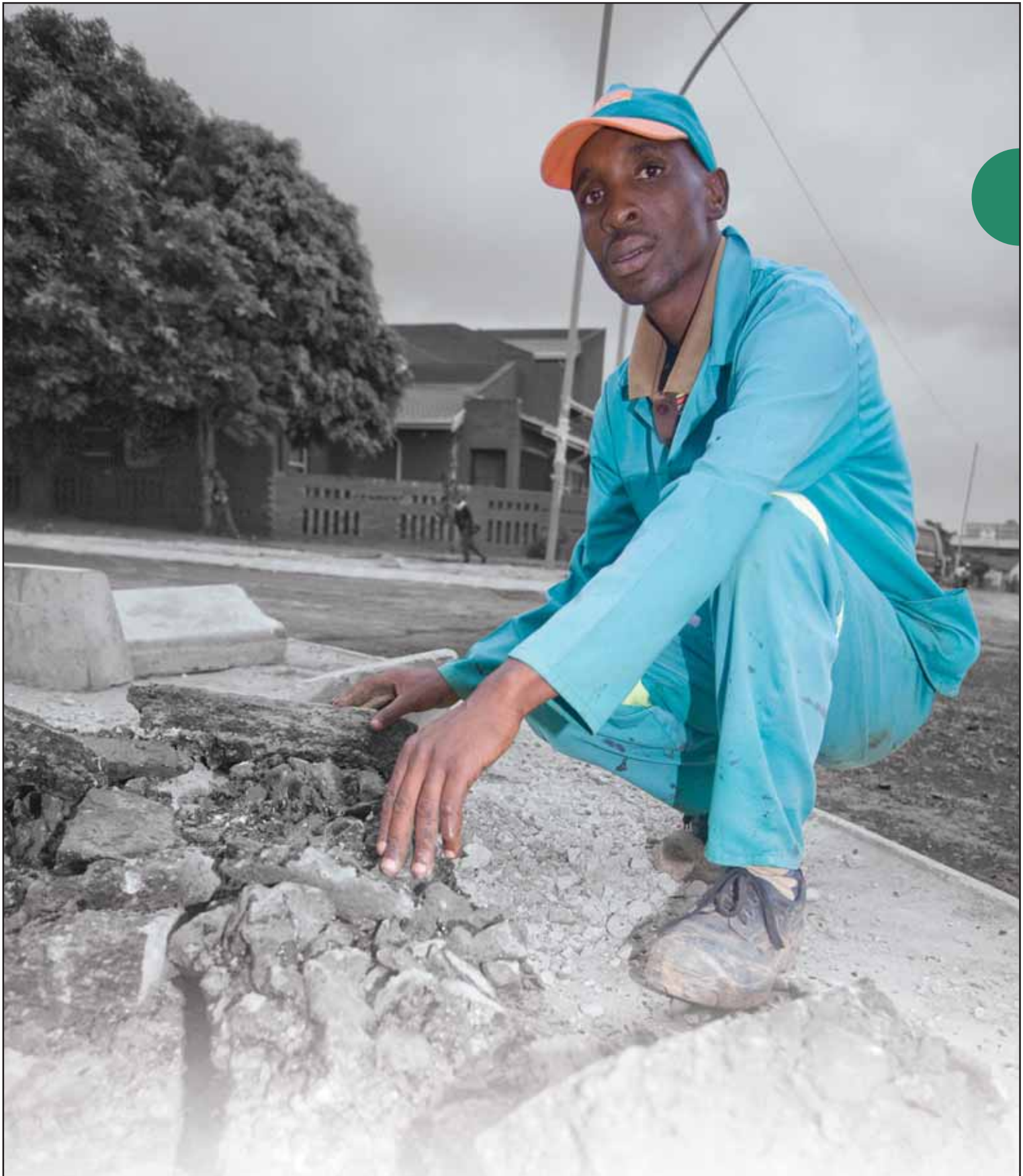


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SUMMARY OF CHANGES TO POLICIES



Rates and Tariffs Policies and By-Laws

BUDGET RELATED POLICIES

TARIFF POLICIES IN TERMS OF SECTION 74 OF THE MUNICIPAL SYSTEMS ACT (REVISED)

- a. **Electricity**
- b. **Water and Wastewater**
- c. **Solid Waste**

The following changes were made to the tariff policies:

- No tariff policies were in place before. The budget contained “Tariff Principles”. The policies are based on the previously approved tariff principles.
- Format amended to be consistent with new policies.
- Maintenance levy was qualified as not being a levy as defined by the Municipal Fiscal Powers and Functions Act.

Specific changes to the **Electricity Tariff Policy**:

- Introduction included in the policy
- Tariff structure included in the policy
- Energy efficiency levy included in the policy

Specific changes to the **Water and Wastewater Tariff Policy**:

- Legislative framework included
- Introduction included in the policy
- Factors affecting tariff setting and tariff composition updated
- Details on method of measuring wastewater were included in the policy.

PROPERTY RATES POLICY (REVISED)

Rates policy in terms of section 3 of the Municipal Property Rates Act

The following changes were made to the rates policy:

Par 4-j	formal and informal settlements; to informal settlements (in line with tariff item)
Par 4-k	mining properties; to mining and quarries (In line with tariff item)
Par 4-p	places of worship (add new – creating problems in being linked to “Business”)
Par 6	Add “exclusions” CATEGORIES OF OWNERS OF PROPERTY FOR PURPOSES OF EXCLUSIONS; EXEMPTIONS, REDUCTIONS, REBATES AND DIFFERENTIAL RATING (exclusions also listed)
Par 6.1	Add “exclusions”
Par 7.7	Add “and used for purposes of service delivery”. In terms of tariffs, non-trading services are exempt but residential, owned by EMM but not used is classified as “Residential



Rates and Tariffs Policies and By-Laws

Par 9.1	Where two thirds or more of a property is used for residential purposes, the whole property will be placed in the residential category. The two third dominant use will apply. If more than one third is used for <u>business or commercial purposes, the entire property will be placed in the business or commercial category</u> . Change to : If more than one third is used for purposes other than residential, the entire property will be placed in the use category applicable to more than one third use. (if not residential – can be placed in any other use category and not be limited to “Business” only)
Par 9.3(a)	a portion is used for residential purposes <u>by the owner or tenant</u> ; delete by the owner or tenant - irrelevant
Par 13 – Definitions	<ul style="list-style-type: none"> · “Business” – Change to “Business and commercial” – Tariff item · <i>Informal settlements</i> : We do not have a definition of “informal settlements”. My understanding is that this will be proclaimed settlements. If in agreement we should include definition.

CREDIT CONTROL AND DEBT COLLECTION POLICY AND BY-LAW (REVISED)

Credit control and debt collection policy in terms of section 96 of the MSA

Only the following was amended to existing policy:

- (xi) Once an agreement referred to in subsection (1) has been concluded, the amount in arrears shall be reflected as a current amount, and no further interest shall be added to arrangement amounts in respect of debtor groups excluding “BUSINESS.”
- (xii) Once an agreement referred to in subsection (1) has been concluded, the amount in arrears shall be reflected as a current amount, and interest at the prescribed rate shall be added to monthly arrangement balances in respect of all “BUSINESS” debtor groups.

This is required in line with Council resolution to raise interest on arrangements in respect of business accounts.

CREDIT CONTROL AND DEBT COLLECTION BY-LAW (REVISED)

Details contained in policy removed from by-laws to ensure enabling by-laws.

CASH MANAGEMENT POLICY IN TERMS OF SECTION 13(2) OF THE MFMA (REVISED)

The cash management policy was amended as follows:

- All references to borrowing (including objectives) removed from the policy as a borrowing policy is now compiled.
- Reference to the Capital Replacement Reserve removed as the newly implemented GRAP standards do not make provision for a CRR.
- Requirement for 70 day’s cash balance is qualified to indicate that non-compliance with this will not be seen as a going concern risk.

Rates and Tariffs Policies and By-Laws

INVESTMENT POLICY IN TERMS OF SECTION 13(2) OF THE MFMA (REVISED)

The cash management policy was amended as follows:

- Format amended to be consistent with new policies.
- Application and scope extended to include the municipal entities.
- Reference to FITCH Rating Agency has been removed from the Rating of Financial Institutions paragraph to allow for the use of any rating agencies.
- The content of the policy has been retained, even though paragraphs were moved around in line with format review.

BORROWING POLICY (NEW)

Even though a new policy, the principles related to borrowings previously contained in the cash management policy is now included in the borrowing policy.

POLICIES DEALING WITH MUNICIPAL ENTITIES (INCLUDING SERVICE DELIVERY AGREEMENTS AND DIVIDEND PREFERENCE OF THE MUNICIPALITY) (REVISED)

The municipal entities policy was amended as follows (previously called Entities Financial Support Policy):

- Format amended to be consistent with new policies.
- Legislative scope extended to include more detailed requirements of the MFMA
- Financial support changed from the previous MTEF period to the currently being budgeted for (2010/11 – 2012/13)
- Provisions related to the monitoring of performance have been included in the policy
- Provisions related to service level agreements have been included in the policy
- Provisions related to dividend preference have been included in the policy
- Previous reference to long term support has been removed from the policy.

ACCOUNTING POLICY (REVISED)

The accounting policy was amended to reflect the new accounting framework. References to changes in accounting policies that were applicable with the first time implementation of the accounting standards have been removed from the policy.





RATES & TARIFF POLICIES AND BY-LAWS





ELECTRICITY TARIFF POLICY



Electricity Tariff Policy

ELECTRICITY TARIFF POLICY

1. Application and Scope

The policy is applicable to the Ekurhuleni Metropolitan Municipality.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To determine cost reflective tariffs
- To ensure equitable pricing
- To ensure affordability of basic services to the community
- To ensure compliance with the Municipal Systems Act

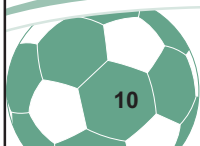
3. Introduction

Ekurhuleni structural tariff adjustments will be in sync with the pricing signals received from Eskom and attempt to persuade electricity customers to avoid peak periods and seasons. Any proposed increase will also be in line with the mission statement of this municipality in that it provides sustainable and people-centred electricity tariff structures and prices, that are also affordable.

Tariffs will also contain signals that encourage energy efficiency and the investment in efficient appliances.

Any adjustments effected to Council's tariffs should take cognisance of the above realities and need to be balanced in terms of cost-reflectivity and operational budgetary requirements, whilst at the same time meeting the regulatory requirements of the National Energy Regulator of South Africa.

Council's current Tariffs A and B are mainly aimed at domestic and smaller business users, whilst Tariffs C and D are applicable to the larger business and industry component as well as large domestic users (townhouse complexes, blocks of flats).



Electricity Tariff Policy

4. Tariff Structure

The following table is a brief description of each of Ekurhuleni's five electricity tariffs.

	Tariff	Description, Customers targeted
1	Tariff A lifeline (1 part tariff)	<ul style="list-style-type: none"> This tariff is available for single-phase 230 V connections with a capacity of up to 20 A or 4 600 Watt. This tariff is only available for prepayment metering customers. This tariff will suit low consumption residential and micro business customers. Free Basic Electricity of 100 kilowatt-hour units are provided to residential customers.
2	Tariff A (1 part tariff)	<ul style="list-style-type: none"> This tariff is available for single-phase 230 V connections with a capacity of up to 60 A per phase. Low consumption customers on Tariff A can move to Tariff A Lifeline upon application. Tariff A Lifeline has a 20 Ampere size restriction and customers must convert to prepayment metering. This tariff will suit low consumption residential and micro business customers. Free Basic Electricity of 100 kilowatt-hour units are provided to residential customers.
3	Tariff B (2 / 3 part tariff)	<ul style="list-style-type: none"> This tariff is available for single-phase 230 V and multi-phase 400/230 V connections with a capacity of up to 150 A per phase or 100 kVA. This tariff is not available for medium and high voltage customers. This tariff will suit medium to high consumption residential and small business customers.
4	Tariff C (3 part tariff)	<ul style="list-style-type: none"> This tariff is available for bulk supplies at any voltage and with a capacity of at least 25 kVA. This tariff will suit large residential, business and industrial customers. This tariff is for existing Tariff C customers only, no new customers will be allowed on this tariff. This tariff is not available to high voltage customers (supply voltage exceeding 11 kV)
5	Tariff D (multi-part tariff)	<ul style="list-style-type: none"> This tariff is available for bulk supplies at any voltage and with a capacity of at least 100 kVA. This tariff will suit large residential, business and industrial customers.

5. Maintenance levy

The electricity tariffs shall include a maintenance levy. The income resulting from this "levy" is to be used for refurbishment of the existing electricity networks. This is not a levy as defined by the Municipal Fiscal Powers and Functions Act.

6. Energy Efficiency Levy

The electricity tariffs shall include an energy efficiency levy. The income resulting from this "levy" is to be used for projects aimed at increasing electricity efficiency. This is not a levy as defined by the Municipal Fiscal Powers and Functions Act.



**PROVISION OF FREE BASIC
ELECTRICITY POLICY**



Provision of Free Basic Water Tariff Policy

POLICY ON FREE BASIC ELECTRICITY

The following policy provides guidelines to determine a uniform approach for the allocation of free basic electricity inside the borders of the Ekurhuleni Metropolitan Municipality.

1. Free Basic Electricity may be allocated in accordance with the following provisions:

- 1.1 When provided for as an integral part of the Schedule of Tariffs for the Supply of Electricity
 - 1.1.1 Electricity used for pure residential purposes, also referred to as domestic consumption, on Tariff A only;
 - 1.1.2 Registered indigents using electricity for residential purposes, on Tariff A only, and
 - 1.1.3 Electricity used for business purposes is excluded from the free basic electricity allocation.
- 1.2 When the user is an Eskom customer inside the Ekurhuleni borders
 - 1.2.1 Provided that the customer is on the Eskom Homelight tariff and subject to ESKOM procedures.
 - 1.2.2 A contract exists whereby Ekurhuleni pays Eskom to supply free basic electricity to these customers.
- 1.3 When the user entity is a nonprofit organization registered in terms of the provisions of the Nonprofit Organization Act, 1997, for the following specific purposes:
 - 1.3.1 the care of old people;
 - 1.3.2 the care of children;
 - 1.3.3 the care of the physically or mentally handicapped.
- 1.4 When a user is a pensioner not less than 65 years of age and uses electricity at an average level that would make Tariff A the 'most beneficial tariff'
 - 1.4.1 The free basic electricity allocation will be applicable to all persons as described in section 2 below, inclusive of those inside a private residential complex that receives electricity in bulk from Ekurhuleni, and
 - 1.4.2 The electricity consumption level of the premises, on average over 12 months, should be located within the beneficial limits of Ekurhuleni's Tariff A (i.e. below 680 kilowatt hour units for the 2007/2008 tariff year).

2. Application procedure for individuals:

The following procedure will apply in all cases where free basic electricity is requested.



Provision of Free Basic Water Tariff Policy

The application procedure is not required in cases where the allocation of free basic electricity is already included in the tariff (e.g. Tariff A or the Eskom Homelight tariff, the latter under contractual agreement between Ekurhuleni and Eskom).

- 2.1 The account holder shall be a pensioner;
- 2.2 The account holder shall not be less than 65 years of age;
- 2.3 The average monthly electricity consumption is below 680 kilowatthour units per month;
- 2.4 The account holder for the preceding 12 months have received a joint maximum average income (he/she together with spouse) of ²R10 000 or less per month;
- 2.5 The account holder is the occupant of the dwelling concerned, which consists of one dwelling only and no part thereof will be subleased;
- 2.6 The account holder is a mentally and/or physically disabled person complying with the requirements of 2.3, 2.4 and 2.5 above;
- 2.7 The aforementioned details must be confirmed by means of a sworn affidavit; and
- 2.8 In the case of private complexes metered in bulk, also be accompanied by an affidavit from the Board of Trustees or owner stating that an allocation of free basic electricity, when received on a monthly basis in the form of a rebate on the bulk account, shall be passed through to the approved applicant, and
- 2.9 All the abovementioned applications must be renewed annually.

3. Application procedures for organizations mentioned in section 1.3

- 3.1 The account holder will confirm the number of residential units by means of a sworn affidavit;
- 3.2 The provisions of section 4 will apply in terms of the number of beds.

4. General provisions

The following general provisions shall be adhered to:

- 4.1 In the case of qualifying organizations where no residential units exist, every four beds will be deemed as one domestic residence.

5. Deviation from the free basic electricity policy

Any deviation from the free basic electricity policy must be approved in writing by the Chief Financial Officer.

1 The crossover point for the most beneficial tariff may change from the one tariff year to the next.

2 The amount specified may be adjusted from time to time in accordance with Council's property rates revisions.



**WATER AND WASTE WATER TARIFF
POLICY**



Water and Waste Water Tariff Policy

WATER AND WASTE WATER TARIFF POLICY

1. Application and Scope

The policy is applicable to the Ekurhuleni Metropolitan Municipality.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To determine cost reflective tariffs
- To ensure equitable pricing
- To ensure affordability of basic services to the community
- To ensure compliance with the Municipal Systems Act

3. Legislative Framework

The provision of water services is the constitutional responsibility of Local Government.

Section 74 Tariff policy: Local Government Municipal Systems Act 32 of 2000

- (1) A Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.
- (2) A tariff policy must at least reflect the following principals, namely that-
 - (a) users of municipal services should be treated equitably in the application of tariffs.
 - (b) the amount individual users pay for services should generally be in proportion to their use of that service;
 - (c) poor households must have access to at least basic services through -
 - (i) tariffs that cover only operating and maintenance cost,
 - (ii) special tariffs or life line-tariffs for low levels of use or consumption of services or for basic levels of service: or
 - (iii) any other direct or indirect method of subsidization of tariffs for poor households.
 - (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charge;
 - (e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
 - (f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
 - (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
 - (h) the economical efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
 - (i) the extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

Water and Waste Water Tariff Policy

- (3) A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

In terms of General Notice 393 in the Government Gazette 3241 of 17 April 2009, the new Municipal Budget and reporting regulations have come into effect as from 1 July 2009

In terms of section 7 of these regulations:

- (1) The municipal manager of a municipality must prepare, or take all reasonable steps to ensure the preparations of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1) (b) of the Act. (Municipal Finance Management Act 56 of 2003)

4. Introduction

Broad water pricing goals have been established by National Government. These goals have been primarily directed at the pricing of raw water, however, they form an important context for the establishing of retail tariff goals.

The National Water Act of 1998 clearly identifies four primary national water pricing goals:

- Improving social equity
- Ensuring ecological sustainability
- Ensuring financial sustainability
- Improving efficiency

The broad principles used in the compilation of the tariffs to promote the attainment of the tariff setting goals mentioned above are:

- adequate services are provided fairly to all consumers of Ekurhuleni;
- the prices of water and waste water reflect the fact that they are both social and economic goods, that is, pricing promotes access to a basic service, encourages the wise and sustainable use of resources and ensures financial sustainability;
- Tariffs to be based on "efficient costs" (cost to run the water service provider in a cost effective, efficient manner);
- Payment to be in proportion to the amount of water consumed. This will promote the more efficient use of water, compared to tariffs which have a large fixed-cost component; and
- Tariffs should promote the development of competitive business and economic development.

5. Factors affecting tariff setting

There are many factors that influence the cost of delivering water to customers. It is of the utmost importance that all the relevant costs are taken into account in order to determine the water tariff.

The major factors affecting the Council's water and waste water tariffs are as follows:

- Rand Water cost-bulk purchase cost;
- ERWAT treatment cost;

Water and Waste Water Tariff Policy

- Unaccounted for water (UAW);
- Percentage non-payment (bad debt provision); and
- Cost of Free Basic Water.

6. Water Tariff Composition

The Council's tariffs are affected by the following factors and the minimum tariff has to cover the following aspects:

- Cost of raw water or bulk potable water, plus
- Cost of overhead and operational costs (maintenance & depreciation etc), plus
- Cost of capital, (Interest on loans), plus
- Reasonable rate of return on assets, plus
- Provisions for bad debt and future infrastructure expansion, minus
- Subsidies (Municipal Infrastructure and the Local Government equitable share grants).

7. Waste Water Tariff Composition

- ERWAT's purification cost, and
- Cost of overhead and operational costs (maintenance & depreciation etc), plus
- Cost of capital, (Interest on loans), plus
- Reasonable rate of return on assets, plus
- Provisions for bad debt and future infrastructure expansion, plus;
- Pumping cost, plus
- Percentage non-payment, and
- Cost of free basic waste water

Due to the topography of the area, there are 176 pump stations, which impact on the operational costs of the service. This cost has to be taken into account to determine the service cost for waste water.

8. Maintenance Levy

The water and waste water tariffs shall include a maintenance levy. The income resulting from this "levy" is to be used for critical water and wastewater maintenance only. This is not a levy as defined by the Municipal Fiscal Powers and Functions Act.

9. Waste water measurement

The waste water charges will be linked to the account where the water connection is metered and billed. Where water is supplied and metered by Rand Water or other legal entities to premises connected to the councils waste water reticulation system, the readings supplied by Rand Water or other legal entities will be used to calculate and render a waste water account to the owner/tenant concerned.





**PROVISION OF FREE BASIC WATER
AND WASTE WATER POLICY**



Provision of Free Basic Water and Waste Water Policy

POLICY: PROVISION OF FREE BASIC SERVICES

1. Legislation

- 1.1 Section 74 (2) (c) of the Local Government Municipal Systems Act 32 of 2000 determines:
- (c) poor households must have access to at least basic services through –
 - (i) Tariffs that cover only operating and maintenance cost;
 - (ii) Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
 - (iii) Any other direct or indirect method of subsidization of tariffs for poor households.
- 1.2 In terms of General Notice 393 in the Government Gazette 3241 of 17 April 2009, new Municipal Budget and reporting regulations have come into effect as from 1 July 2009. In terms of Section 7 of these regulations:
- (1) The Municipal Manager of a Municipality must prepare, or take all reasonable steps to ensure the preparations of the budget-related policies of the Municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the Municipal Council by the applicable deadline specified by the Mayor in terms of Section 21(1)(b) of the Act (Municipal Finance Management Act 56 of 2003).

2. Principles

- 2.1 The right of access to basic water and waste water sanitation:**
Everyone has the right to have access to sufficient water. EMM is committed to promote sustainable access to a basic water supply by subsidizing the ongoing operating and maintenance costs of a basic water supply service.
- 2.2 Consumer responsibilities:**
The right to basic water supply and waste water services come with a corresponding responsibility, namely, to use water and waste water services responsibly and with due care.
- 2.3 User charges (Retail):**
Charging for water services is essential in order to generate sufficient funds for operating, maintaining and investing in water and waste water systems but at the same time recognizing the need for affordability. Sound business principles within a sound subsidy framework are therefore essential. This includes good governance, sound accounting, adequate provision for depreciation, adequate spending on maintenance and replacement of assets, effective and efficient use of resources and income (including subsidies) which covers expenses.

3. Applications

- 3.1 The domestic block tariff adopted by Council provides for every household to receive 6 kiloliters free per month. This also applies to a small business which is conducted as a primary right in terms of a Town Planning Scheme, or home enterprise in terms of the Council's policy, from a property used for household purposes and the connection size is a 15mm or 20mm connection. Council aims to generate sufficient funds for operating, maintaining and investing in water and waste water systems but also recognizes the need for affordability.



Provision of Free Basic Water and Waste Water Policy

- 3.2 From the 2006/2007 financial year the Council increased the free basic consumption by an additional 3 kiloliters for registered indigents qualifying in terms of the Council's approved Indigent Policy bringing the total to 9 kiloliters free per month. Financed by means of the equitable share received from National Government and cross subsidization by means of a Council adopted block tariff. Consumption in excess of the basic water and waste water supply service need to be paid for to ensure sustainability of the services.



SOLID WASTE TARIFF POLICY



Solid Waste Tariff Policy

SOLID WASTE TARIFF POLICY

1. Application and Scope

The policy is applicable to the Ekurhuleni Metropolitan Municipality.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To determine cost reflective tariffs
- To ensure equitable pricing
- To ensure affordability of basic services to the community
- To ensure compliance with the Municipal Systems Act

3. Introduction

The services rendered by the Solid Waste Division are, for budget purposes, divided into two categories, namely:

Income Generating Services

- Round collection
- Bulk container services
- Litter picking in commercial and industrial sites
- Operation and management of landfill sites

Non-income Generating Services

- Mini refuse disposal sites/transfer stations
- Litter picking - all areas excluding commercial and industrial areas
- Public conveniences
- Rehabilitation of old disposal sites
- Removal of illegal dumping

4. Costing Model

The existing costing model in use is based on stand size with respect to the domestic service and derives from the amalgamation of the previous local Councils, wherein tariff structures varied greatly and ranged from a single tariff for all users to tariffs based on the number of rooms per dwelling, or on locality and geographic area. Uniform tariffs for the Ekurhuleni Metropolitan Municipality were promulgated as from 2001/2002 financial year.

The Bulk container service tariff is based on the size of the container and the frequency of removal.

Solid Waste Tariff Policy

5. Factors affecting tariff setting (Collection)

Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges.

Financing of non-income generating services from tariffs

Non-income generating services were historically financed from the rates account and not from the tariffs levied for solid waste services. These services must be funded from tariffs. The change in financing of the services is being phased in. The service does not break-even at present due to the phased implementation.

Replacement of vehicles and equipment

The replacement of vehicles and equipment, whether by outright purchase or full maintenance leasing, is one of the main cost drivers impacting on the tariffs.

The provision of free services to informal settlements

In addition to providing free services to informal settlements, non-payment for services has an extremely negative impact on curbing the increase of solid waste service tariffs.

Increase in transport costs

Waste management services, with the exception of landfills, are in essence a transport intensive operation and are therefore sensitive to the substantial and constant increases in the price of the following key transport inputs:

- Oils and lubricants
- Fuel costs
- Tyres
- General spares to maintain the fleet

Labour costs

Solid waste collection is a labour intensive operation and labour costs tend to have a ripple effect on tariffs.

6. Maintenance levy

The solid waste tariffs shall include a maintenance levy. The income resulting from this "levy" is to be used for refurbishment of the existing solid waste vehicles and equipment. This is not a levy as defined by the Municipal Fiscal Powers and Functions Act.





PROPERTY RATES POLICY



Property Rates Policy

RATES POLICY OF THE EKURHULENI METROPOLITAN MUNICIPALITY

PREAMBLE

WHEREAS section 229 of the Constitution of the Republic of South Africa empowers municipalities to levy property rates, subject to national legislation;

WHEREAS section 2 of the Local Government: Municipal Property Rates Act No. 6 of 2004 is the national legislation that empowers a municipality to levy a rate on property in its area;

AND WHEREAS in terms of section 3(1) of the Act the council of a municipality must adopt a rates policy consistent with the Act on the levying of rates on rateable property in the municipality;

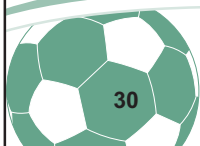
AND WHEREAS section 3(2) of the Act prescribes what issues are to be addressed in the rates policy;

AND WHEREAS any exemptions, rebates or reductions provided for in the Rates Policy must, in terms of section 3(5) of the Act, comply and be implemented in accordance with a prescribed national framework;

NOW THEREFORE the Council of the Ekurhuleni Metropolitan Municipality has adopted the following Rates Policy on 27 May 2010.

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Property Rates Policy

1. BACKGROUND

1.1 Introduction

The Local Government Municipal Property Rates Act (Act no 6 of 2004) requires a municipality to develop and adopt a rates policy consistent with the Act on the levying of rates on rateable property in the Municipality.

Property rates are the most reliable source of general revenue for the Council. Services financed from rates include installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration such as computer equipment, stationery, and costs of Governance, such as Council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

The Council has resolved, in compliance with the provision of the Act, to impose a rate and as a consequence, this rates policy has been developed within the parameters of the applicable legislation relating to property rates.

1.2 Guiding principles

The following principles will ensure that the Municipality treats persons liable for rates equitably:

- a) Ratepayers with similar properties will pay similar levels of rates;
- b) The ability of ratepayers to pay their rates will be taken into account by the Council;
- c) The effects of the migration from a site rating system to a system where the market value, site and improvement, is rated, could cause major shifts in the rates burden on owners of property. This effect will be taken into account by Council;
- d) The determination of the tariffs and the levying of rates must allow the Council to promote local, social and economic development.

1.3 Strategic focus

In determining the rates, exemptions, rebates and reductions, the Council may consider the following:

- (a) the impact of rates on the community;
- (b) the impact of rates on business;
- (c) the Integrated Development Plan (IDP) of the Council;
- (d) the impact of rates on the Local Economic Development (LED) strategy of the Council;
- (e) the impact of the new rating system on poor private households and agricultural communities;
- (f) the prevention of major shocks to ratepayers when moving from a site rating system to a system based on a rating on the market value of the site and improvements;
- (g) when determining the rates on properties the following aspects must be taken into account namely:
 - (i) the effects of rates on the poor, including appropriate measures in order to alleviate the rates burden on them; and
 - (ii) the effect of reaching the objectives set out in paragraph 1.4 of this policy.
- (h) in developing or amending this policy, the Council commits itself to a process of community participation as envisaged in section 4 of the Act and chapter 4 of the Municipal Systems

Property Rates Policy

Act, 2000 (Act No 32 of 2000) (MSA). In addition to the requirements laid down in the MSA, the Council will engage interested parties and structures, such as ratepayer organisations, directly in the process of community participation. In addition, use will be made of established community consultation structures, such as Ward committees, to ensure thorough participation with regard to the afore-mentioned process.

1.4 Objectives of the policy

The key objectives of the policy are to:

- (a) ensure that all owners of rateable property are informed about their liability to pay assessment rates;
- (b) specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates contemplated in paragraph 7 of this policy;
- (c) set out the criteria to be applied by the Council if it increases rates and levies differential rates on different categories of property;
- (d) provide for categories of public benefit organisations, approved in terms of Section 30(1) of the Income Tax Act, 1962 (Act no 58 of 1962) as amended, which ratepayers are eligible for exemptions, reductions and rebates and therefore may apply to the Council for relief from rates;
- (e) recognise the state, organs of state and owners of public service infrastructure as property owners;
- (f) not discourage the development of property;
- (g) ensure that all persons liable for rates are treated equitably as required by the Act.

2. ANNUAL OPERATING BUDGET AND POLICY REVIEW

The Council must annually consider the levying of rates during the budget process and, if necessary, amend its rates policy taking into account public comments and inputs.

In determining the level of increases in the rates the criteria to be applied include the following:

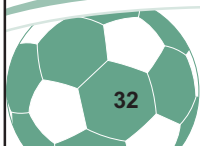
- (a) the inflation rate as indicated by the consumer price index;
- (b) take into consideration the medium term budget growth factors as determined by National Treasury guidelines.

3. LEVYING OF RATES.

3.1 When levying rates, the Council must, subject to section 7(2) of the Act levy rates on all rateable property in its area.

3.2 Section 7(1) of the Act does not: -

- (a) oblige a municipality to levy rates on –
 - (i) properties of which the Council is the owner;
 - (ii) public service infrastructure;
 - (iii) properties referred to in (b) of the definition of “property” in paragraph 2 of this policy; or



Property Rates Policy

- (iv) properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices; or
 - (b) prevent the Council from granting in terms of section 15(1) of the Act exemptions from, rebates on, or reductions in rates levied.
- 3.3 State owned property no longer qualifies for any rates rebate by virtue of ownership. However, the exemptions, rebates and reductions relating to the usage of properties as specified in this Property Rates Policy would apply.

4. DIFFERENT CATEGORIES OF RATEABLE PROPERTY

- 4.1 The categories of property are determined according to actual **use** of the property irrespective of the permitted use in terms of the Town Planning scheme.
- 4.2 The Council has determined the following categories of property for purposes of rating:
- a) residential properties;
 - b) industrial properties;
 - c) business and commercial properties;
 - d) farm properties used for:
 - (i) agricultural purposes;
 - (ii) other business and commercial purpose;
 - (iii) residential purposes; or
 - (iv) purposes other than those specified above;
 - e) smallholdings used for:
 - (i) agricultural purposes;
 - (ii) residential purposes;
 - (iii) industrial purposes;
 - (iv) business and commercial purposes; or
 - (v) purposes other than those specified above;
 - f) state-owned properties;
 - g) municipal properties;
 - h) public service infrastructure;
 - i) privately owned towns serviced by the owner;
 - j) informal settlements;
 - k) mining and quarries;
 - l) vacant land;
 - m) protected areas;
 - n) properties on which national monuments are proclaimed;
 - o) properties used for multiple purposes;
 - p) places of worship
- 4.3 The Council may determine other categories as the Council may, from time to time identify.

Property Rates Policy

5. CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES

The following will be taken into consideration for the purpose of granting exemptions, reductions and rebates:

- a) Indigent status of the owner of a property;
- b) Sources of income of the owner of a property; and
- c) Social or economic conditions of the area where the owners of property are located e.g. an area declared by the national or provincial government to be a disaster area within the meaning of Disaster Management Act 57 of 2002, to the extent that the property was significantly negatively affected.

6. CATEGORIES OF OWNERS OF PROPERTY FOR PURPOSES OF EXCLUSIONS, EXEMPTIONS, REDUCTIONS, REBATES AND DIFFERENTIAL RATING

6.1 The Council has determined the following categories of owners of property for purposes of exclusions, exemptions, reductions, rebates and differential rating:

- a) Residential;
- b) Indigent owners;
- c) Child headed households;
- d) Pensioners;
- e) Disability grantees/medically boarded persons;
- f) Owners of property situated within an area affected by a natural disaster;
- g) Municipal;
- h) Sporting bodies;
- i) Public benefit organizations/Non Governmental Organisations (NGOs) and Cultural Organisations;
- j) Protected areas;
- k) Religious organisations;
- l) Public & private schools, universities & colleges;
- m) Owners of property situated within an area affected by any other serious adverse social or economic conditions; and
- n) Owners of properties used for bona fide farming purposes

6.2 The Council may determine other categories of owners of property for purposes of exemptions, reductions, rebates and differential rating as the Council may from time to time identify.

7. EXEMPTIONS, REDUCTIONS AND REBATES

7.1 Residential

The Council may grant a reduction in the market value of residential property by resolution of the Council, to be read with section 17(1) (h) of the Act regarding impermissible rates on the first R15 000.

7.2 Indigent owners

The Council has adopted an Indigent Policy that provides for the alleviation of the rates burden on the low income sectors of the community within the Municipality. Owners of property who qualify for the assistance provided by this Policy must make application to access the relief provided.

Property Rates Policy

7.3 Child headed households

Child headed households may be granted a 100% rebate, subject to the following:

The applicant:

- a) must apply annually;
- b) must occupy the property;
- c) must submit proof of the death of both parents;
- d) must be younger than 18 years of age
- e) must be evaluated in terms of the Indigent Policy of Council;

The rebate will lapse upon:

- a) the expropriation, sale or disposal of the property;
- b) the failure of the applicant to reside permanently on the property;
- c) death of the applicant
(Persons who turn 18 years and older may apply for relief in terms of the Indigent Policy of Council).

7.4 Pensioners

Pensioners may receive a reduction and a rebate of an amount as determined by Council Resolution, subject to the following:

The applicant must:

- a) be the registered owner of the property;
- b) produce a valid identity document;
- c) must be at least 60 years of age upon application, provided that where couples are married in community of property and the property is registered in both their name, the age of the eldest will be the qualifying factor;
- d) be in receipt of a total monthly income from all sources (including the income of the spouse of the owner) not exceeding an amount as determined by a Council Resolution;
- e) a once-off application must be submitted with the implementation of every new valuation roll. The applicant applies only once for the reduction and it remains valid for the duration of the valuation roll.
- f) not be in receipt of an indigent assessment rate rebate;
- g) must reside permanently on the property concerned which consists of one dwelling only and no part thereof is sublet; and
- h) confirm the aforementioned details by means of a sworn affidavit.

The pensioners reduction will lapse:

- a) on death of the applicant;
- b) on alienation of the property;
- c) when the applicant ceases to reside permanently on the property;

Property Rates Policy

7.5 Disability grantees/medically boarded persons

Disability grantees/medically boarded persons may receive a reduction and a rebate of an amount as determined by a Council Resolution, subject to the following:

The applicant must:

- a) be in possession of a disability card or provide medical proof of disability;
- b) be the registered owner of the property;
- c) produce a valid identity document;
- d) not be in receipt of an indigent assessment rate rebate;
- e) Must reside permanently on the property concerned which consists of one dwelling only and no part thereof is sublet;
- f) a once-off application must be submitted with the implementation of every new valuation roll. The applicant applies only once for the reduction and it remains valid for the duration of that valuation roll; and
- g) confirm the aforementioned details by means of a sworn affidavit.

The disability and medically boarded reduction will lapse:

- a) on death of the applicant;
- b) on alienation of the property; or
- c) when the applicant ceases to reside permanently on the property.

7.6 Natural Disasters

Properties that have been damaged by a natural disaster, as defined in terms of the Disaster Management Act 57 of 2002, shall be re-valued as at date of such natural disaster, in accordance with the Act.

On application by the owner of the property damaged, as defined, the Council may fully /partially suspend the levying of rates on that property, as determined by Council from time to time.

7.7 Municipal

Property owned by Council and used for purposes of service delivery may be exempt, by Council Resolution, from paying rates.

7.8 Sporting bodies

Sporting bodies may, on application, be granted a rebate as determined by a Council resolution. Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962).

7.9 Public Benefit Organisations/Non Governmental Organisations and Cultural Organisations

The following Public Benefit Organisations/ Non Governmental Organisations may be exempted from paying rates:

- a) Welfare & Humanitarian Institutions

Properties used exclusively as an orphanage, non-profit retirement villages, old age home or other non-profit institution For the benefit of the public or a section thereof, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purpose.

- b) Animal Welfare

Property registered in the name of and used by institutions/ organisations whose exclusive aim is to protect birds, reptiles and other animals on a non-profit basis.

Property Rates Policy

- c) Cultural
 - (i) Property registered in the name of a declared institution in terms of the Cultural Institutions Act (Act 119 of 1998 as amended) promoting the cultural aims as defined in section (6)(a) and (b) of the Ninth Schedule to the Income Tax Act (Act 58 of 1962 as amended) which reads as follows:
 - (a) The advancement, promotion or preservation of the arts, culture or customs.
 - (b) The promotion, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.
 - (ii) *Property registered in the name of a cultural organization or any organization which is in the opinion of the municipality promoting the cultural aims as defined in section (6)(c) of the Ninth Schedule to the Income Tax Act (Act 58 of 1962 as amended) which reads as follows:*
 - (c) The provision of youth leadership or development programmes.

Exemptions may be subject to the following conditions:

- (a) Applications must be made annually in writing and in the prescribed form;
- (b) Applicants must produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962);
- (c) The City Manager or his/her nominee must approve all applications;
- (d) The Council retains the right to refuse exemptions if the details supplied in the application form are incomplete, incorrect or false;
- (e) If during the currency of any financial year, any such land or building is used for any purpose other than the purpose so exempted, the Council shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use.

7.10 Protected areas/nature reserves/conservation areas

Nature reserves and conservation areas which are proclaimed in terms of Provincial or National Legislation, may be exempt from rates, subject to section 17(1)(e) of the Act.

Newly proclaimed nature reserves/conservation areas may receive an exemption upon application and production of the relevant proclamation.

7.11 Religious organisations

In terms of section 17(1) (i) of the Act, the Council may not levy a rate on a property registered in the name of, and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

Property Rates Policy

7.12 Public and private schools, universities and colleges

The following categories of owners may receive a rebate as determined by a Council Resolution.

- a) Public schools which are State funded:
- b) Private schools which are not State funded in terms of section 34 of the South African Schools Act, 1996 (Act No. 84 of 1996) and are registered as independent schools in terms of the South African Schools Act, 1996 (Act No. 84 of 1996)
- c) Universities; and
- d) Technical and other colleges.

7.13 Owners of property situated within an area affected by any other serious adverse social or economic conditions

A property classified by Council Resolution under this category may receive a rebate as determined by the resolution.

7.14 Owners of properties used for bona fide farming purposes

Properties used for bona fide agricultural purposes with the property owner deriving his principle source of income from produce of the land may receive a differential rate as determined by a Council Resolution.

8. SPECIAL RATING AREAS

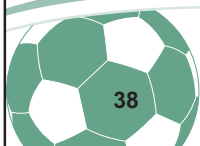
- 8.1 The Council may, by resolution establish special rating areas and levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area.
- 8.2 Any rebate granted does not affect the additional rate payable by the owner in a Special Rating Area.

9. MULTIPLE USE PROPERTIES

- 9.1 Where two thirds or more of a property is used for residential purposes, the whole property will be placed in the residential category. The two third dominant use will apply. If more than one third is used for purposes other than residential, the entire property will be placed in the use category applicable to more than one third use.
- 9.2 Where one use is exempt, the property will be categorised under a "Multiple Use" category and the exempt portion will be treated separately to the remainder. Where the remainder is also used for multiple uses, "dominant use" will apply.
- 9.3 In the case of agricultural property, the multiple use category will apply where:
 - a) a portion is used for residential purposes; or
 - b) a portion is used for non residential and non agricultural purposes.

10. PUBLIC SERVICE INFRASTRUCTURE

In terms of section 17(1) of the Act, Public Service Infrastructure will not be rated on the first thirty (30) percent of the market value.



Property Rates Policy

11. PHASING IN OF CERTAIN RATES

The assessment rates on newly rateable properties, as defined in the Act, will be phased in as determined in section 21 of the Act.

12. MISCELLANEOUS

12.1 Liability for rates:

- Rates levied on a property must be paid for by the owner of the property.
- Joint owners are jointly and severally liable for payment of rates on the property.

12.2 Amount due for rates:

A rate in the rand is determined annually by the Council during the budget process.

12.3 The effective date of the Rates Policy:

The rates policy takes effect from the start of the financial year.

12.4 Method and time of payment:

Council shall recover an annual levy payable on a monthly basis in twelve (12) near equal instalments.

12.5 Payment and recovery of rates:

Payment and recovery of rates shall be in accordance with Council' relevant policies and by-laws.

12.6 Short title

This policy shall be called the Rates Policy of the Ekurhuleni Metropolitan Municipality.

13. DEFINITIONS

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

- **“Act”** means the Local Government: Municipal Property Rates Act, No. 6 of 2004 (Act No. 6 of 2004).
- **“Agricultural purpose”** in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in, or hunting of game.
- **“Business and commercial”** means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock, or consisting of the propagation and harvesting of fish or other aquatic organisms.

Property Rates Policy

- **“Exemption”** in relation to the payment of a rate, means an exemption granted by a Municipality in terms of Section 15 of the Act.
- **“Industrial”** means a branch of trade or manufacturing, production assembling or processing of finished or partially finished products from raw materials or fabricated part, on such a large scale that capital and labour are significantly involved.
- **“Indigent”** means an indigent person referred to in the Indigent Policy of the Council.
- **“Multiple purpose”** in relation to a property, means the use of a property for more than one purpose.
- **“Municipal properties”** means those properties of which the municipality is the registered owner.
- **“Mining”** means any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto.
- **“Newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding:
 - (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - (b) a property by the Minister by notice in the *Gazette* where the phasing-in of a rate is not justified.
- **“Owner”**
 - (a) in relation to a property referred to in paragraph (a) of the definition of **“property”**, means a person in whose name ownership of the property is registered;
 - (b) in relation to a right to in paragraph (b) of the definition of **“property”**, means a person in whose name the right is registered;
 - (c) in relation to a land tenure right referred to in paragraph (c) of the definition of **“property”**, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
 - (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of **“property”**, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of **“publicly controlled”**, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
 - (i) a trustee, in the case of a property in a trust excluding state trust land;
 - (ii) an executor or administrator, in the case of a property in a deceased estate;
 - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
 - (v) a curator, in the case of a property in the estate of a person under curatorship;
 - (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
 - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
 - (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

Property Rates Policy

- **“Permitted use”**, in relation to a property, means the limited purposes for which the property may be used in terms of:
 - (a) any restrictions imposed by:
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties
 - (b) any alleviation of any such restrictions;

- **“Pensioner”** refers to a person who is at least 60 years of age and is in receipt of a total monthly income from all sources (including the income of the spouse of the owner) not exceeding an amount to be determined by the Council.

- **“Property”** means:
 - (a) immovable property registered in the name of a person, including, in the case of a 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, excluding a mortgage bond registered against the property;
 - (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
 - (d) public service infrastructure;

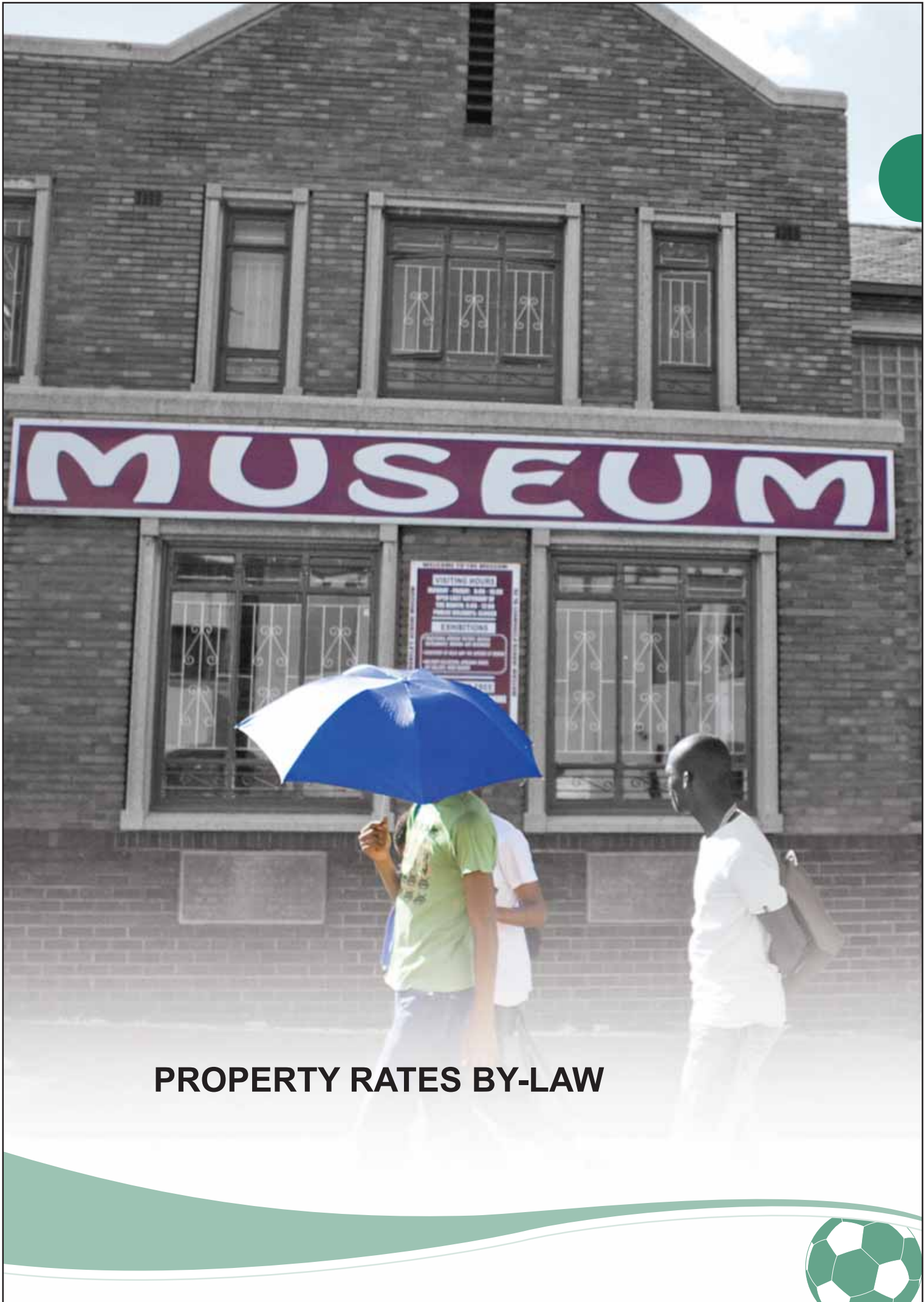
- **“Publicly controlled”** means owned by, or otherwise under the control of an organ of state, including:
 - (a) a public entity listed in the Public Finance Management Act 1999 (Act No 1 of 1999);
 - (b) a municipality; or
 - (c) a municipal entity as defined in the Municipal Systems Act 32 of 2000

- **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:
 - (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
 - (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
 - (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
 - (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
 - (e) railway lines forming part of a national railway system;
 - (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
 - (g) runways or aprons at national or provincial airports;
 - (h) channels, basins, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services or navigational aids;
 - (i) any other public controlled infrastructure as may be prescribed; or
 - (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

- **“Rate”** means a municipal rate on property envisaged in Section 229(1)(a) of the Constitution

Property Rates Policy

- **“Rateable property”** means property on which a municipality may, in terms of Section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of Section 17 of the Act.
- **“Rebate”**, in relation to a rate payable on a property, means a discount granted in terms of Section 15 of the Act on the amount of the rate payable on the property.
- **“Reduction”**, in relation to a rate payable on a property, means the lowering in terms of Section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount.
- **“Residential property”** means improved property that is:
 - (a) used predominantly (two thirds or more) for residential purposes, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or
 - (b) a unit registered in terms of the Sectional Title Act, 1986,(Act No. 95 of 1986), used predominantly (two thirds or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or servant’s quarters. (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or
 - (c) owned by a share-block company and used solely for residential purposes; or
 - (d) a residence used for residential purposes situated on property used for, or related to educational purposes.
- **“Smallholding”** refers to property, whether improved by the construction of a dwelling or not, not large enough to support a commercially viable farming operation, but able to provide a subsistence level of output to the owner of the property.
- **“Sporting bodies”** refers to organisations whose sole purpose is to use the property owned by them for sporting purposes, whether for gain or not.
- **“Vacant land”** means a land where no immovable improvements have been erected.



MUSEUM

VISITING HOURS
MONDAY THROUGH SATURDAY
10:00 AM - 5:00 PM
SUNDAY 12:00 PM - 4:00 PM
MUSEUM CLOSED ON CHRISTMAS DAY

EXHIBITIONS
MUSEUM OF THE HISTORY OF THE CITY OF TORONTO
MUSEUM OF THE HISTORY OF THE CITY OF TORONTO
MUSEUM OF THE HISTORY OF THE CITY OF TORONTO

PROPERTY RATES BY-LAW



Property Rates By-Law

EKURHULENI METROPOLITAN MUNICIPALITY RATES BY-LAWS

By-Law

To give effect to the implementation of the Ekurhuleni Metropolitan Municipality's Rates Policy and to provide for matters incidental thereto.

Preamble

WHEREAS section 6(1) of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) as amended, requires a municipality to adopt By-laws to give effect to the implementation of its Rates Policy;

AND WHEREAS section 6(2) of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) as amended, provides that By-laws adopted in terms of section 6(1) may differentiate between different categories of properties; and different categories of owners of properties liable for the payment of rates.

BE IT THEREFORE ENACTED by the Council of the Ekurhuleni Metropolitan Municipality, as follows:-

1. Definitions

In this by-law any word or expression to which a meaning has been assigned in the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) shall bear the same meaning and unless the context indicates otherwise:

"**Act**" means the Local Government: Municipal Property Rates Act, 2004 (No.6 of 2004);

"**Council**" means the Council of the Ekurhuleni Metropolitan Municipality; and

"**rate**" or "**rates**" means a municipal rate on property as envisaged in section 229 of the Constitution of the Republic of South Africa.

2. Adoption and implementation of Rates Policy

- (1) The Council shall adopt and implement a rates policy consistent with the Act on the levying of rates on rateable property within the jurisdiction of the municipality; and
- (2) The Council shall not be entitled to levy rates other than in terms of its rates policy.

3. Contents of Rates Policy

The Council's rates policy shall, *inter alia*:

- (1) Apply to all rates levied by the Council pursuant to the adoption of its Annual Budget;
- (2) Comply with the requirements for:
 - (a) the adoption and contents of a rates policy specified in section 3 of the Act;
 - (b) the process of community participation specified in section 4 of the Act; and
 - (c) the annual review of a Rates Policy specified in section 5 of the Act.
- (3) Specify any further principles, criteria and implementation measures consistent with the Act for the levying of rates which the Council may adopt; and
- (4) Include such further enforcement mechanisms, if any, as the Council may wish to impose.

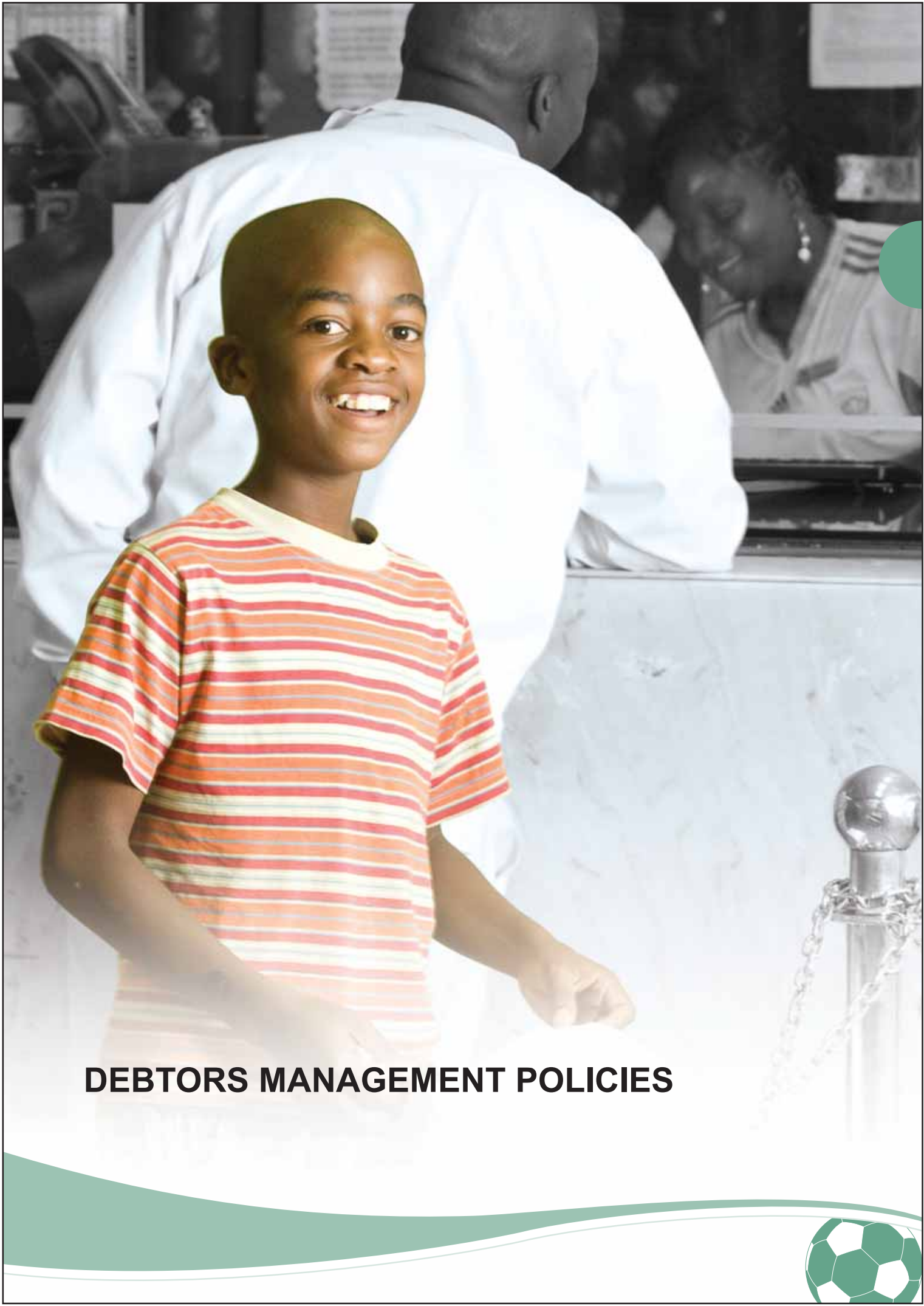
4. Enforcement of Rates Policy

The Council's Rates Policy shall be enforced through the Credit Control and Debt Collection By-Law and Policy and any further enforcement mechanisms stipulated in the Act and the Council's Rates Policy.

5. Short title and commencement

This by-law is the Rates by-law, and takes effect on 1 July 2009.





DEBTORS MANAGEMENT POLICIES





CREDIT CONTROL AND DEBT COLLECTION POLICY



Credit Control and Debt Collection Policy

ANNEXURE C - CREDIT CONTROL AND DEBT COLLECTION POLICY

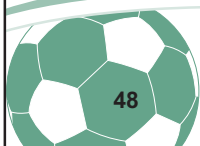
PREAMBLE

WHEREAS section 95 of the Local Government: Municipal Systems Act, No. 32 of 2000, requires that each municipality must, within its financial and administrative capacity establish a sound Customer Management System that aims to create a positive and reciprocal relationship between the municipality and its customers; and

WHEREAS section 96(a) of the Local Government: Municipal Systems Act, No. 32 of 2000, obliges a municipality to collect all money that is due and payable to it, subject to that Act and any other applicable legislation; and

WHEREAS section 96(a) of the Local Government: Municipal Systems Act, No. 32 of 2000, provides that a municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of that Act,

NOW THEREFORE the Council of the Ekurhuleni Metropolitan Municipality has adopted the **Credit Control and Debt Collection Policy** set out hereunder : -



Credit Control and Debt Collection Policy

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1. 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 it to administer, implement and enforce the provisions of this policy;

“**Billing**” means formal notification by means of a statement of account to persons liable for payments of amounts levied for assessment rates and other taxes by the municipality and the charges of fees for municipal services, indicating the net accumulated balance of the account;

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

“**City Manager**” means the person appointed by the Council as the City Manager of the Ekurhuleni Metropolitan Municipality 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 City Manager has delegated a power, function or duty;

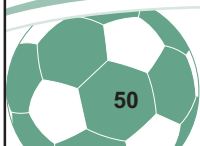
“**Collection Charges**” means collection charges which may be recovered by the Council in terms of section 75A of the Act, and includes the cost –

- (a) to remind debtors of arrears;
- (b) for the termination and reconnection of services; and
- (c) all legal costs, including attorney and own client costs incurred in the recovery of arrear amounts;

“**Council**” means –

- (a) the Council of the Ekurhuleni Metropolitan Municipality established by Provincial Notice No. 6768 of 2000 published in Prov. Gazette extra-ordinary No. 141 dated 1 October 2000, as amended, exercising its legislative and executive authority through the Municipality;
- (b) its successor in title; or
- (c) 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
- (d) 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;

“**Credit Control and Debt Collection**” means the functions relating to the collection of all money that is due and payable to the municipality;



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“Customer” means any occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, the owner of the premises;

“Law” includes any by-law;

“Municipal Account” means a formal notification by means of a statement of account to persons liable for payments for which they are billed by the Ekurhuleni Metropolitan Municipality or a municipal entity, as the case may be, and shall include levies or charges in respect of the following municipal services and taxes:

- (a) electricity consumption,
- (b) water consumption,
- (c) refuse removal,
- (d) sewerage services,
- (e) rates and taxes,
- (f) interest, and
- (g) miscellaneous and sundry charges.

“Municipal Entity” means a municipal entity of which the municipality is the parent municipality;

“Municipality” means the Ekurhuleni Metropolitan Municipality or any municipal entity established by the municipality;

“Occupier” means any person who occupies any premises, or part thereof, without any regard to the title under which he or she so occupies;

“Owner” –

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled” : provided that a person mentioned below may for the purpose of these by-laws be regarded by the Council as the owner of a property in the following cases:
 - (i) A trustee, in the case of a property in a trust excluding state trust land;
 - (ii) An executor or administrator, in the case of a property in a deceased estate;
 - (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (iv) A judicial manager, in the case of a property in the estate of a person under judicial management;
 - (v) A curator, in the case of a property in the estate of a person under curatorship;
 - (vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
 - (vii) A lessee, in the case of a property that is registered in the name of the Council and is leased by it; or
 - (viii) A buyer, in the case of a property that was sold by the Council and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“Policy” means the **Credit Control and Debt Collection Policy** adopted by Council;

Credit Control and Debt Collection Policy

“Property” means –

- (a) immovable property registered in the name of a person, including, in the case of a 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, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure;

“Prescribed” means determined by Council by resolution;

“Premises” includes any piece of land, the external surface boundaries of which are delineated on –

- (a) a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act 9 of 1927), or in terms of the Deeds Registry Act, 1937 (Act 47 of 1937); or
- (b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act 95 of 1986), which is situated within the area of jurisdiction of the Council;

“Rateable Property” means property on which the Council is empowered to impose rates.

2. OBJECTIVE OF POLICY

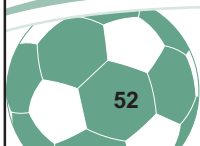
The objective of this policy is to –

- (a) ensure that all monies due and payable to the Council are collected;
- (b) provide for customer management, credit control procedures and mechanisms and debt collection procedures and mechanisms;
- (c) provide for indigents in a way that is consistent with rates and tariff policies and any national policy on indigents;
- (d) set realistic targets consistent with –
 - (i) generally recognized accounting practices and collection ratios; and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts;
- (e) provide for extensions of time for payment of accounts;
- (f) provide for charging of interest on arrears, where appropriate;
- (g) provide for termination of services or the restriction of the provision of services when payments are in the arrears;
- (h) provide for matters relating to unauthorised consumption of services, theft and damages.
- (i) Provide for specific other debt repayment arrangements in terms of delegated powers and/or regulations.
- (j) Create an environment which enables a consumer to repay the outstanding debt.

3. APPLICATION OF POLICY

3.1 This policy shall only apply to monies due and payable to the Council for -

- (a) Property rates;
- (b) municipal tax
- (c) fees, surcharges on fees, charges and tariffs in respect of municipal services, such as –
 - (i) the provision of water;
 - (ii) refuse removal;



Credit Control and Debt Collection Policy

- (iii) sewerage;
 - (iv) the removal and purification of sewerage;
 - (v) electricity consumption;
 - (vi) interest which has accrued or will accrue in respect of money due and payable to the Council ;
 - (vii) collection charges in those cases where the Council is responsible for –
 - (aa) the rendering of municipal accounts in respect of any one or more of the municipal services;
 - (bb) the recovery of amounts due and payable in respect thereof, irrespective whether the municipal services, or any of them, are provided by the Council itself or by a service utility with which it has concluded a service provider agreement to provide a service on the municipality's behalf;
 - (viii) any other charges levied from time to time;
- 3.2 This policy shall also apply to municipal services provided through pre-paid meters;
- 3.3 This policy shall apply to any municipal entity of which the municipality is the parent municipality .

4. RESPONSIBILITY/ACCOUNTABILITY FOR CREDIT CONTROL AND DEBTORS

4.1 Responsibilities of communities, ratepayers and residents

The responsibilities of communities, ratepayers and residents are -

- (a) to fulfil certain responsibilities, as brought about by the privilege and/or right to use and enjoy public facilities and municipal services;
- (b) to pay service fees, rates on property and other taxes, levies and duties imposed by the municipality;
- (c) to observe the mechanisms and processes of the municipality in exercising their rights;
- (d) to allow designated municipal officials unrestricted access to their property to execute municipal functions during normal working hours and at a time that is agreeable by the consumer and municipal officials for work to be done after hours against payment of the promulgated fees by the consumer;
- (e) to comply with the by-laws and other legislation of the municipality;
- (f) to refrain from tampering with municipal services and property.

4.2 Responsibilities of all councillors

- (a.) Section 12A of Schedule 1 of the Municipal Systems Act, Act 32 of 2000 as amended, stipulate as follows:

“A councillor may not be in arrears to the municipality for rates and services charges for a period longer than 3 months”

- (b) The municipality may deduct any outstanding amounts from a councillor's allowance after this period.
- (c) The normal credit control procedures shall also be applied to any arrear account of a councillor.

4.3 Responsibilities of all municipal staff

- (a) Section 10 of Schedule 2 of the Municipal Systems Act, Act 32 of 2000 as amended, stipulate as follows:

“A staff member of a municipality may not be in arrears to the municipality for rates and services charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.”

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- (b) The normal credit control procedures shall also be applied to any arrear account of a municipal staff member

5. RESPONSIBILITY FOR CUSTOMER CARE

The Municipality must take steps to ensure a sound Customer Management System that aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality itself.

6. CREDIT CONTROL AND DEBT COLLECTION PRINCIPLES

The credit control and debt collection policy is based on the following principles -

- (a) The policy and its application caters for the specific circumstances of the community to which it relates.
- (b) Credit control and debt collection procedures must be understandable, uniform, fair and consistently applied.
- (c) Credit control must be effective, efficient and economical.
- (d) The measures taken must be sustainable in the long term.
- (e) An indigent policy must be in place in order to enable the Municipality to differentiate between those communities members that cannot pay from those that simply do not want to pay.

7. ACCOUNT ADMINISTRATION

7.1 Accounts

- (a) Accounts must be rendered and administered in accordance with the requirements of this Policy.
- (b) Failure by the Council to render an account does not relieve a customer of the obligation to pay any amount that is due and payable.
- (c) The Council may, in accordance with the provisions of section 102 of the Act –
 - (i) Consolidate any separate accounts of debtors liable for payments to the city;
 - (ii) Credit any payment by such debtor against any account of that debtor;
 - (iii) Implement any of the debt collection and credit control measures provided for in these by-laws in relation to any arrears on any of the accounts of such a debtor.
- (d) The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due will be allocated in reduction of the consolidated debt in the order determined by the Council.

7.2 Actions to secure payment

- (a) The Council or its duly appointed agents may, in addition to the normal civil legal steps to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and municipal services, namely-
 - (i) termination and/or restriction of the provision of municipal services in accordance with paragraph 8; and
 - (ii) allocating of a portion of a payment of an account, or a portion of a pre-payment for future accounts, as payment for arrear service charges, in accordance with paragraph 7.1(c).

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- (b) The Council may also take the steps contemplated in section 104(1)(f)(ii) – (iv) of the Municipal Systems Act, subject to the regulations made or guidelines issued by the Minister, if any, and provided that any intended seizure of property must be referred to the Mayoral Committee for approval, or such directives which the Council deems necessary under the circumstances.
- (c) The Council may, at the cost of the consumer, install pre-paid meters upon the failure of the consumer to make regular payments to Council for services consumed.

7.3 Arrear accounts

- (a) If a consumer fails to pay the amount due and payable on, or before the final date for payment, the unpaid amount is in arrears and a final demand notice may be sent and may be hand delivered or posted, per mail, to the most recent recorded address of the consumer.
- (b) Failure to deliver or send a final demand notice does not relieve a consumer from paying such arrears.
- (c) The final demand notice must contain the following:
 - (i) the amount payable, and the date by which such amount must be paid;
 - (ii) that the consumer may conclude an agreement with the Council for payment of the arrears amount in instalments;
 - (iii) that if no such agreement is entered into within the stated period that the electricity/water services will be discontinued or limited and that legal action may be instituted against any consumer for the recovery of any amounts in arrear, without further notice;
- (d) The consumer's name may be made public, and may be listed with a credit bureau or any other equivalent body as a defaulter;
- (e) The account may be handed over to a debt collector or attorney for collection;
- (f) Proof of registration as an indigent consumer must be handed in to the Council on or before the date for payment contemplated in paragraph (a);
- (g) An indigent consumer is only entitled to free basic services, as determined by Council from time to time, and will be liable for payment in respect of all services used in excess of the free basic amount; and
- (h) The consumer may make a representation in writing.

7.4 Accounts outstanding for longer than 60 days

- (a) Where an account rendered to a consumer remains outstanding for more than 60 days –
 - (i) the defaulting consumer's name may be made public, and may be listed with a credit bureau or any other equivalent body as a defaulter; and
 - (ii) may be handed over to a debt collector or an attorney for collection.
- (b) A consumer shall 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.
- (c) Where a body corporate is responsible for the payment of any arrears amount to the Council in respect of a sectional title development, the liability of the body corporate shall be extended to the members thereof, jointly in proportion to the participation quota of each sectional title unit.
- (d) No action taken in terms of this section due to non-payment will be suspended or withdrawn, unless the arrears, any interest thereon, administration fee, additional charges, costs incurred in taking legal action and any penalty, including the payment of a higher deposit, which are payable, are paid in full.

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- (e) The Municipality may, in special circumstances, relax the provisions in (d) above.
- (f) Subject to the provisions of section 4(3) of the Water Services Act, an agreement for payment of the arrears amount in instalments, entered into after the municipal services were discontinued, will not result in the services being restored until the arrears, any interest thereon, administration fees, costs incurred in taking legal and any penalty, including payment of a higher deposit, are paid in full.
- (g) Pre-paid meters may be installed at the cost of a customer for any service of a consumer that is in arrears.

7.5 Agreement for the payment of arrears in instalments

- (a) Only a customer with positive proof of identity or a person authorised, in writing, by that consumer, will be allowed to enter into an agreement for the payment of arrears in instalments.
- (b) The amount due and payable by a consumer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due, must be allocated in reduction of the consolidated debt in the order determined by the Council.
- (c) A consumer may be required to complete a debit order for the payment of arrears.
- (d) No agreement for the payment of arrears will be longer than 36 months, unless the circumstances referred to in section 7.5(e) prevail.
- (e) The Council may, on an individual basis, allow a longer period than 36 months for the payment of arrears, if –
 - (i) special circumstances prevail, which in the opinion of the Council warrants such an extension, and which the consumer could not reasonably prevent or avoid; and
 - (ii) documentary proof of any such special circumstances has been furnished by the consumer on request by the Council;
 - (iii) approval has been obtained by the Chief Financial Officer or his delegate in terms of prescribed procedures;
 - (iv) this extension of the repayment period may not be longer than an additional 36 months;
 - (v) issue other regulations in terms of the repayment of the arrears.
- (f) The Council must, in exercising its discretion under paragraph (e) have regard to a consumer's –
 - (i) credit record;
 - (ii) consumption;
 - (iii) level of service;
 - (iv) previous breaches of agreements for the payment of arrears in instalments; and
 - (v) any other relevant factors;
 - (vii) A copy of the agreement must, on request, be made available to the consumer;
 - (viii) If a consumer fails to comply with an agreement for the payment of arrears in instalments, the total of all outstanding amounts, including the arrears, any interest thereon, any administration fee, costs incurred in taking legal action, and penalty, including payment of a higher deposit, will be immediately due and payable, without further notice or correspondence.
 - (ix) If a consumer fails to comply with an agreement for the payment of arrears in instalments entered into after receipt of a discontinuation notice, access to water services must be discontinued without further notice or correspondence, in addition to any other actions taken against or that may be taken against such a consumer.
 - (x) No consumer is permitted to enter into an agreement for the payment of arrears in instalments, where that consumer failed to honour a previous agreement for the payment of arrears in instalments, unless the Council otherwise decides.

Credit Control and Debt Collection Policy

- (xi) Once an agreement referred to in subsection (1) has been concluded, the amount in arrears shall be reflected as a current amount, and **no further interest** shall be added to arrangement amounts in respect of debtor groups excluding "BUSINESS."
- (xii) Once an agreement referred to in subsection (1) has been concluded, the amount in arrears shall be reflected as a current amount, and **interest at the prescribed rate** shall be added to monthly arrangement balances in respect of all "BUSINESS" debtor groups.

7.6 Dispute as to amount owing

Should any written dispute arise as to the amount owing by a debtor, the debtor shall, pending the resolution of that dispute, continue to make regular minimum payments based on the average charges for the preceding three months prior to the arising of the dispute, plus interest, until the resolution of that dispute.

8. POWER TO RESTRICT OR TERMINATE SUPPLY OF MUNICIPAL SERVICES

- (a) The Council may limit or discontinue the supply of water, pre-paid water, pre-paid electricity and electricity in terms of the prescribed disconnection procedures, or discontinue any other service to any premises, whenever a consumer of any service –
 - (i) after the expiry of the period for payment in terms of the final demand notice referred to in section 14, fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for municipal services, rates or taxes or other amounts due;
 - (ii) fails to comply with a condition of supply imposed by the municipality;
 - (iii) obstructs the efficient supply of electricity, water, gas or any other municipal services to another customer;
 - (iv) supplies such municipal service to a consumer who is not entitled thereto or permits such service to continue;
 - (v) causes a situation, which in the opinion of the municipality is dangerous, or a contravention of relevant legislation;
 - (vi) in any way bridges the supply of previously disconnected municipal services;
 - (vii) is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, 1936 (Act 24 of 1936);
 - (viii) is subject to an administration order granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.
- (b) The Council may hand deliver, or send per mail, to the latest recorded address of the consumer, a discontinuation notice informing such consumer –
 - (i) that the provision of the service will be, or has been discontinued on the date stated on the discontinuation notice; and
 - (ii) of the steps which can be taken to have the service reconnected.
- (c) Subject to the provisions of the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000), having been observed, save that the Council's reasons for its decision to act must be supplied within seven days after a request therefore, the Council may discontinue a service to a consumer if –
 - (i) full payment was not received within the period stated in the final demand notices referred to in section 14(3);
 - (ii) no agreement was entered into for the payment of arrears in instalments;
 - (iii) no proof of registration as an indigent was furnished within the period provided for in the final demand notice contemplated in section 14(3);

Credit Control and Debt Collection Policy

- (iv) no payment was received in accordance with an agreement for payment of arrears;
 - (v) no representations as contemplated in section 14(3)(h) were made within the period provided for in the final demand notice, contemplated in section 14(3); and
 - (vi) the representations referred to in section 14(4) have not been wholly acceded to by the Council.
- (d) The Council shall reconnect or restore full levels of supply of any of the restricted or discontinued municipal services only after the full amount outstanding, including the costs of such disconnection and reconnection, if any, have been paid in full, or any other relevant condition or conditions of the Council's credit control policy as it may deem fit, have been complied with.
- (e) The right of the Council or any duly appointed agent to limit or discontinue water to any premises or customer, shall be subject to the provisions of sections 3 and 4 of the Water Services Act, 1997 (Act 108 of 1997).
- (f) The right of the Council to discontinue the provision of electricity to any consumer shall be subject to the provisions of the Electricity Act, 1987 (Act 41 of 1987).
- (g) The right of the Council or any duly appointed agent to limit the supply of municipal services to a customer shall be subject to the provisions of the Health Act, 1997 (Act 63 of 1997), and the regulations made there under.

9. RECONNECTION OF MUNICIPAL SERVICES

The authorised officer shall authorise the reconnection of services or reinstatement of service delivery after satisfactory payment or a satisfactory arrangement for payment has been made in accordance with this policy within a reasonable period, subject to the type of disconnection done.

10. INTEREST CHARGES

Interest may be levied on all arrears at a rate prescribed by the Council from time to time.

11. COST TO REMIND DEBTORS OF ARREARS

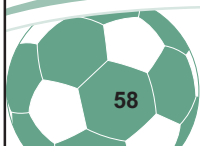
An administrative fee may be levied against the account of a debtor in terms of the tariff provisions of the Council, in respect of any action taken in demanding payment from the debtor or reminding the debtor by means of telephone, fax, e-mail, letter or otherwise, that payments are in arrear.

12. COST FOR THE TERMINATION OF MUNICIPAL SERVICES

Where any municipal service is terminated as a result of non-compliance with these by-laws by the person liable for the payments, the Council shall be entitled to levy and recover the standard credit control fees, disconnection and/or reconnection fees as determined by the Council from time to time.

13. FULL AND FINAL SETTLEMENT OF A DEBT

- (a) The Council may appropriate monies received in respect of any municipal debt at its sole discretion as stipulated in terms of Section 102 of the Municipal Systems Act
- (b) Where the exact amount due and payable to the municipality has not been paid in full, any lesser amount tendered to and accepted by any municipal employee, shall not be deemed to be in full and final settlement of such an amount, unless accepted in terms of a power delegated to him/her in writing.
- (c) The provisions in subsection (b) shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.



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- (d) The authorised officer, in accordance with powers delegated to his/her consent to the acceptance of such a lesser amount in writing.

14 AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- (a) The names of all external agents acting on behalf of the Council, together with their addressed and contact information may be publicised in a manner that will ensure that it will come to the attention of the customers of the municipality.
- (b) The Council's agents must receive clear guidelines and instructions with regard to the exercising of their duties as agents and their conduct towards customers: Provided that under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of the Council, unless specifically instructed in writing to do so, and such instruction must be produced on request of a debtor.
- (c) An agent must record the cost to the Council and a debtor for each stage of the credit control measures taken by him or her and for all possible actions which could be necessary in the credit control process.
- (d) The cost contemplated in subsection (3), and for any legal action taken by the Council's agent shall, where appropriate, be for the account of the debtor.

15. LEGAL FEES AND DEBT COLLECTION COSTS

All legal and debt collection costs, including attorney and own client costs incurred by the Council in the recovery of arrear amounts, shall be levied against the arrears account of the debtor, and be recovered by a duly appointed agent.

16. FRAUD, THEFT AND OTHER CRIMINAL ACTIVITY

Subject to applicable legislation, the Council may refuse to supply water or electricity to a debtor who is found guilty of fraud, theft or any other criminal offence, or, where it is evident that such criminal offence has occurred, until such time as the total costs, penalties, other fees, tariffs and rates due to the Council have been paid in full.

17. DISHONoured CHEQUES

Where any payment is made to the municipality by a negotiable instrument, and such negotiable instrument is dishonoured by the bank, the Council may levy costs and administration fees against the account of the defaulting debtor at the rate determined by the Council from time to time. Payment of the account will be reversed and credit control will immediately be effected on such accounts without any further notice.

18. DEBTORS OTHER THAN CONSUMER DEBTORS

Amounts due to the Council for any services rendered, other than services rendered to consumer debtors, shall be due and payable when the service is rendered, and –

- (a) outstanding amounts shall bear interest; and
- (b) all amounts outstanding after 90 days may be handed over for collection.

Credit Control and Debt Collection Policy

19. WRITING OFF OF BAD DEBTS

Any debt written off must -

- (a) Only be written off after all reasonable steps have been taken to recover the debt, in accordance with this policy, and the Council has convinced itself that:
 - (i) recovery of the debt would be uneconomical; or
 - (ii) recovery would cause undue hardship to the debtor or his/her dependants; or
 - (iii) it would be an advantage to the Municipality to effect a settlement of its claim or to waive the claim.
- b) The debt to be written off as determined in (a) above will be done:
 - (i) in terms of council policy; or
 - (ii) in terms of legislation; or
 - (iii) in terms of delegated powers; or
 - (iv) in terms of regulations issued.

20. DEBT MANAGEMENT SCHEME

The contents of this policy can be enhanced with an approved debt management scheme. Such stipulations of the scheme will supersede any of the stipulations as contained in this policy.

21. CREDIT BUREAU LISTING

The names of debtors must, after Court judgement, be automatically listed with credit bureaus simultaneously with the handing over of the amounts for collection.

22. SHORT TITLE

This Policy shall be called the Credit Control and Debt Collection Policy of the Ekurhuleni Metropolitan Municipality.





CREDIT CONTROL AND DEBT COLLECTION BY-LAW



Credit Control and Debt Collection By-Law

EKURHULENI METROPOLITAN MUNICIPALITY - CREDIT CONTROL AND DEBT COLLECTION BY-LAWS

By-Law

To give effect to the implementation of the Ekurhuleni Metropolitan Municipality's Credit Control and Debt Collection Policy and to provide for matters incidental thereto.

Preamble

WHEREAS the Ekurhuleni Metropolitan Municipality has adopted a Credit Control and Debt Collection Policy on 30 November 2006.

AND WHEREAS section 98 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), requires a municipal council to adopt by-laws to give effect to the municipality's credit control and debt collection policy.

BE IT THEREFORE ENACTED by the Council of the Ekurhuleni Metropolitan Municipality, as follows:-

1. Definitions

In this By-Law any word or expression to which a meaning has been assigned in the Act, shall bear the same meaning in these by-laws, 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?

"Council" means the Council of the Ekurhuleni Metropolitan Municipality; and

"Rate" or "Rates" means a rate on property and or services as approved by council.

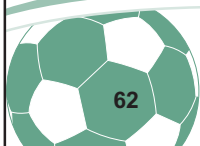
2. Objective of the BY-LAW

The objective of this bylaw is to -

- i. ensure that all monies due and payable to the Council are collected;
- ii. provide for customer management, credit control procedures and mechanisms and debt collection procedures and mechanisms;
- iii. provide for indigents in a way that is consistent with rates and tariff policies and any national policy on indigents;
- iv. provide for extension of time for payment of accounts;
- v. provide for charging of interest on arrears, where appropriate;
- vi. provide for termination of services or the restriction of the provision of services when payments are in the arrears;
- vii. provide for matters relating to unauthorized consumption of services, theft and damages.

3. Application of BY-LAW

This by-law shall only apply to money due and payable to the Council and municipal entity in respect of which the municipality is the parent municipality for -



Credit Control and Debt Collection By-Law

- a. Assessment rates and taxes levied on the property
- b. Fees, surcharges on fees, charges and tariffs in respect of municipal services, such as -
 - (i) provision of water;
 - (ii) refuse removal;
 - (iii) sewerage;
 - (iv) removal and purification of sewerage;
 - (v) electricity consumption;
 - (vi) municipal services provided through prepaid meters;
 - (vii) all other related costs for services rendered in terms of the property;
 - (viii) interest which has accrued or will accrue in respect of money due and payable to the Council;
 - (ix) collection charges in those cases where the Council is responsible for:
 - (aa) the rendering of municipal accounts in respect of any one or more of the municipal services;
 - (bb) the recovery of amounts due and payable in respect thereof, irrespective whether the municipal services, or any of them, are provided by the Council itself or by a service utility with which it has concluded a service provider agreement to provide a service on the municipality's behalf.

4. Short title and commencement

This By-Law is the Credit control and Debt collection By-Law, and takes effect on 1 July 2010.



INDIGENTS POLICY



Indigent Policy

REALIGNED INDIGENT SUPPORT POLICY

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Indigent Policy

INDIGENT SUPPORT POLICY

1. INTRODUCTION

The Indigent Support Policy is a legal imperative, a tool designed to ensure that some aspects of the Constitution of the Republic of South Africa, in terms of service delivery and access to such basic services is realized. The policy is a result of continuous persistence of indigency and poverty within communities. This policy therefore is a tool of intervention to alleviate the plight and to encourage the indigent households to live within affordable consumption levels. The Indigent Support Policy is therefore mindful of the Bill of Rights in its attempt to discharge the government's mandate.

2. 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 needs to have an approved Indigent Support Policy.

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

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 Ekurhuleni Metropolitan Municipality has adopted the **Indigent Support Policy** set out hereunder: -

3. PURPOSE

To ensure and maintain access to the indigent register for all identified and deserving poor households to basic essential services including emergency services rendered by the Ekurhuleni Metropolitan Municipality (EMM).

- To improve monitoring, support and to strengthen capacity of the Ekurhuleni Metropolitan Municipality to implement the policy.
- To ensure cross-subsidisation for indigent support from non-residential and high income consumers using the municipal services.
- To create opportunities to better manage co-ordination between internal departments with regard to the policy implementation.
- To ensure a more effective strategy to support the increased mobility of the poor from the indigent register (exit strategy).
- To ensure that the revenue of the municipality is able to sustain indigent support.

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To ascertain proper targeting options for the defined indigent households so as to ensure inclusiveness in approach and application of the policy in an equitable manner.

4. OBJECTIVE OF POLICY

The objective of the Indigent Support Policy is to ensure:-

- (i) the provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council.
- (ii) the provision of procedures and guidelines for the subsidisation of basic service charges to its indigent households, using the Council's budgetary provisions received from Inter-Governmental Grant, according to prescribed policy guidelines.

5. PRINCIPLES OF THE POLICY

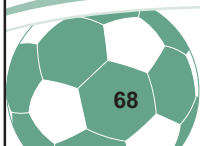
Section 74 (2) (c) of the Municipal Systems Act, Act 32 of 2000 stipulates *inter alia* the following:-

"poor households must have access to at least basic services through:

- (i) tariffs that cover only operating and maintenance costs;
- (ii) special tariffs or life-line tariffs for low levels of use or consumption of services for basic levels of service; or
- (iii) any other direct or indirect method of subsidisation of tariffs for poor households;"

The following are the guiding principles for the formulation of an Indigent Support Policy:

- (a) The Indigent Support Policy must be formulated in accordance with the Constitution of the Republic of South Africa Act 108 of 1996 and other related legislation.
- (b) Relief must be provided by the Council to the HIV & AIDS affected households, informal settlements, qualifying households living in rented housing and registered residential consumers of services who are indigent.
- (c) Council must, wherever possible, ensure that any relief is in accordance with the Constitution and is cost effective, sustainable, practical, fair, equitable and justifiable.
- (d) The subsidising of minimum service levels should not result in the creation of a massive bureaucratic administration that would not be cost effective to implement.
- (e) Differentiation must be made between those households who cannot afford to pay for basic services and those who do not want to pay for these services.
- (f) Other municipal services in addition to free basic services should, where possible, be affordable and beneficial to the indigents.
- (g) The relief should be based on a predetermined period.
- (h) The Council may review and amend the qualification for indigent support.
- (i) The joint gross income of all the household occupants will be taken into account in determining the extent of indigent support.
- (k) The indigent data-base shall be regularly updated.
- (l) Misuse of any support or grant will lead to punitive action by Council.
- (m) The council has the right to verify new applications and existing approved indigents against any relevant external data source.
- (n) The Council must use external services/references to verify the information provided by the applicants.



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6. 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.

“City Manager” means the person appointed by the Council as the City Manager of the Ekurhuleni Metropolitan Municipality 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 City Manager has delegated a power, function or duty

“Council” means:–

- (a) The Council of the Ekurhuleni Metropolitan Municipality established by Provincial Notice No. 6768, as amended, exercising its legislative and executive authority through the municipality; or
- (b) its successor in title; or
- (c) 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
- (d) 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 lacking the necessities of life such as sufficient water, basic sanitation, refuse removal, health care, housing, environmental health, supply of basic energy, food and clothing.

“Municipality” means the Ekurhuleni Metropolitan Municipality referred to in (a) as above.

“Services” means the basic services referred to in clause 6 (a).

“Pensioner” means he/she is a pensioner whom:-

- (a)
 - (i) Shall not be less than 60 years of age, provided that where pensioners are married in community of property and the property is registered in the names of both parties/partners.
 - (ii) A person receiving a pension of equal to the amount granted as a social pension per month or less.
 - (iii) Is the owner/occupant and account holder of the property concerned, which will consist of one dwelling only and no part thereof will be sub-leased.
- (b) He/she is a mentally and/or physically disabled person complying with the requirements in (a) (ii) and (iii) above.

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- (c) “**Essential household services package**” means provision of water supply, sanitation, refuse removal, supply of basic energy and assisting in the housing process.
- (d) “**Social service package**” means higher levels of household services and access to public services such as roads, public transport, community services and emergency services.
- (e) “**Poverty**” means absence of capital such as land, access to natural resources, importance of social and intellectual capital, climate of democracy and security necessary to enhance the capabilities of the poor and the excluded, inability to access government assistance designed to provide a social safety net because of institutional failure.

7. LEGISLATIVE FRAMEWORK & GUIDELINES

- 7.1 Constitution of the Republic of South Africa, Act No 108 of 1996.
- 7.2 Local Government Municipal Systems Act, Act No 32 of 2000.

Guidelines

- (a) Framework for Municipal Indigent Policies: Towards a basket of services for the poor dated May 2007.
- (b) Free Basic Strategy and guidelines prepared by the Department of Water Affairs and Forestry.
- (c) Electricity Basic Support Tariff (free basic electricity) Policy prepared by the Department of Minerals and Energy.

8. SCOPE OF APPLICATION

The Indigent Support Policy shall be applicable within the Ekurhuleni Metropolitan Municipality.

The Importance of Inclusiveness

The Indigent Support programme must be accessible to all qualifying residents, implying that currently unregulated settlements (and those living in backyards, households affected by HIV & AIDS and rented accommodation) must be brought into the municipal system so that such residents are not excluded from the programme.

9. CO-ORDINATION AND IMPLEMENTATION ROLES WITHIN EMM

Departments must develop programmes which can benefit the indigents.

9.1 Responsibilities of Council

- To approve a budget consistent with the needs of communities, ratepayers and residents.
- To facilitate sufficient funds to give access to basic services to the poor.
- To consider and approve by-laws to give effect to the Council's policy.
- In terms of the Water Service by-laws Council may install water devices to curb leakages.
- In terms of the Electricity Supply by-laws Council may install pre-paid electricity meters where the supply of electricity is applicable and supplied by Council.

9.2 Responsibilities of the City Manager

- To implement good customer care management systems.
- To implement Council's Indigent Support Policy.
- To ensure that all departments in the EMM play a role in the implementation of Indigent Support Policy.



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- To ensure the protection of the indigents.
- To ensure that where possible indigents are able to exit the EMM's Indigent Support Programme.
- To ensure resources are allocated for indigent management and support.
- To monitor the policy and the performance of departments.
- To conduct periodic impact assessments to determine the impact of the policy.

9.3 Responsibilities of the Health Department

- Develop a policy and procedure for management of the programme.
- Establish Assessment Committees (there should be an Assessment Committee in each ward made up of relevant EMM departments) to approve/disapprove applicants.
- Facilitate the Assessment Committees.
- Appoint and conduct training for fieldworkers to ensure effective verification of applicants.
- Develop, own and manage an Indigent Register on behalf of the EMM.
- Capture every application onto the Indigent Register.
- Verify the information provided by applicants.
- Establish data sharing protocols with national departments to assist with the verification process.
- Ensure that indigent application(s) are processed within 3 months from the date of receiving a valid application form.
- Provide the Finance Department with a list of approved applicants.
- Review approved indigent households periodically to ascertain if their status has changed.
- Establish Interdepartmental Task Team to facilitate and co-ordinate Metro-wide indigent focus.
- Progress on this responsibility must be presented to the City Manager on a quarterly basis.
- Free Primary Health Care
- Free Implements for food gardens
- Free Burials

9.4 Responsibilities of the Finance Department

- Allocate subsidy to approved indigent households within 14 days of being notified of household status by Health Department.
- Financial control on allocated subsidies.
- Issue free clearance certificates.
- Issue free municipal account numbers to approve indigent households that do not have account numbers.
- Allow for credit control extension for the payment of services for prospective indigents for three (3) months during which time the application must be processed.
- Enforce debt management for indigents.
- Progress on this responsibility must be presented to the City Manager on a quarterly basis.

9.5 Responsibilities of the ICT Department

- Develop the Indigent Register for the Health Department.
- Develop software to strengthen the verification process.
- Develop access points to the Indigent Register for other departments.
- Assist the Health Department in establishing external links with national departments for verification purposes.

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9.6 Responsibilities of Infrastructure Services

- Install relevant infrastructure.
- Repair water leaks and other damage.
- Provide for the linking of indigents onto labour intensive projects.
- Progress on this responsibility must be presented to the City Manager on a quarterly basis.
- Free transport on municipality buses

9.7 Responsibilities of the Economic Development Department

- Provide for placement of indigents on Skills Development Programmes.
- Assist in the design and implementation of the exit programme for the indigents.
- Progress of the Exit Programme must be presented to the City Manager on a quarterly basis.

9.8 Responsibilities of the Human Resources Department

- Include the indigent database as part of the EMM's recruitment process so as to ensure that indigents are able to enter the formal labour market.
- Progress on this responsibility must be presented to the City Manager on a quarterly basis.

9.9 Responsibilities of the Housing Department

- Facilitate and expedite the provision of housing to child-headed households.
- Facilitate and expedite the conversion of title deeds in consultation with, and assistance of Legal Administrative Services Department.
- Repair houses of indigents in the event of a natural disaster.
- Ensure that linkages are made between the EMM's Indigent Register and provincial housing waiting lists.
- Progress on this responsibility must be presented to the City Manager on a quarterly basis.

9.10 Responsibilities of the Communications & Marketing Department

- Disseminate accurate information about the Indigent Management Programme to all citizens in the city on a regular basis (at least once a month).
- Co-ordinate campaigns with other departments (specifically the Health Department) so as to maximize the impact made by the campaign.
- Progress on this responsibility must be presented to the City Manager on an annual basis.

9.11 Responsibilities of Ward Councillors

- Disseminate accurate information about the Indigent Management Programme to all citizens in their respective wards.
- Co-ordinate with EMM departments (specifically the Health Department) around the Indigent management Programme.
- Participate in the assessment process by highlighting applications that should be "red flagged" and to ensure that the assessment process conformed to the set requirements of the policy.

9.12 Responsibilities of the Community Safety Department

- Free emergency and ambulance services



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10. ADMINISTRATION OF INDIGENT SUPPORT

- (a) Indigent support is restricted to residents of the Municipality who are unable to pay their municipal accounts and who qualify for the indigent support in terms of paragraph 11 of this policy and who formally apply for relief on the prescribed application form.
- (b) After the application form has been completed, an effective and efficient evaluation system must be used in order to verify the information furnished by the applicant and to reach a decision within 21 days after the date on which the application was lodged.
- (c) If a person is found to be indigent, his/her personal particulars must be registered on a database linked to the debtors system with immediate effect.
- (d) The onus is on the recipient of relief in terms of this policy to inform the Council of any change in his/her status or personal household circumstances.
- (e) Indigent relief is granted for a period of 24 months.
- (f) All indigents should be re-evaluated after 24 months from the date on which relief was authorized in order to assess the need for the continuation of relief in terms of this policy. The Health Department must complete the re-verification within 3 months. In the event where the socio-economic status of the household is improved beyond the indigent threshold the applicant has a responsibility to apply for cancellation of the indigent status as prescribed.
- (g) Appropriate disciplinary measures as prescribed by the Council, shall be imposed on people who misuse the system and provide incorrect information. Misusers of the system should be punished and a penalty of up to R5 000, 00 should be paid if false information was supplied on which Council gave indigent status and the subsequent benefits. Failure to pay or make payment arrangement within three (3) months shall compel Council to take legal action.

11. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT

- (a) Indigent relief will be granted to a household where: –
 - (i) any household (whether in a formal or informal area, occupying their own or rented accommodation) consisting of one or more residents who are South African citizens or residents where the combined or joint gross income of all occupants/residents/dependants, over the age of 18 years, is less than two(2) pension grants per month qualifies to be registered as indigent.
 - (ii) Any household identified and verified as being affected by HIV & AIDS of an extent that Council may from time to time determine such households as deserving in accordance with a set criteria.
 - (iii) the consumers qualify for social security grants equivalent to two (2) social security grants. All other pensioners earning a joint income of less or equivalent to two social welfare grants will also qualify to be registered as an indigent.
 - (iv) the household complies with the qualifying criteria/principles determined by the Council

Exemptions

- (b) Indigent relief will not be granted where the household, occupants, residents or, dependants, as the case may be:-
 - (i) In the event that the applicant is a tenant on the property with no documentary proof of the rental agreement between the owner and tenant.

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- (ii) receive significant benefits or regular monetary payments that are above indigent qualification threshold.
- (iii) are not registered at the Council as consumers of services rendered by Council.
- (iv) own more than one (1) property.
- (v) where the land value (excluding improvements) of the property is equivalent, or more than R100 000. 00 the Council should consider and determine the reduction in rate (percentage) based upon the financial impact it may have on the municipality.

12. PERIOD OF RELIEF

Indigent relief is granted for a period of 24 months which is determined by Council from time to time.

13. CONDITIONS OF SUPPORT

- (i) Property owners will only qualify for indigent relief if they live on the premises concerned.
- (ii) Neither the applicant nor other members of the household has other properties registered in their names.
- (iii) The applicant cannot be an employee of the municipality.
- (iv) The property must serve as a household residence and cannot be used for any other purpose.

14. EXTENT OF INDIGENT SUPPORT

- (a) Indigent support must be given on a monthly basis, and the extent of the monthly support must be determined by the national policy guidelines and the Council's budgetary provisions in respect of:
 - (i) Free basic water
 - (ii) Free basic refuse collection
 - (iii) Free basic electricity or energy (depending on which service level is applicable)
 - (iv) Free basic sanitation
 - (v) Other social service packages
 - (vi) Assessment rates of the residential property subject to the maximum amount as determined by Council from time to time.
- (b) The level of indigent support granted shall not exceed the actual monthly billing to the account in respect of the services referred to in the preceding paragraph.
- (c) The relief must be sufficient to support the recipients to meet their monthly commitments to the municipality in respect of the services referred to in paragraph (a).
- (d) The recipient's monthly account must be credited with the amount of indigent relief granted.
- (e) A household may apply for continuation of the relief, depending on his/her circumstances.
- (f) The Council can determine special tariffs and/or service levels for the use by an Indigent of any of the following social services package, subject to the availability of funds and compliance with any prescribed criteria:
 - (i) Sports Grounds, Pools
 - (ii) Fire Protection
 - (iii) Transport
 - (iv) Market
 - (v) Museums
 - (vi) Agricultural properties



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- (vii) Pensioners (where possible)
- (viii) Mayor's Relief Fund
- (ix) Hiring of Halls
- (x) Cemeteries and Crematoria
- (xi) Damage to property as a result of natural disaster
- (xiii) Any other services as determined by Council
- (xiv) Emergency and ambulance services

15. APPLICATION FOR INDIGENT SUPPORT

Applications for indigent relief must be made on a prescribed application form.

16. CONTROL MEASURES FOR THE DISTRIBUTION OF INDIGENT SUPPORT

- (a) The Task Team consisting of relevant officials and nominated Councillors from various committees of Council shall meet quarterly to ensure the implementation of the indigent support programme.
- (b) Any resident of the municipality who is aware of malpractice may lodge an objection to the Council for granting such relief to such a person.
- (c) The details of all applicants and their respective households must be submitted to the Council on a quarterly basis.
- (d) The following particulars of new recipient's of indigent support must be displayed on the notice board at the cashier's offices of the Council for a period of 14 days:
 - (i) Names of households receiving relief for the prescribed period;
 - (ii) Stand number where services are rendered to the recipients; and
 - (iii) Number of dependants residing on the property.
- (e) Any resident of the municipality may, within 14 days from the date of publication of the notice referred to in paragraph (d) above lodge a written objection to the Council for the granting of such relief to such a person.

17. CHILD-HEADED HOUSEHOLDS

The child-headed households will be treated as special cases subject to the following conditions:

- (i) The normal qualifying criteria for indigent support is complied with
- (ii) The account of the deceased parents will be closed
- (iii) The oldest child signs the user agreement with Corporate & Legal Department with assistance by the appointed legal guardian
- (iv) The indigent application form is completed
- (v) The status of the household is reviewed in terms of this policy

18. ACTION AGAINST MALPRACTICES

- (a) The Council may refer any objection referred to in paragraph 15(b) to the Committee, who must take such action as ordered by the Council, or any of the following steps deemed appropriate by the Committee:
 - (i) Request the resident to provide full proof of his/her banking account, receipt of income details as well as pension registration where applicable;

Indigent Policy

- (ii) The details of the objector shall remain anonymous;
 - (iii) Request a social worker's report on the household; and
 - (iv) Institute criminal proceedings against the recipient.
- (b) If it is established that incorrect information was furnished in obtaining relief the following action must be taken:-
- (i) Suspend or stop the relief immediately;
 - (ii) Recover from the recipient the amount of relief furnished by debiting his/her account;
 - (iii) Apply the credit control and debt collection procedures of the municipality;
 - (iv) Institute criminal proceedings against the recipient.

19. SHORT TITLE

This policy shall be called the Indigent Support Policy of the Ekurhuleni Metropolitan Municipality.



**PROVISION FOR DOUBTFUL DEBTORS
AND DEBTORS WRITE-OFF POLICY**



Provision for Doubtful Debtors and Debtors Write-Off Policy

PROVISION FOR DOUBTFUL DEBTORS AND DEBTORS WRITE-OFF

1. Application and Scope

The Provision for Doubtful Debt and Debt Write-Off Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure that debtors disclosed in the annual financial statements are stated at amounts that are deemed to be collectable.
- To ensure that uncollectable debt is written off within guidelines of existing policies and applicable legislation.

3. Introduction

The effective management of debtors include, amongst others, the following processes:

- Implementation / maintenance of the appropriate ICT systems and business processes.
- Accurate billing
- Customer care and accounts enquiry management
- Effective and timeous credit control
- Impairment of debtors (Provision for Doubtful Debtors)
- Write-off of uncollectable debtors

This policy provides guidelines on the treatment of the Impairment and Write-off of debtors.

4. Impairment of Debtors

Consumer debtors, long term receivables and other debtors are stated at cost, less a provision for bad debts. The provision is made on an individual basis or, based on expected cash flows.

In accordance with IAS 39, an objective assessment of financial assets is made at financial year-end in order to determine possible impairment. Impairment loss is recognized as an expense in the Statement of Financial Performance.

Individual classes of loans and receivables are assessed for impairment using the following methodologies:



Provision for Doubtful Debtors and Debtors Write-Off Policy

4.1. Consumer Debtors

Consumer Debtors are evaluated at each reporting date and impaired as follows:

Category of Debtor	Percentage of Debt regarded as Collectable	Percentage of Debt Provided for as Irrecoverable (i.e. Impairment Percentage)
Credit balances	Zero	Zero
In-active accounts	Zero	100%
Hand-over accounts to panel of debt collectors	Zero	100%
Approved Indigents	Zero	100%
Pending Indigents	Zero	100%
No payment received during preceding 6 months	Zero	100%
Formal arrangement debt in excess of 30 days	Zero	100%
Disconnection of services in excess of 6 times during preceding 12 months	Zero	100%
Debt ageing 1080+ Days	Zero	100%
Debt ageing between 1080 and 180 day's	Average payment collection rate over preceding 12 months	100% less Average payment collection rate over preceding 12 months
Debt ageing less than 180 days	100%	Zero

4.2. Study Loans

Amounts outstanding in respect of Study Loans represents debt in respect of the old policy on Staff Study Loan policy in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost of loan was to be recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the municipality for the same period of the study course paid for by the municipality. Should the employee leave the service of the municipality such employee is required to repay the municipality pro-rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

4.3. Sundry Deposits

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

4.4. Sundry Debtors

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Provision for Doubtful Debtors and Debtors Write-Off Policy

5. Write-off of Doubtful Debtors

Where debts are identified as being irrecoverable (in periods subsequent to debtors being impaired), the process of write-off will be treated as follows:

5.1. Amounts equal to, or lower than amounts delegated to the Chief Financial Officer by Council from time to time

Regional Income Managers identifying irrecoverable debtors within the delegated powers of the CFO must prepare a report for the attention of the CFO detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted and that further actions would be fruitless and not cost effective.

The report of the Regional Income Manager must be scrutinised by the Income Director and his recommendation must be documented in the report.

The final report containing the recommendations of both the Regional Income Manager as well as the Director Income must be presented to the Chief Financial Officer for consideration.

Requests approved by the CFO will be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the Income Director and retained for audit purposes.

5.2. Amounts exceeding the CFO's delegated authority

The process for the consideration of write-off of debts in respect of amounts in excess of Chief Financial Officer delegated authority must be dealt with as follows:

Regional Income Managers identifying irrecoverable debts in excess of Chief Financial Officer delegations and prepare report detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted and that further actions would be fruitless and not cost effective.

The report of the Regional Income Manager must be scrutinised by the Income Director and his recommendation must be documented in the report.

The final report containing the recommendations of both the Regional Income Manager as well as the Income Director must be presented to the Chief Financial Officer for consideration.

If approved by the CFO, a formal report must be submitted to the Finance Portfolio Committee, Mayoral Committee and Council for consideration.

Approvals granted by council must be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the Director Income and retained for audit purposes.



Provision for Doubtful Debtors and Debtors Write-Off Policy

5.3. Application of Prescription Act

The provisions of Prescription Act will apply to all services debt, excluding assessment rates. Applications and / or claims for prescription from debtors will only be assessed if no formal credit control or legal actions have been instituted during prescription debt period of three (3) years.

Regional Income Manager will assess applications in terms of prescribed requirements. If in compliance with Prescription act, approval may be granted to write-off prescribed portion of debt.

Approvals granted must be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the Income Director and retained for audit purposes.

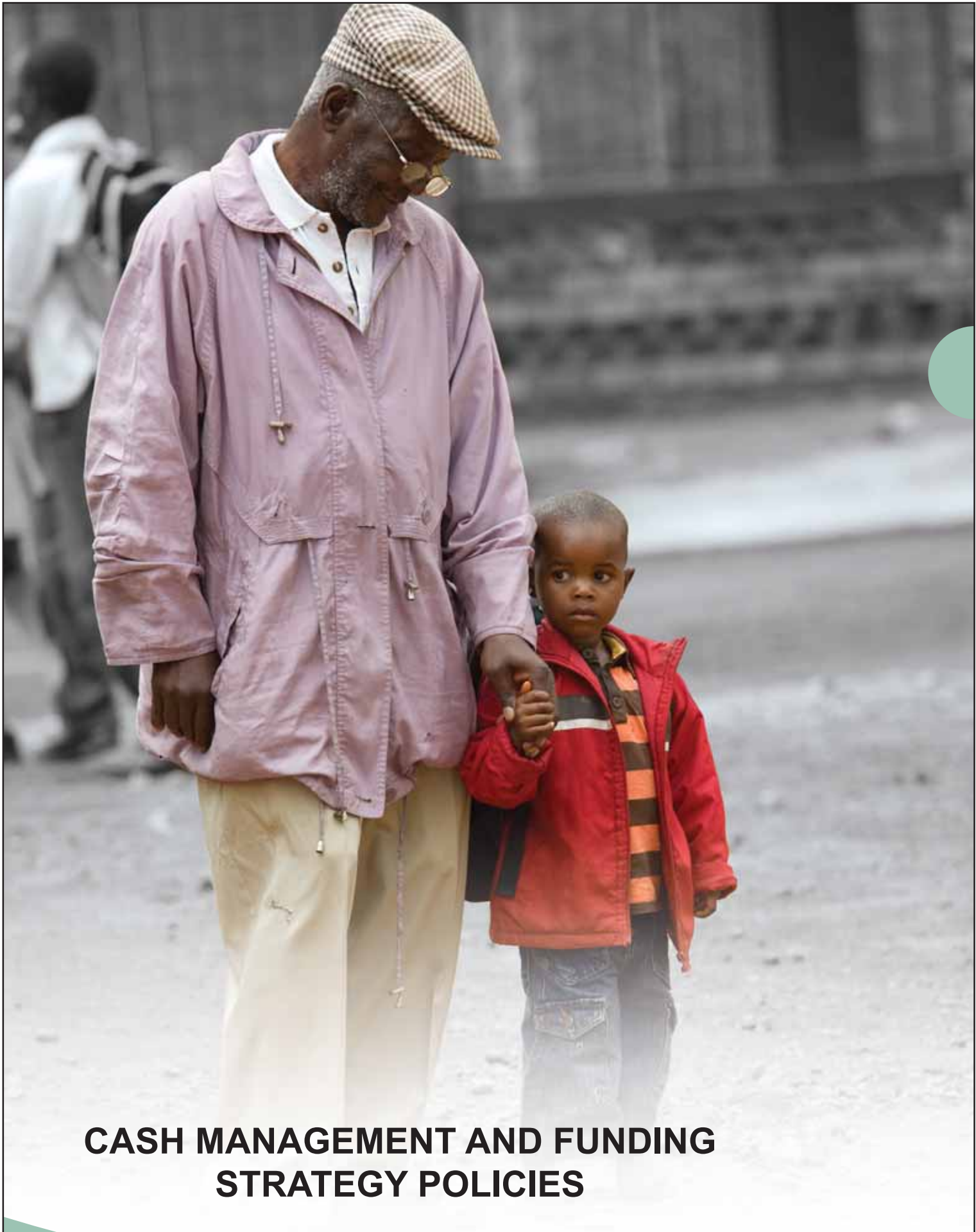
5.4. Specific Debt-Write-Off Incentives

Director : Income to identify and investigate specific uncollectable debt categories. Report with full details as to the reasons for categorized debt write-off to be submitted to council for approval.

Approvals granted must be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

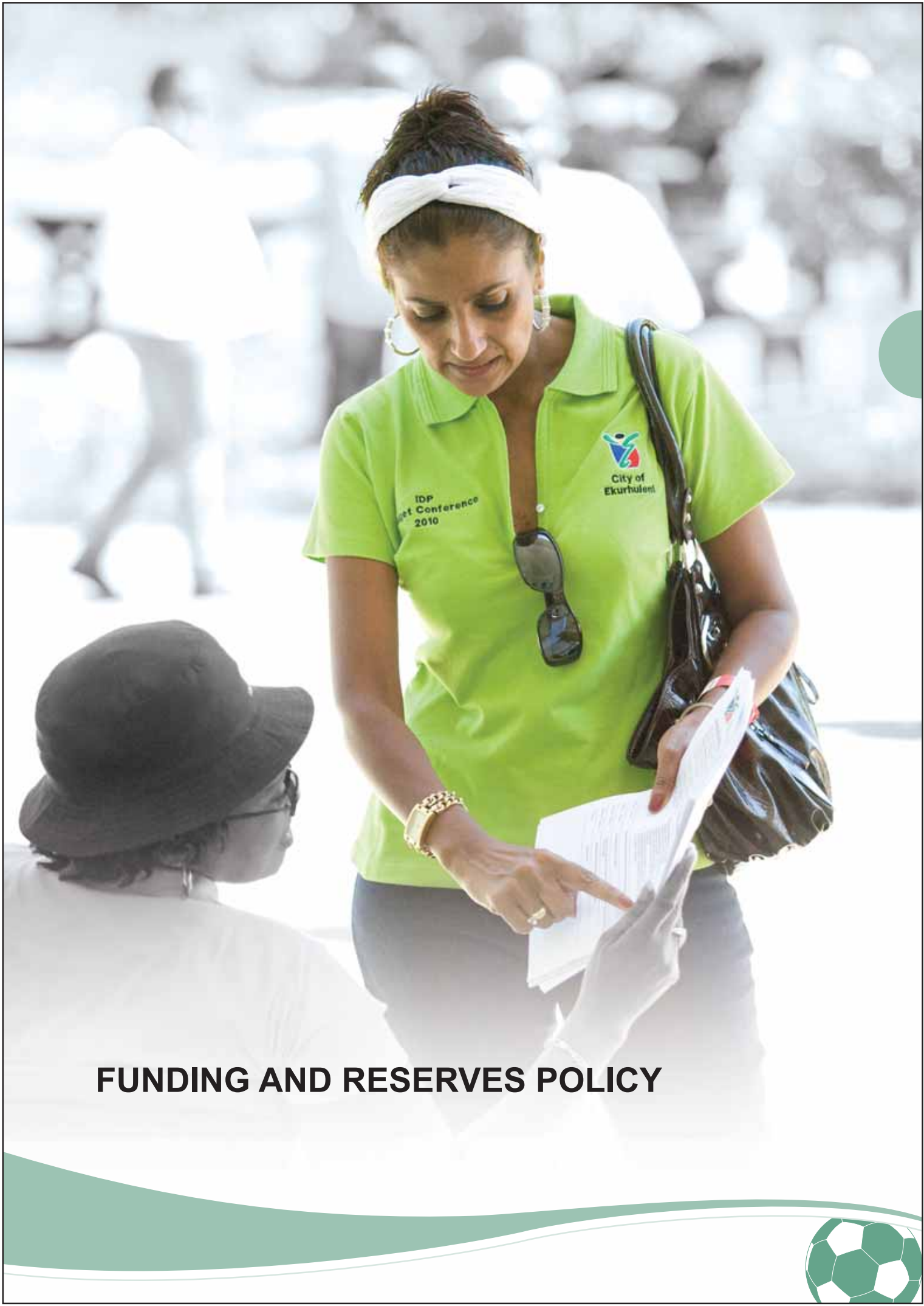
Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the Director: Income and retained for audit purposes.





**CASH MANAGEMENT AND FUNDING
STRATEGY POLICIES**





FUNDING AND RESERVES POLICY



Funding and Reserves Policy

FUNDING AND RESERVES POLICY

1. Application and Scope

The Funding and Reserves Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharos Park, Phase Two and Lethabong Housing Institute

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure the operating and capital budgets of council are appropriately funded
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities

3. Introduction

The funding of the operating and capital budgets is done on an annual basis for a three year horizon. The budget must be balanced both from an accounting perspective as well as a cash perspective.

The impact of movements in the Statement of Financial Position is taken into account when considering the balancing of the budget.

4. Operating Budget Policies

The Operating Budget provides funding to departments for medium term expenditure. The Operating Budget is developed with certain guiding principles, including the following:

- A Balanced Budget is compiled on an annual basis.
- Assessment Rates are levied in terms of the Municipal Property Rates Act based on land and improvements value. The budget is compiled using the latest approved valuation roll as basis and adjusted for expected growth in the property market. Assessment Rates Tariffs and Rebates are determined annually as part of the tariff setting process.
- Billed revenue for metered services comprise Electricity and Water, and Wastewater. The actual consumption for the previous financial years will be used as basis, adjusted with expected growth and/or contraction in service levels. The tariffs are set on an annual basis as part of the tariff setting process.
- Solid Waste revenue is billed based on the number of erven receiving the service. The valuation roll is used as the basis of the budget calculation.
- Other income is charged in terms of the approved tariffs. The budget is compiled based on historic trends and adjusted for expected growth and/or contraction in service levels.
- Provision for revenue that will not be collected is made against the "Provision for bad debt" line item. Actual collection levels for the period directly preceding the budget year is used as a benchmark for setting the expected collection level.
- Interest from investment income is based on the actual long term investments that the municipality has, as well as the amount reasonably expected to be earned on cash amounts held during the year. The budgeted financial statements are used as guide on cash amounts that will be available to generate



Funding and Reserves Policy

- interest income.
- No provision is made for dividends from municipal entities as there is no expectation of dividends as detailed in the Entities Policy.
- No provision is made for income from transfer of assets as only incidental asset transfers are taking place at present.
- Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects (and with no recurring operating expenditure resulting thereof).
- The increased depreciation impact as a result of the implementation of GRAP 17 will be phased in over a ten year period (funding from accumulated surplus).
- It will be endeavoured to limit tariff increases to the annual inflation rate or the bulk purchases increases from Council's service providers. Any increases in excess of the above will be to fund additional capital expenditure to address service delivery backlogs and to upscale maintenance activities.
- The budget is compiled net of VAT, i.e. the amounts budgeted for will be the net cost to Council after VAT has been taken into consideration.
- The Ekurhuleni Metropolitan Municipality is registered on the Payments Basis for VAT with the varied input method approved as the apportionment calculation method.
- 100% VAT is claimable on all departments for expenditure items that comply with the relevant VAT legislation.
- The offsetting of income and expenditure amounts is not supported and income and expenditure amounts are budgeted for where recoverable jobs are undertaken. This includes recoveries from staff on telephone accounts.
- A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and funded vacancies are budgeted for at 50% of the total package. In addition to this, an amount is determined on an annual basis to fund critical new positions. This amount is budgeted for centrally and transferred to the relevant departments as and when allocations are made by the City Manager.
- Provision for Bad Debts is based on the annual income targets set in the IDP and SDBIP. Full provision is made for penalties on property rates and interest on debtor's accounts.
- Council supports the principle of making sufficient provision for the maintenance of existing assets and infrastructure, yet affordability does result in maintenance budgets being lower than the levels recommended by the World Bank.
- Individual line items in the Operating Budget are to be reviewed each year when developing the budget to ensure proper control over the expenditure and to examine the possibility of rationalization.
- A budget implementation circular is issued on an annual basis to provide guidance on the utilisation of the various line items in the operating budget.

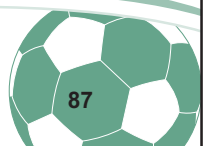
5. Capital Budget Policies

An annual capital budget will be developed as part of the annual budget. Expenditure on capital will be in terms of the annual capital budget. Provision on the annual capital budget will be limited to available internal and external funds.

Allocations made to departments from the available internal funding, will be based on the Growth and Development Strategy. The Budget Steering Committee facilitates the allocation of resources.

5.1. Allocation of internal funds

The Ekurhuleni Metropolitan Municipality has huge service delivery backlogs, especially Infrastructure. Far more funds should be made available on an annual basis to eradicate the backlog. However, to provide services in an equitable and balanced manner throughout the community, certain other projects must also be implemented. Communities need the "softer services", such as health facilities or sport and recreational facilities just as much as core infrastructure services. Similarly, the safety and security



Funding and Reserves Policy

of the community must be addressed to secure a safe environment. It is furthermore critical to grow the local economy. Job creation, one of the national priorities, must be addressed in this budget. This capital budget aims to stimulate job creation and economic growth by means of allocating funds towards the city development segment. Job creation will not only be addressed by the city development segment but also by all other segments in the execution of the capital budget. Certain projects will be executed in terms of the principles of the "Expanded Public Works Programme" to ensure maximum job creation.

Allocations made to departments from the available internal funding, are based on the Growth and Development Strategy.

The following principles must, as far as possible, be addressed in the implementation of the capital budget:

- Job creation
- Labour based construction
- Advancement of SMME's
- Supporting of BBBEE

Multi-year allocations are made using the following formula:

DEPARTMENT	CAPITAL BUDGET
Infrastructure Services Roads, Water and Wastewater, Housing, Environmental Development, Electricity and Energy and Fleet	Internal Funds –70% MIG grants – 80%
Community Services Health, SRAC, Community Safety, CCAs, 2010, Economic Development, City Development,	Internal Funds –20% MIG grants – 20%
Corporate Services Legal and Admin, HR, Finance, ICT, Marketing, Council General (Germiston Civic Precinct Building), R&D, Internal Audit, Political Office, etc.	Internal Funds –10% MIG grants – 0%

5.2. Impact of capital budget on future operating budgets

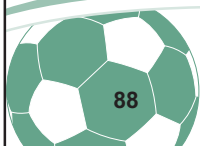
All capital projects have a recurring effect on future operating budgets. The following main cost components should be considered before capital projects are approved:

- Additional staff cost required to staff any new facility once operational
- Additional contracted services, i.e. external security, cleaning services, etc.
- Additional general expenditure, i.e. services cost, stationery, cleaning materials, etc.
- Additional costs to maintain the assets
- Additional depreciation charges (non cash item)
- Additional interest and redemption to service loans to fund the capital budget

Projects may, however, also result in additional revenue generation. The impact that the expenditure has, must be offset by the additional revenue generated to determine the real impact on the operating budget, and the possible effect on tariffs.

5.3. Multi-year budget and commitments

Departments are allowed to commit both the internal and confirmed external funds in accordance with the Multi-Year Budget.



Funding and Reserves Policy

5.4 Borrowing requirements

The borrowing requirements as contained in the Borrowing Policy provide for the following: Ekurhuleni's Long Term Financing Strategy has been used as a basis to determine the affordability of loans over the Medium Term Income and Expenditure Framework (MTIEF) Period.

The assumptions of the forecast model are as follows:

- The operating income and expenditure will grow between 6% and 28.9% per annum.
- Debtor's payment levels of 93% on current billings. In addition, amounts in arrears will be collected and written off with varying amounts over the 3 year period.
- New loans will be in the form of municipal bonds with a bullet repayment profile at an interest rate of 11%.
- The capital budget has an actual implementation rate of 100%. This was used as an indicator of how the cash position will be as "worst-case" scenario.

Borrowings of Municipal Entities

All proposed borrowings of Municipal Entities must be authorised by the Ekurhuleni Metropolitan Municipality.

The Ekurhuleni Metropolitan Municipality will consider the provision of guarantees for the borrowings of Entities as approved by Council within limits of affordability.

It will be endeavoured to negotiate consolidated borrowings for the EMM group when possible, however, individual borrowings are allowable in terms of this policy.

6. Funding Policies

6.1. Operating Budget

The municipality categorises services rendered to the community according to its revenue generating capabilities:

- Trading services (services that generate surpluses that can be used to fund other services rendered by the municipality)
- Economic services (services that break-even, but do not generate any surpluses to fund other services rendered by the municipality)
- Rates and General (services that are funded by assessment rates, government grants or surpluses generated by the trading services).

The operating budget is thus funded from the following main sources of income:

- Assessment Rates
- Equitable Share
- Surplus generated from Electricity Service
- Surplus generated from Water Service
- Other Service Charges, fines and sundry income
- Other Government Grants

Funding and Reserves Policy

6.2. Capital Budget

The capital budget is mainly funded from Government grants and Borrowings at present.

Funding for capital budgets of future years will be generated through a combination of methods, being depreciation (as main source), grants and donations (with a dedicated effort to lobby for additional grant allocations and private sector injections) as well as borrowings as and when the current debt book is redeemed to ensure maximum use is made of funding options, including gearing at the optimal levels.

The increased asset value as a result of the GRAP 17 asset depreciation will be phased in for tariff setting purposes and more cash will be generated in a progressive manner over the next eight years. At present, the cash generated from depreciation are used for the redemption payments due. It is anticipated that the following cash amounts will be generated through depreciation over the next few years:

Fin Year	Cash generated through Depreciation budget	Less Redemption payments due (utilization of cash)	Available cash before investments made for future year loan redemptions with bullet profiles
	R	R	R
2010/2011	712,555,107.36	167,322,285.74	545,232,821.62
2011/2012	867,465,720.54	175,347,137.47	692,118,583.07
2012/2013	1,022,376,333.72	182,358,391.78	840,017,941.94
2013/2014	1,177,286,946.90	576,112,552.79	601,174,394.12
2014/2015	1,332,197,560.09	146,030,204.90	1,186,167,355.18
2015/2016	1,487,108,173.27	161,999,769.04	1,325,108,404.22
2016/2017	1,642,018,786.45	995,408,102.23	646,610,684.22
2017/2018	1,796,929,399.63	200,840,752.02	1,596,088,647.61

In other words, depreciation will generate cash (the difference between the annual depreciation charged to the statement of financial performance and the offset depreciation used to phase the additional depreciation in) as indicated above for 1011 to 1718 (based on current depreciation levels – as the asset base increases with capital investments, the amount of cash generated through depreciation will also increase).

The current debt book must be repaid in terms of the repayment conditions from this cash and the balance is then available for utilisation. A portion must be used to set up zero coupon bonds (or other alternative investments that will be utilised for the redemption of the bonds when they become due). The balance will then be available for capital funding.

7. Reserves

As required by GRAP, only provisions are shown separately on the face of the Statement of Financial Position. All reserves are “ring-fenced” as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Bulk contributions reserves (Electricity, Water and Sanitation, Roads and Parks)

The Assets fair value reserve is not supported by cash but is only used for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.



Funding and Reserves Policy

The Cash Management Policy provides for the cash requirements for provisions and reserves.

The following section of the Cash Management Policy is applicable:

Balance Sheet Reserves and Provisions:

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following sections relating to provisions:

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

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Long term liabilities are discounted to the date of the annual financial statements applying the average cost of borrowings interest rate.

Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end."

Due to the fact that not all leave balances are redeemed for cash, only 50% of the leave provision is cash backed.

COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum and medical aid payments escalated at 10% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%."

The COID Provision must be cash backed to ensure availability of cash for payment of claims.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The Landfill Rehabilitation Provision must be cash backed to ensure availability of cash for the rehabilitation of the landfill sites.

Funding and Reserves Policy

Donations, Public Contributions and Unspent Grant funding (including developer's contributions to bulk services)

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following section relating to donations and public contributions:

“Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised.”

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.

Other balance sheets items to be cash backed

Consumer Deposits, including Rental Deposits

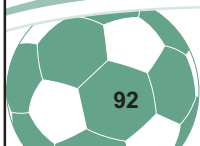
Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget.

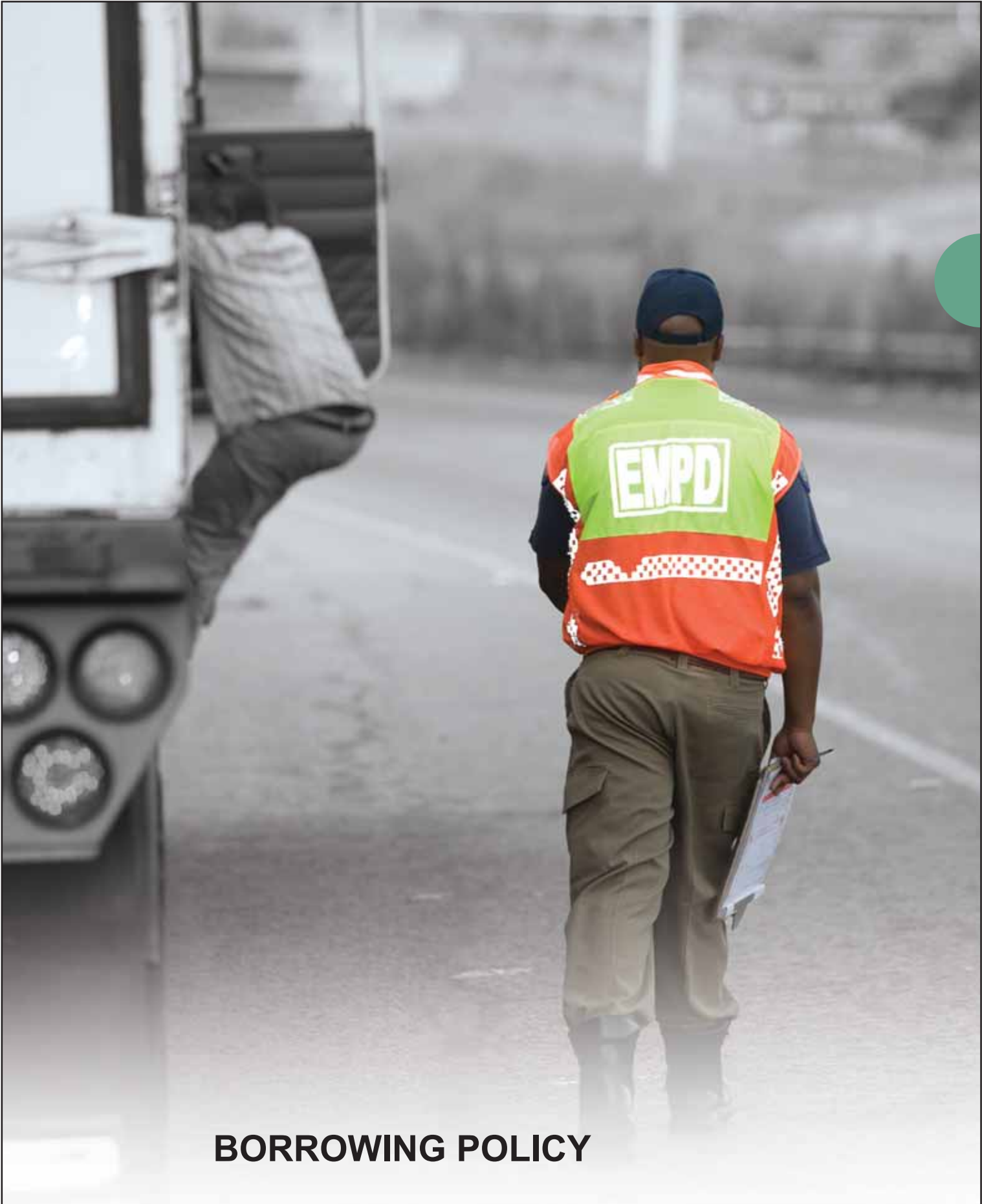
Consumer Deposits and Rental Deposits should be retained in cash.

Working Capital

Working capital is required to ensure cash availability in the event of emergencies. Council must retain cash for a period of 45 days as minimum cash balance to ensure sufficient working capital.

Non-compliance with the 45 days' working capital cash amount will not be seen as a going concern risk.





BORROWING POLICY



Borrowing Policy

BORROWING POLICY

1. Application and Scope

The Borrowing Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoeh Park, Phase Two and Lethabong Housing Institute

The adoption of the policy will result in the repealing of the Funding Strategy compiled in March 2004.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

To regulate the borrowing framework of the Ekurhuleni Metro to ensure optimum use is made of financial gearing.

Specific objectives:

- To maintain or reduce the average cost of borrowing;
- To maintain the following financial ratios:
 - o Interest cost to total expenditure to not exceed 8%;
 - o Long term debt to internal funds and reserves to not exceed 50%
 - o Long term debt to fixed assets to not exceed 50%
- To maintain a long-term credit rating of AA;

3. Introduction

Given that a large portion of municipal infrastructure has a long-term economic life and a general principle is that the current ratepayers should not pay for the usage of future ratepayers, there is a strong economic argument to finance this capital expenditure through long-term borrowing in order to accelerate the pace of delivery and to mirror the repayment of funds with the economic life of the asset.

The economic life of assets should always be equal to or longer than the tenure of the debt finance.

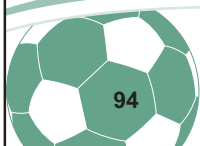
4. Legislative Framework

Chapter 6 of the MFMA and the National Treasury Municipal Regulations on Debt Disclosure must be complied with.

Municipal Entities must comply with Section 108 of the MFMA in addition to Chapter 6.

4.1. Process

The process as required by the MFMA is as follows:



Borrowing Policy

Section 46

- (2) A municipality may incur long-term debt only if -
 - (a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and
 - (b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

- (3) A municipality may incur long-term debt only if the accounting officer of the municipality -
 - (a) has, in accordance with section 21A of the Municipal Systems Act -
 - (i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
 - (ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
 - (b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of -
 - (i) the essential repayment terms, including the anticipated debt repayment schedule; and
 - (ii) the anticipated total cost in connection with such debt over the repayment period.

4.2. Other Conditions

Conditions applying to both short-term and long-term debt

Section 47 - A municipality may incur debt only if -

- (a) the debt is denominated in Rand and is not indexed to, or affected by fluctuations in the value of the Rand against any foreign currency; and
- (b) section 48(3) has been complied with, if security is to be provided by the municipality.

Section 48 (Security)

- (1) A municipality may, by resolution of its council, provide security for -
 - (a) any of its debt obligations; (If security is provided, there are additional conditions to be complied with).

Borrowing Policy

Section 49 (Disclosure)

- (1) Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor -
 - (a) disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and
 - (b) take reasonable care to ensure the accuracy of any information disclosed.
- (2) A lender or investor may rely on written representations of the municipality signed by the accounting officer, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

In addition to the above MFMA requirements, the Debt Disclosure Requirements must be complied with in respect of information to be provided.

The following Information to be provided to National Treasury with respect to a long-term debt proposal

	Details	MFMA
1	A copy of the <i>information statement</i> required by section 46(3), containing particulars of the proposed borrowing (debt) instrument.	46(3)(a)(i)
2	If not already incorporated in the <i>information statement</i> , please ensure the following information is provided separately (note QBMR = Quarterly Borrowing Monitoring Return to NT, see over page for further information): <ul style="list-style-type: none"> - amount of debt to be raised through borrowing or other means - purposes for which the borrowing (debt) is to be incurred - interest rate(s) applicable (state whether fixed or variable etc) - planned start and end date (term of instrument) - detailed repayment schedule for the duration of the borrowing (debt) (showing dates and all payments of principal and interest, etc) - total estimated cost of the borrowing (debt) over the repayment period - type of instrument (select from QBMR) - security to be provided (select from QBMR) and provide details - source of loan funds (select from QBMR) 	46(3)(b)(i) and (ii)
3	A schedule of consultation undertaken, including: <ul style="list-style-type: none"> - date(s) when the <i>information statement</i> was made public - details of meetings, media adverts and other methods used to consult on the proposed long-term borrowing (debt) 	46(3)(a)(i), (ii)
4	A copy of the approved budget, and relevant documentation supporting the budget, highlighting the asset(s) to be funded by the proposed borrowing (debt) and the revenue to be received. It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue is shown accordingly.	46(6) 17(2) 19



Borrowing Policy

	Details	MFMA
5	<p>If the borrowing (debt) is for the purpose of refinancing existing long-term borrowing (debt), the following information is required:</p> <ul style="list-style-type: none"> - description of the asset(s) for which the original loan was required - the useful remaining life of the asset(s) - the net present value of the asset(s), including the discount rate used and any assumptions in the calculations - the net present value of projected future payments <u>before</u> refinancing, including the discount rate and assumptions used. - the net present value of projected future payments <u>after</u> refinancing, including the discount rate and assumptions used. 	46(5)
6	<p>What source of funding will be used to repay the loan? Please specify the revenue stream(s) and whether this is existing revenue, or new revenue.</p>	19(1)(d)
7	<p>Schedule of <u>all</u> long-term borrowing (debt) obligations in the format of the QBMR showing principal and interest payments for the life of <u>all loans</u> and any associated investments set up as sinking funds etc.</p>	50
8	<p>In the case of a municipal entity, details of any guarantee or other forms of security to be issued by the parent municipality(s) in respect to the entity's proposed borrowing (debt).</p>	
9	<p>Please note: a copy of the council/board of directors' resolution approving the borrowing (debt) instrument should be forwarded once approved.</p>	

5. Interest Rate Risk

As a general principle, when interest rates are expected to decrease, it is advisable that a floating rate be negotiated in order to take advantage of the lower interest rates in the future. If interest rates are expected to increase, it is advisable to obtain a fixed rate so that the benefits of the current low interest rate are maintained.

In a municipal environment, however, it is advisable that interest rate risk be limited insofar as possible. This will ensure stability in terms of annual rates increases and reduce the potential of unfunded liabilities arising during the year without the ability to adjust the revenue of the municipality.

The policy directive is to negotiate fixed interest rates on all long term borrowings. Variable rates should be used for short term debt only.

6. Form of borrowings

Long term borrowings will be taken up in the following forms:

- Balance Sheet loans (both secured and unsecured) from registered South African banks
- Municipal Bonds through the Bond Exchange of South Africa
- Long term debt agreements between the RSA National Government and the municipality (where applicable)

Borrowing Policy

- Long term debt agreements between State Owned Enterprises of the RSA National Government and the municipality (where applicable)
- Long term debt agreements between municipalities (where applicable)
- Long term debt agreements between the municipality and its municipal entities (where applicable)

7. Limitations

Ekurhuleni's Long Term Financing Strategy has been used as basis to determine the affordability of loans over the Medium Term Income and Expenditure Framework (MTIEF) Period.

The assumptions of the forecast model are as follows:

- The operating income and expenditure will grow between 6% and 28.9% per annum.
- Debtor's payment levels of 93% on current billings. In addition, amounts in arrears will be collected and written off with varying amounts over the 3 year period.
- New loans will be in the form of municipal bonds with a bullet repayment profile at an interest rate of 11%.
- The capital budget has an actual implementation rate of 100%. This was used as an indicator of how the cash position will be as "worst-case" scenario.

8. Borrowings of Municipal Entities

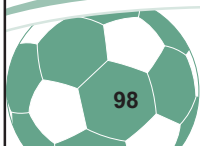
All proposed borrowings of Municipal Entities must be authorised by the Ekurhuleni Metropolitan Municipality.

The Ekurhuleni Metropolitan Municipality will consider the provision of guarantees for the borrowings of Entities as approved by Council within limits of affordability.

It will be endeavoured to negotiate consolidated borrowings for the EMM group when possible, however, individual borrowings are allowable in terms of this policy.

9. Conclusion

The provision of municipal and social infrastructure to the community should be fast-tracked to ensure backlog eradication within the timeframes set by National Government, or as soon as possible thereafter. In order to achieve this, a myriad of funding methods, including borrowings will be applied by the Ekurhuleni Metropolitan Municipality.





CASH MANAGEMENT POLICY



Cash Management Policy

CASH MANAGEMENT POLICY

1. Application and Scope

The Cash Management Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoeh Park, Phase Two and Lethabong Housing Institute

Cash Management will include all amounts disclosed on the financial statements on the following line items:

- Investments (Long Term and Short Term)
- Investments in Municipal Entities
- Cash and Cash Equivalents

The revised policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To maintain a minimum days cash on hand of 45 days;
- To maintain a minimum long-term credit rating of AA;

3. Introduction

Availability of cash is one of the key requirements for financial sustainability for any organisation. Accumulated surplus is not an indicator of available cash and should not be seen as having a direct correlation with surplus cash.

One of the first and most important issues that must be borne in mind is that financial statements of municipalities are compiled on the accrual basis (GRAP/GAAP accounting standards used as basis of compilation) and not on the cash basis as Provincial and National Government. In the past (prior to 1 July 2004) the accrual basis was used, but fund accounting was applied and not GRAP. This change in accounting basis led to the generation of larger than expected accounting surpluses.

4. Determination of minimum cash level to retain

4.1 Investment in Municipal Entities

The amounts shown as Investments in Municipal Entities are to be regarded as a "non distributable reserve" and no cash made available to fund either the operational or capital budget. The amount shown as investment is not required to be held in cash.

4.2 Encumbered Investments

Certain long terms investments were ceded to financial institutions as guarantees for long term loans taken up. These investments are not available to the Ekurhuleni Metropolitan Municipality for any



Cash Management Policy

purpose other than the redemption of the loans and the cash can therefore not be made available to fund either the operational or capital budget.

This amount should be excluded when calculating the working capital requirements of 45 days cash.

4.3 Balance Sheet Reserves and Provisions

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following sections relating to provisions:

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

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Long term liabilities are discounted to the date of the annual financial statements applying the average cost of borrowings interest rate.

Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end."

Due to the fact that not all leave balances are redeemed for cash, only 50% of the leave provision is cash backed.

COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum and medical aid payments escalated at 10% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%."

The COID Provision must be cash backed to ensure availability of cash for payment of claims.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The Landfill Rehabilitation Provision must be cash backed to ensure availability of cash for the rehabilitation of the landfill sites.



Cash Management Policy

Donations, Public Contributions and Unspent Grant funding (including developer's contributions to bulk services)

The Accounting Policy of the Ekurhuleni Metropolitan Municipality contains the following section relating to donations and public contributions:

"Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised."

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.

4.1 Other balance sheet items to be cash backed

Consumer Deposits, including Rental Deposits

Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget.

Consumer Deposits and Rental Deposits should be retained in cash.

Working Capital

Working capital is required to ensure cash availability in the event of emergencies. Council must retain cash for a period of 45 days as minimum cash balance to ensure sufficient working capital.

Non-compliance with this will not be seen as a going concern risk.

Conclusion

The availability of cash must be closely monitored in the MTIEF period to ensure the timeous payment of creditors.

Possible changes in the municipal environment that may have an impact on the cash position of Council and that will impact on this policy will include the following:

- Changes in income levels (billed) as a result of load shedding
- Reduced growth in the region as a result of the current economic conditions
- Higher than budgeted non-payment as a result of the current economic conditions
- Implementation of the Regional Electricity Distributors.



INVESTMENT POLICY



Investment Policy

INVESTMENT POLICY

1. Application and Scope

The Investment Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute

The revised policy will be effective as from 1 July 2010.

2. Objective of Policy

The objective of the policy is to ensure that all investments made by the Ekurhuleni Metropolitan Municipality ("EMM") comply with the Investment Regulations issued by National Treasury in terms of the Municipal Finance Management Act. This Policy, as far as practically applicable, must be consistent with the Supply Chain Management Policy.

3. Legislative Framework

The legislative framework governing investment decisions are:

- Local Government Municipal Systems Act 32 of 2000 (as amended).
- Local Government Municipal Finance Management Act, Act 56 of 2003.
- Municipal Investment Regulations published under the Local Government Municipal Finance Management Act, Act 56 of 2003.
- Municipal Supply Chain Management Regulations published under the Local Government Municipal Finance Management Act, Act 56 of 2003.

3.1 Permitted Investments

The following are permitted investments in terms of the Municipal Investment Regulations:

"A municipality or municipal entity may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

- (a) *Securities issued by the national government;*
- (b) *Listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;*
- (c) *Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);*
- (d) *Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);*



Investment Policy

- (e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) Guaranteed endowment policies with the intention of establishing a sinking fund
- (h) Repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) Municipal bonds issued by a municipality; and
- (j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board."

3.2 Investments denominated in foreign currencies

EMM may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

4. Definitions

Short-term investments are defined as:

"Any cash or liquid securities owned by the EMM which have a maturity date, and/or callable date reasonably expected to be exercised, that is equal to or less than one year."

Long-term investments are defined as:

"Any cash or liquid securities owned by EMM which have a maturity date, and/or callable date reasonably expected to be exercised, that is greater than one year."

5. Purpose and Objectives of Investments

5.1 Preservation and safety of investments

The probable safety of the investment must, in the first instance, be considered when making investments. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification.

5.2 Investment Diversification

Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

5.3 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

5.4 Return on investments

The investment portfolio shall be designed with the objective of attaining a maximum rate of return subject to the investment risk constraints and liquidity requirements of EMM.



Investment Policy

6. Standards of Care

6.1 Prudence

The City Manager, in accordance with this policy, must exercise due diligence in carrying out the investment function. EMM has a responsibility to invest public funds with great care and is accountable to the community in this regard. Investments must be made with such judgement and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs. Investments may not be for speculation but must be genuine investments.

6.2 Ethics and Conflicts of Interest

Officials responsible for the investment of funds must steer clear of outside interference, regardless of whether such interference comes from individual Councillors, agents or any other institution. The ethical standards as contained in the Municipal Supply Chain Management Policy are “**mutatis mutandis**” applicable to investment activities.

Interest rates offered should never be divulged to another institution.

6.3 Payment of Commission

No commission or other award may be paid to an official or councillor of EMM or to a spouse or close family in respect of any investment made or referred by EMM.

If an investee pays any commission or other reward to an external investment manager appointed by the EMM in respect of any investment made by EMM, both the investee and the investment manager must declare such payment to the council by way of a certificate disclosing full details of the payment.

7. Delegation of Authority

Authority to manage EMM's investment portfolio is delegated as follows:

- The City Manager to invest any amount (after taking due cognisance of the liquidity requirements of EMM) of the short-term funds in terms of the provisions of the investment policy.
- The Bid Adjudication Committee to approve the investment of long-term funds in terms of the provisions of the Investment Policy and Municipal Supply Chain Management Regulations in accordance with the process as stipulated in the Supply Chain Management Policy.

8. Rating of Financial Institutions

EMM shall rely on the credit analysis of the financial institutions as obtained from external Credit Rating Agencies as appointed by Council from time to time. The City Manager shall be made aware of real or potential problems related to credit or credit rating issues and their impact on the investment portfolio by the Credit Rating Agency, as this information becomes available.



Investment Policy

9. Authorised Investments

All investments must be in the name of the EMM or one of the municipal entities.

10. Investment Limitations

10.1 General Investment Practice

Short-term investments

In order to obtain the greatest security for EMM's funds, short-term investments are not to be made with financial institutions with ratings lower than A1 /F1 as defined in the National Rating Definitions. EMM's exposure to any one financial institution, for short-term investments, is limited as follows:

- A1+ / F1+ Short Term Rating: 5% of institution's total equity as published from time to time in the Fitch Banking Sector Report;
- A1 / F1 Short Term Rating: 4% of institution's total equity as published from time to time in the Fitch Banking Sector Report;

Long term investments:

Long term investments shall only be made with financial institutions with a minimum long term rating of A. EMM's exposure to any financial institution for long term investments is limited to 2% of the institutions total equity as published from time to time

Long term investments are regarded as "competitive bids" and must be treated in accordance with the Supply Chain Management Policy.

10.2 Total exposure

EMM's total exposure for short and long-term investments to any financial institution must be limited to 7% of the institution's total equity as published from time to time in the Fitch Banking Sector Report.

11. Investment Managers

Investment or Asset Fund Managers may be appointed to assist with the placing of investments, or to manage a portion of the investment portfolio in order to maximize interest earned without jeopardizing liquidity. The appointment of these service providers must be done in accordance with the Supply Chain Management Policy.

The conditions for their use including their liability in the event of non-compliance with this policy must be included in the bidding documentation specifying mandates that minimize risk and place the institutions on equal footing.

12. The Process of Investment of Funds

The process of investment of funds must, in the first instance, be made with the primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of EMM, and lastly to the probable income derived from the investment.

The investment of funds must be dealt with in accordance with the procedure for the calling of quotations and competitive bids as detailed in the Supply Chain Management Policy.

Investment Policy

13. Safekeeping and Custody

The Chief Financial Officer shall establish and maintain an internal control structure designed to ensure the assets of the Metro are protected from loss, theft, or misuse. The controls will be to prevent losses of public funds from fraud, employee errors, misrepresentation by third parties, or imprudent actions by employees and officers of EMM. The controls will include, among others:

- Control of collusion
- Separation of functions
- Separation of transaction authority from accounting and record-keeping
- Custodial safekeeping
- Clear delegation of authority to subordinate staff members
- Specific limitations regarding security losses and remedial action
- Supervisory control of employee actions
- Minimising the number of authorised investment officials
- Effective data management and reporting system for investment activities
- Documentation of transactions and strategies.

14. Reporting

The Municipal Manager must, within 10 working days after the end of each month, submit to the Executive Mayor a report describing, in accordance with generally recognised accounting practice, the investment portfolio as at the end of the month.

The above-mentioned report must set out the following:

- the market value of each investment as at the beginning of the reporting period;
- any changes to the investment portfolio during the reporting period;
- the market value of each investment as at the end of the reporting period; and
- fully accrued interest or yield for the reporting period.

A bank, insurance company or other financial institution which, at the end of a financial year, or at any time during a financial year held, holds an investment for EMM, must:

- within 30 days after the end of that financial year notify the Auditor General, in writing, of that investment, including the opening and closing balances of that investment in that financial year and;
- promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

15. Policy Review

This policy will be reviewed annually by the Chief Financial Officer to ensure congruence with changing needs, technology, evolving regulatory standards with the MFMA, Investment regulations, and private sector best practices. The process to be followed for the annual revision of the policy will be via the committee system of Council as part of the annual Budget Process.





LONG TERM FINANCIAL PLAN



Long Term Financial Plan

LONG TERM FINANCIAL PLAN

1. Application and Scope

The Long Term Financial Plan is applicable to the Ekurhuleni Metropolitan Municipality.

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure the long term financial sustainability of the Ekurhuleni Metropolitan Municipality
- To adequately provide for both capital requirements as well as the servicing of debt incurred to fund capital infrastructure
- To adequately charge for depreciation of assets in order to generate sufficient cash to renew the assets
- To progressively improve collections and reduce the provision for bad debts budget
- To identify new revenue sources as funding options for future years.

3. Introduction

The current infrastructure backlogs of the Metro places tremendous financial strain on the community and proper financial planning is required to ensure the viability of the Metro.

Available funding sources are at present limited to the following:

- Assessment Rates
- Equitable Share Grant received from National Treasury
- Surpluses generated on Trading Services
- Capital Grant Funding
- External debt financing (including balance sheet loans, municipal bonds, leasing of assets, structured finance, etc.)

These funding sources must be optimised and new funding sources secured to ensure the financial viability of the Metro.

4. Provision of Funding for Capital Infrastructure Needs

Funding for capital budgets of future years will be generated through a combination of methods, being depreciation (as main source), grants and donations (with a dedicated effort to lobby for additional grant allocations and private sector injections) as well as borrowings as and when the current debt book is redeemed to ensure maximum use is made of funding options, including gearing at the optimal levels.

The increased asset value as a result of the GRAP 17 asset depreciation will be phased in for tariff setting purposes and more cash will be generated in a progressive manner over the next eight years. At present,



Long Term Financial Plan

the cash generated from depreciation are used for the redemption payments due. It is anticipated that the following cash amounts will be generated through depreciation over the next few years:

Fin Year	Cash generated through Depreciation budget	Less Redemption payments due (utilization of cash)	Available cash before investments made for future year loan redemptions with bullet profiles
	R	R	R
2010/2011	712,555,107.36	167,322,285.74	545,232,821.62
2011/2012	867,465,720.54	175,347,137.47	692,118,583.07
2012/2013	1,022,376,333.72	182,358,391.78	840,017,941.94
2013/2014	1,177,286,946.90	576,112,552.79	601,174,394.12
2014/2015	1,332,197,560.09	146,030,204.90	1,186,167,355.18
2015/2016	1,487,108,173.27	161,999,769.04	1,325,108,404.22
2016/2017	1,642,018,786.45	995,408,102.23	646,610,684.22
2017/2018	1,796,929,399.63	200,840,752.02	1,596,088,647.61

In other words, depreciation will generate cash (the difference between the annual depreciation charged to the statement of financial performance and the offset depreciation used to phase the additional depreciation in) as indicated above for 1011 to 1718 (based on current depreciation levels – as the asset base increases with capital investments, the amount of cash generated through depreciation will also increase).

The current debt book must be repaid in terms of the repayment conditions from this cash and the balance is then available for utilisation. A portion must be used to set up zero coupon bonds (or other alternative investments that will be utilised for the redemption of the bonds when they become due). The balance will then be available for capital funding.

Investments of R400m per year will be made in Zero Coupons in the 2011/12 and 1012/13 financial years (in the MTEF), and annually thereafter. The investment yield will be used to redeem bond issues as from the 2009/10 financial year.

5. Collection Levels Improvements

The impact of the collection levels on the operating budget is as follows:

	2009/10 R	2010/11 R	2011/12 R	2012/13 R
Assessment Rates	2,250,015,505.00	2,527,357,558.00	2,780,093,315.00	3,058,102,647.00
Service Charges	8,764,180,293.00	10,963,980,877.00	13,487,194,759.00	16,687,858,433.00
Sub Total	11,014,195,798.00	13,491,338,435.00	16,267,288,074.00	19,745,961,080.00
Penalties on Assessment Rates	100,345,916.00	100,345,916.00	110,380,508.00	121,418,560.00
Interest on Outstanding Debtors	400,000,020.00	338,677,921.00	389,479,612.00	447,901,555.00
Sub Total	500,345,936.00	439,023,837.00	499,860,120.00	569,320,115.00
Provision on levies - for every 1%	110,141,957.98	134,913,384.35	162,672,880.74	197,459,610.80
Provision on penalties and interest @ 100%	500,345,936.00	439,023,837.00	499,860,120.00	569,320,115.00

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	2009/10 R	2010/11 R	2011/12 R	2012/13 R
Budget				
@88%	1,822,049,431.76	2,057,984,449.20	2,451,934,688.88	2,938,835,444.60
@89%	1,711,907,473.78	1,923,071,064.85	2,289,261,808.14	2,741,375,833.80
@90%	1,601,765,515.80	1,788,157,680.50	2,126,588,927.40	2,543,916,223.00
@91%	1,491,623,557.82	1,653,244,296.15	1,963,916,046.66	2,346,456,612.20
@92%	1,381,481,599.84	1,518,330,911.80	1,801,243,165.92	2,148,997,001.40
@93%	1,271,339,641.86	1,383,417,527.45	1,638,570,285.18	1,951,537,390.60
@94%	1,161,197,683.88	1,248,504,143.10	1,475,897,404.44	1,754,077,779.80
@95%	1,051,055,725.90	1,113,590,758.75	1,313,224,523.70	1,556,618,169.00
Difference between 95% target and 89% current levels	660,851,747.88	809,480,306.10	976,037,284.44	1,184,757,664.80

Whilst it is not practically possible to move from 89% to 95% in one financial year, the revised revenue management programme is expected to improve collection levels to at least 92% - 93% during the MTEF period with improvements to 95% expected in the longer term.

Once achieved, the provision for bad debts budget will reduce. The additional funds available for operations will be utilised for increased maintenance spending.

6. Revenue Enhancement and the Identification of New Sources of Revenue

The most important aspect will be the maximisation of metered services. At present there is no certainty that ALL water and electricity consumption are billed. Even though electricity losses are minimal, there may be areas not fully billed. Water is a great risk as "non revenue water" is reported to be in excess of 30%. Solid Waste is a further area where it is highly probable that all service points are not billed. The establishment of the Revenue Unit currently receives highest priority, and, even prior to the full implementation of the Revenue Unit, departmental co-operation between Finance, IS, Electricity and Environmental Development have been embarked upon.

Housing should establish a closer working relationship with Finance as the billing of new housing schemes does not take place effectively. The billing and collection of fees for hostels and housing rental units are to be improved on. Even if hostel dwellers pay a flat fee as a start – but some level of cost recovery must be achieved.

Legal and Admin and Finance must pursue the optimisation of lease income. There are many areas where lease agreements have expired, are not in place, are not billed or not collected. The appointment of a service provider will be necessary.

Outdoor advertising can be maximised. The Metro is receiving minimal income at present. The IS department must develop a strategy on how to improve revenue from outdoor advertising.

The ICT department has a large fibre optic network that is not used in full by the EMM. There is a possibility that the network can be leased out. The ICT department must develop a strategy on how to maximise the return on this investment.



Long Term Financial Plan

The commercialisation of council owned facilities such as parks, recreational grounds and sports fields is a further opportunity to increase revenue. At least cost recovery should be achieved for these facilities. It may be necessary to invest in the maintenance of some of the facilities before this will be possible. This should not be done in a manner that will make it unaffordable for local communities. Facilities can be graded and charged accordingly. The use of the Council Chamber as local conference facility is a feasible business opportunity.

7. Projected Financial Results over the MTEF

	ADJUSTED BUDGET F00 2009/10	FINAL BUDGET: 28 APRIL 2010 VERSION		
		BUDGET F01 2010/11	BUDGET F02 2011/12	BUDGET F03 2012/13
OPERATING INCOME				
Property Rates	2,761,798,586	3,037,977,458	3,341,775,205	3,675,952,726
Less Income Foregone	511,783,081	510,619,900	561,681,890	617,850,079
Net Property Rates	2,250,015,505	2,527,357,558	2,780,093,315	3,058,102,647
Penalties Imposed on Property Rates	100,345,916	100,345,916	110,380,508	121,418,560
Interest Earned - Outstanding Debtors	400,000,020	338,677,921	389,479,612	447,901,555
Total Penalties & Interest on Debtors	500,345,936	439,023,837	499,860,120	569,320,115
Electricity Sales	5,905,428,908	7,756,404,336	9,928,197,551	12,708,092,866
Less: Income foregone		262,485,094	301,857,858	317,606,963
Subtotal: Net Electricity Sales		7,493,919,242	9,626,339,693	12,390,485,903
Solid Waste Income	534,251,414	643,243,066	739,729,534	850,688,963
Less: Income foregone		-	-	-
Subtotal: Solid Waste Sales		643,243,066	739,729,534	850,688,963
Wastewater Income	532,795,917	828,392,854	753,347,069	866,349,130
Less: Income foregone		173,308,447	199,304,714	229,200,421
Subtotal: Net Wastewater Sales		655,084,407	554,042,355	637,148,709
Water Sales	1,744,863,620	2,344,416,301	2,769,497,223	3,046,446,946
Less: Income foregone		227,390,515	261,499,092	300,723,956
Subtotal: Net Water Sales		2,117,025,786	2,507,998,131	2,745,722,990
Fresh Produce Market	13,986,839	16,464,411	17,781,564	19,204,089
Minor Services	32,853,595	38,243,965	41,303,482	44,607,779
Total User Charges for Services	8,764,180,293	10,963,980,877	13,487,194,759	16,687,858,433
Rent of Facilities and Equipment	42,790,684	41,870,732	45,220,387	48,838,038
Interest Earned - External Investments	59,218,841	56,373,001	64,828,952	74,553,294
Fines 95,686,620	178,362,200	196,198,420	215,818,264	
Certificates & Permits	27,142,987	25,703,553	27,759,837	29,980,622
Income from Agency Services	165,158,976	149,362,314	164,298,546	180,728,405
Operating Grants & Subsidies	2,431,121,904	2,805,410,707	3,126,883,484	3,416,592,484
Capital Grants	586,471,168	686,703,643	733,530,000	829,010,000
Other Income	74,836,990	96,055,552	103,739,992	112,039,220
Internal charges - income	1,529,315,982	1,683,607,926	1,840,579,569	2,048,511,596
Total Operating Income	16,526,285,886	19,653,811,900	23,070,187,381	27,271,353,118

Long Term Financial Plan

	ADJUSTED BUDGET F00 2009/10	FINAL BUDGET: 28 APRIL 2010 VERSION		
		BUDGET F01 2010/11	BUDGET F02 2011/12	BUDGET F03 2012/13
OPERATING EXPENDITURE				
Employee Related Costs - Salaries & Wages	3,257,193,414	3,860,673,804	4,185,856,183	4,541,677,645
Employee Related Costs - Social Contributions	788,130,935	873,524,412	947,774,009	1,028,334,802
Employee Related Costs - Capitalized	(109,300,184)	(109,300,184)	(118,590,699)	(128,670,906)
Total Employee Related Costs	3,936,024,165	4,624,898,032	5,015,039,493	5,441,341,541
Remuneration of Councillors	66,326,377	69,740,424	75,668,441	82,100,347
Bad Debts (Provision for Bad Debts)	1,354,372,981	1,372,736,652	2,164,351,810	2,615,183,630
Collection Costs	97,250,200	82,473,863	85,633,990	92,484,712
Depreciation	1,951,840,280	1,951,840,280	2,107,987,503	2,276,626,504
Repairs and Maintenance - External cost	1,168,403,454	1,419,268,058	1,295,792,798	1,451,287,940
Repairs and Maintenance - Internal charges	614,427,999	624,935,992	680,362,328	741,135,034
Interest Expense - External Borrowings (Current loans)	325,106,800	469,833,466	523,312,416	612,938,099
Bulk Purchases - Electricity	3,852,448,112	4,841,864,393	6,197,586,423	7,932,910,621
Bulk Purchases - Water	1,227,809,759	1,438,295,067	1,679,750,716	1,947,995,619
Bulk Purchases - Sewer purification	265,246,000	328,600,094	368,725,767	427,608,794
Total Bulk Purchases	5,345,503,871	6,608,759,554	8,246,062,906	10,308,515,034
Contracted Services	565,080,559	710,186,469	749,524,834	839,467,812
Grants & Subsidies Paid	62,005,000	139,785,450	162,977,046	191,168,845
General Expenses - Other	1,136,359,011	1,073,262,992	1,067,888,666	1,153,177,686
Internal charges - expenditure	914,882,299	1,058,671,935	1,160,217,432	1,307,377,017
Total Operating Expenditure	17,537,582,996	20,206,393,167	23,334,819,663	27,112,804,201
OPERATING SURPLUS / (DEFICIT) - See Income Statement	(1,011,297,110)	(552,581,267)	(264,632,282)	158,548,917
OTHER MOVEMENTS IN SURPLUS / (DEFICIT) - See SOCNA	(230,000,000)	-	-	-
TOTAL MOVEMENT IN SURPLUS FOR THE YEAR - See SOCNA	(1,241,297,110)	(552,581,267)	(264,632,282)	158,548,917
CAPITAL EXPENDITURE				
Funded from Internal Sources - municipal bonds (0910)	930,644,920	358,185,664	295,897,540	302,383,684
Funded from External Loans	807,504,077	1,100,001,800	1,000,023,212	1,000,010,103
Funded from External Grants	534,828,807	701,903,643	822,230,000	859,210,000
TOTAL CAPITAL EXPENDITURE FOR THE YEAR	2,272,977,804	2,160,091,107	2,118,150,752	2,161,603,787

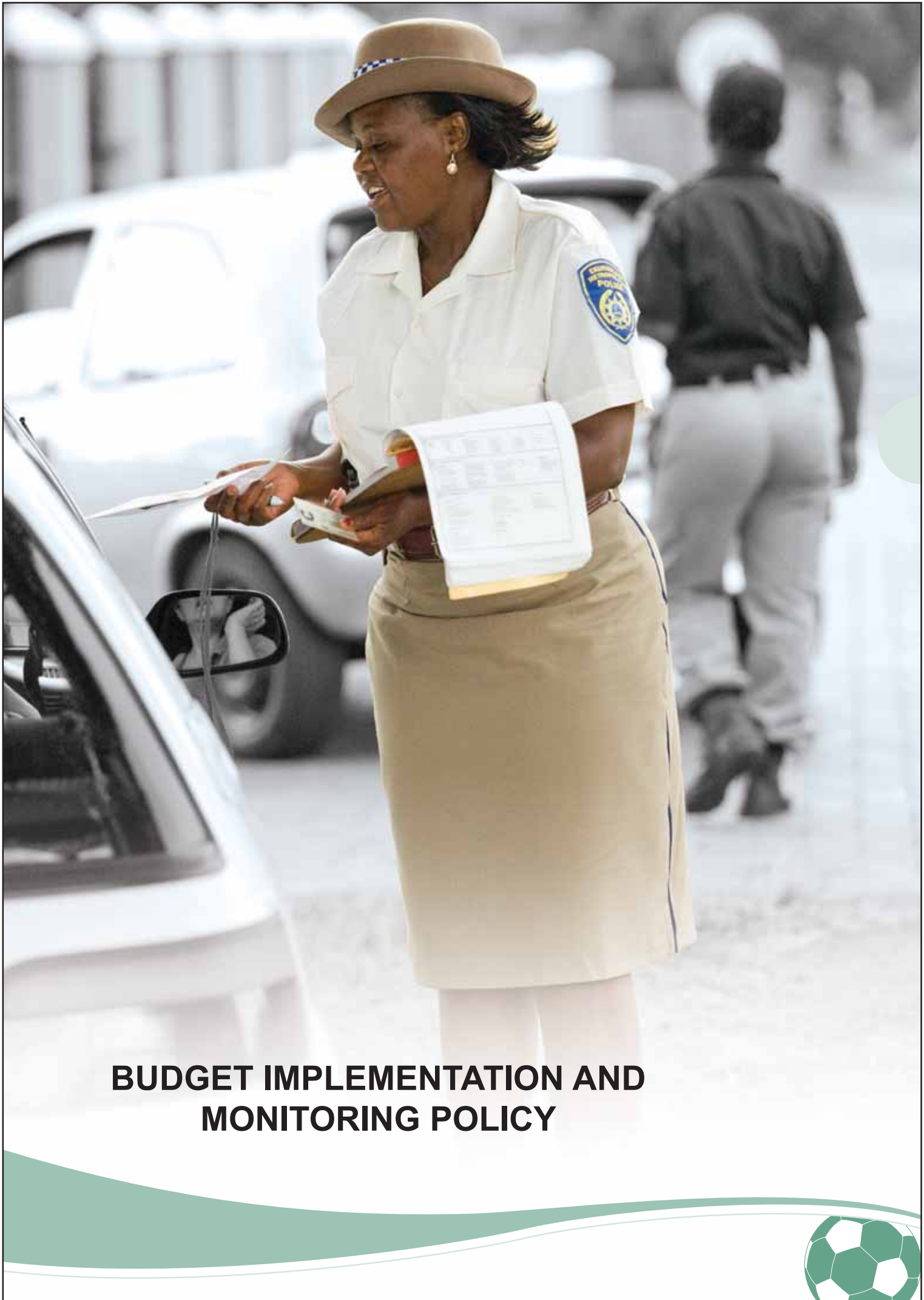
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	ADJUSTED BUDGET F00 2009/10	FINAL BUDGET: 28 APRIL 2010 VERSION		
		BUDGET F01 2010/11	BUDGET F02 2011/12	BUDGET F03 2012/13
CASH POSITION				
Operating Surplus	(1,011,297,110)	(552,581,267)	(264,632,282)	158,548,917
Adjustments to Operating Surplus for Non Cash items	1,750,472,372	1,984,714,819	2,397,547,696	2,595,560,827
Cash Flows from Operating Activities	739,175,262	1,432,133,552	2,132,915,414	2,754,109,744
Cash Flows from Investing Activities	(2,226,643,807)	(1,938,296,904)	(2,518,150,752)	(2,561,603,787)
Cash Flows from Financing Activities	1,453,780,178	701,710,981	847,004,836	841,200,273
TOTAL CASH GENERATED - See Cash Flow Statement	(33,688,367)	195,547,629	461,769,499	1,033,706,230
TOTAL CASH POSITION (Cash and Investments)				
Opening Cash and Cash Equivalents	1,064,929,949	1,031,241,583	1,226,789,212	1,688,558,711
Movement (as per above)	(33,688,367)	195,547,629	461,769,499	1,033,706,230
Closing Cash	1,031,241,583	1,226,789,212	1,688,558,711	2,722,264,941
Plus: Investments (excl. Entities)	279,319,054	73,524,545	473,524,545	873,524,545
TOTAL CASH POSITION (Cash and Investments)	1,310,560,637	1,300,313,757	2,162,083,256	3,595,789,486
Less encumbered cash (minimum that can be held) * Excl Depr	1,519,985,548	1,151,356,149	1,222,245,836	1,299,195,985
Cash available for operations (to be 70 days min)	(209,424,912)	148,957,608	939,837,420	2,296,593,501
Number of day's total cash held (total cash and inv)	38	37	62	103
Number of day's total cash held (cash only, excl inv)	30	35	49	78
Number of day's total cash held	(6)	4	27	66



BUDGET AND ACCOUNTING POLICIES





**BUDGET IMPLEMENTATION AND
MONITORING POLICY**



Budget Implementation and Monitoring Policy

BUDGET IMPLEMENTATION AND MONITORING POLICY

1. Application and Scope

The Budget Implementation and Monitoring Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute

The policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To ensure effective budget monitoring
- To ensure compliance with the MFMA Budget and Reporting Regulations

This policy deals with the following:

- Budget management and oversight
- Shifting of funds within votes
- Introduction of adjustments budget
- Unforeseen and unavoidable expenditure
- Unauthorised expenditure approved by the Mayor

3. Legislative Framework

The National Treasury issued the Budget Regulations on the 17th April 2009 in Government Gazette Number 32141. The Regulations came into effect on the 1st July 2009.

The Regulations deal with the following matters amongst others:

- Only one main adjustments budget may be considered by Council, but there are a number of exceptions where adjustments budgets can be dealt with:
 - o If a national or provincial adjustments budget allocates additional revenue to a municipality
 - o When unforeseeable and unavoidable expenditure is incurred and approved by the Mayor
 - o Approval of roll-overs (to be approved before the 25th August annually)
 - o Approval of unauthorised expenditure when the Mayor tables the annual report.
- In-year reports must be prepared in the prescribed format.
- The monthly budget statements must be placed on the municipality's website.
- Municipal Entities must comply to a similar process as prescribed to municipalities.



Budget Implementation and Monitoring Policy

4. Budget Management and Oversight

Section 71 of the Municipal Finance Management Act reads, inter alia, as follows:

“The accounting officer of a municipality must, by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury, a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) *Actual revenue, per revenue source;*
- (b) *Actual borrowings;*
- (c) *Actual expenditure, per vote;*
- (d) *Actual capital expenditure, per vote;*
- (e) *The amount of any allocations received;*
- (f) *Actual expenditure on those allocations, excluding expenditure on-*
 - (i) *its share of the local government equitable share; and*
 - (ii) *allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and*
- (g) *When necessary, an explanation of-*
 - (i) *any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;*
 - (ii) *any material variances from the service delivery and budget implementation plan; and*
 - (iii) *any remedial or corrective steps taken, or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.”*

The Finance department will facilitate the section 71 in-year reporting process as follows:

- Financial month end reports will be available on the 7th working day of the month
- Reports detailing the following information will be circulated to the Senior Management Team and Heads of Departments:
 - o Actual Operating Revenue / Expenditure for the month compared to the budget for the month per category
 - o Actual Operating Revenue / Expenditure for the year to date compared to the budget for the year to date
 - o Actual Operating Revenue / Expenditure for the year to date compared to the budget for the full year
 - o Capital Budget Expenditure for the month compared to the budget for the month
 - o Capital Budget Expenditure for the year to date compared to the budget for the year to date
 - o Capital Budget Expenditure for the year to date compared to the budget for the full year
 - o Grant allocations received as well as expenditure against those grants for the year to date
 - o Details of unspent grant funding
 - o Other relevant statistics
- Monthly financial statements will be compiled
- Reports will be submitted to the Executive Mayor on the 10th working day of each month
- A formal report with a full analysis of the financial results will be submitted to the Finance Portfolio Committee and Mayoral Committee on a monthly basis – this report will contain the financial information of the Metro in total with details of the financial performance per department. This report will contain a quality certificate signed by the Accounting officer as required by section 5 of the Municipal Budget and Reporting Regulations.

Budget Implementation and Monitoring Policy

- Each Head of Department will be required to analyse the financial results of his/her department and provide a report to the relevant portfolio committee on a monthly basis.
- Automated budget monitoring will be implemented through the blocking of all financial transactions (placing of orders, payments, journals, etc.) unless sufficient budget is available on the relevant line item on the financial system.
- Salary integration journals will be excluded from the abovementioned process. Financial control on salary payments will be effected through the PEELow/PayDay integration and data integrity check process.
- Any anticipated over-expenditures must be reported to the Chief Financial Officer and the relevant portfolio committee as soon as it is identified by the relevant Head of Department.
- Re-prioritisation of budgets will be allowed to facilitate shifting of funds towards anticipated over-expenditure items as identified above.

5. Shifting of funds within votes

Section 1 of the MFMA defines a “vote” as:

- 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*

The term “vote” is used to divide the budget into segments and the council then approves the budget according to these votes via resolution. The definition requires votes to be at the departmental or functional level. The reason for this is that municipalities are organized around departments, which in most instances tend to be linked to specific functions. Senior managers often head such departments/functions, which makes it easier for the “vote” of a department to be used to facilitate greater accountability for service delivery and budget implementation over the performance of senior managers, in accordance with their annual performance agreements. For effective accountability, senior managers form part of top management and report directly to the municipal manager (section 77 of the MFMA). As per MFMA Circular 12, issued 31 January 2005.

The shifting of funds (virements) between or within votes will be allowed within the following parameters:

- No virements will be allowed on the revenue side of the budget;
- Virements between votes are permitted where the proposed shift in funds facilitate sound risk and financial management;
- Virements from the capital budget to the operating budget are not permitted;
- Virements towards personnel expenditure are not permitted;
- Virements to and from the following line items are not permitted:
 - o Bulk Purchases
 - o Provision for Bad Debt
 - o Interest on External Loans
 - o Depreciation
 - o Grants in Aid
 - o Income Foregone
 - o Insurance
 - o Entertainment
- Virements are not allowed to result in the adding of new projects to the Capital Budget nor should it result in the removal of a project from the Capital Budget;



Budget Implementation and Monitoring Policy

- No conditional grant funding may be moved for purposes outside of that specified in the relevant conditional grant framework As per MFMA Circular 51 issued 19 February 2010.

The shifting of funds will be subject to the following approval process:

Administrative Process

As per delegations approved by Council per Item A-CL (05-2007) 29 March 2007 – amounts applicable as from 1 July 2010 to 20 June 2011:

CHIEF FINANCIAL OFFICER

Delegated up to R435 600 - Escalating with 10% per year.

Up to an amount of R435 600

Can be approved by the CFO, Director: Budget and Financial Management or Executive Manager: Budget and Financial Management

Amounts exceeding R435 600 - to be approved by the CFO

DEPUTY CITY MANAGER

In conjunction with the CFO and MMC: Finance: Delegated up to R726 000 - Escalating with 10 % per year

As the amounts are exceeding R435 600 - to be approved by CFO

To be approved by the relevant Deputy City Manager

To be approved by the MMC: Finance

CITY MANAGER

In conjunction with the CFO and MMC: Finance: Delegated up to R1 023 000 - Escalating with 10 % per year

As the amounts are exceeding R435 600 - to be approved by CFO

To be approved by the City Manager

To be approved by the MMC: Finance

Any request to shift funds within votes (be it for capital or operating expenditure), must be done using the prescribed form. The following process of information verification must be completed before the request is submitted for approval:

- Verification that the request will not lead to the shifting of funds that are not within the limits of the delegated powers as indicated above.
- Provision of background information as to why the shifting of funds are required.
- Provision of specific information in respect of the shifting of funds. The following information must be provided:
 - o Specific Questions to be answered for all budget re-allocations
 - Was the budget which is now being reduced over-budgeted for?
 - If not, how is it now possible to reduce the budget?
 - If yes, why?
 - How will this re-allocation impact on the budget for the next financial year?
 - o Specific Questions to be answered for capital budget re-allocations
 - Will the project where funds are transferred from still be implemented?
 - If not, why not?
 - If yes, when and how will it be funded?
 - Was the ward councillor informed of the budget adjustment?

Budget Implementation and Monitoring Policy

- The request must be approved by the relevant Head of Department.
- If the Chief Financial Officer is of the opinion that the request will not have a negative impact on the SDBIP outcomes, the request will be approved.
- The request will be forwarded to the Deputy City Manager, City Manager and MMC: Finance (as applicable) for co-approval in terms of the delegated powers.
- Approved requests will be processed on the Venus financial system.
- Only once funds have been shifted, will departments be able to process financial transactions.

Funds budgeted for under the **Council General** cost centre are provided for activities that are not restricted to a specific function and is thus not deemed to be a MFMA "vote". Shifting of funds between the Council General and other cost centres will be deemed to be transfers within a vote.

Political Process

Any funds to be shifted within votes for amounts that exceed the delegations of the MMC: Finance, City Manager, Deputy City Manager or Chief Financial Officer must be submitted to the Mayoral Committee and/or Council for approval.

The delegated powers of the Executive Mayor in this regard are as follows:

DELEGATION OF POWERS BY THE COUNCIL TO THE EXECUTIVE MAYOR

AUTHORITY	AUTHORISING PROVISIONS
<p>The council hereby transfers the execution of all powers, tasks and duties of the Council to its Executive Mayor, in accordance with the provisions of section 50 of the local Government : Municipal Systems Act 2000, and subject to the provisions of the Local Government : Municipal Finance Management Act 56 of 2003 (MFMA) to be exercised together with the other members of the Mayoral Committee as contemplated in Section 60(3) of the said Act, with exception of the following:</p>	<p>LOCAL GOVERNMENT : MUNICIPAL SYSTEMS ACT, ACT 32 OF 2000</p> <p>LOCAL GOVERNMENT : MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003</p>
<p>A The Council reserves the power to –</p> <ol style="list-style-type: none"> 1. make, amend or revoke laws; 2. determine rates, other taxes, levies and duties; 3. approve the annual budget and the adjustment budgets; 4. raise loans; 5. approve policies in respect of matters not delegated to the Executive Mayor; 6. approved IDP and Metro Spatial Development Framework (MSDF); 7. expropriate property; 8. approve the allowances/benefits of the Executive Mayor and other Councillors; 9. create or reduce levies or tariffs on money received; 10. appoint personnel in the positions of City Manager and Deputy City Managers (level 1 and 2), after interviewing of candidates by the Executive Mayor or any Committee appointed by the Executive Mayor for this purpose; 11. suspend and/or terminate the employment of any Manager or Managers reporting directly to the City Manager; 12. approve expenditure, excluding the acceptance of tenders or other bids as contemplated in the MFMA, at an amount exceeding R10 million subject to, and read with delegation 12 of the Executive Mayor; 13. exercise such powers as must be retained by Council in terms of legislation; 14. approve the framework of the organizational and personnel structure as contemplated in section 66 of the Systems Act subject to the further delegations as per this System of Delegations and the Council's Budget process. 	<p>EKURHULENI METROPOLITAN MUNICIPALITY SUPPLY CHAIN MANAGEMENT POLICY</p> <p>ALL APPLICABLE COUNCIL POLICIES AND RESOLUTIONS</p>

Budget Implementation and Monitoring Policy

- Any expenditure items in excess of R10m must be approved by the Council
- Annual budgets and adjustments budgets must be approved by the Council.

Any shifting of funds within votes that do not exceed R10 million can therefore be approved by the Executive Mayor.

Any shifting of funds within votes that exceeds R10 million must be approved by the Council.

To obtain the approval of the Executive Mayor and/or Council must be done through the submission of a report via the relevant portfolio committee following the prescribed process.

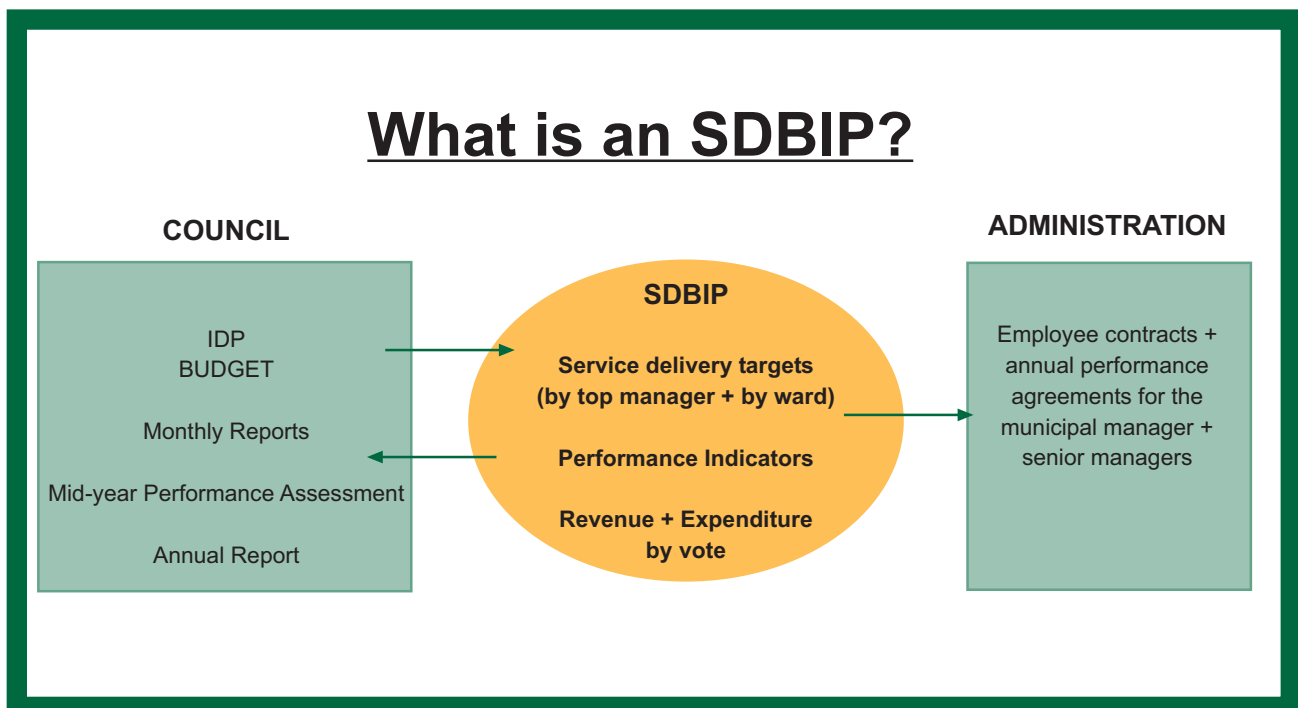
The same information as required when shifting funds using the administrative process must be included in the report to be submitted to the Mayoral Committee and/or Council.

Once approved, the shifting of funds will be processed on the Venus financial system. Only once funds have been shifted, will departments be able to process financial transactions.

1. Introduction of an adjustments budget

The SDBIP which gives effect to the Integrated Development Plan (IDP) and the municipality's budget as one aligned process in conjunction with the performance agreements of senior managers.

The SDBIP serves as a 'contract' between the administration, council and community expressing the goals and objectives set by council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget. The SDBIP can be summarized visually as follows: MFMA Circular 13 issued February 2005



Budget Implementation and Monitoring Policy

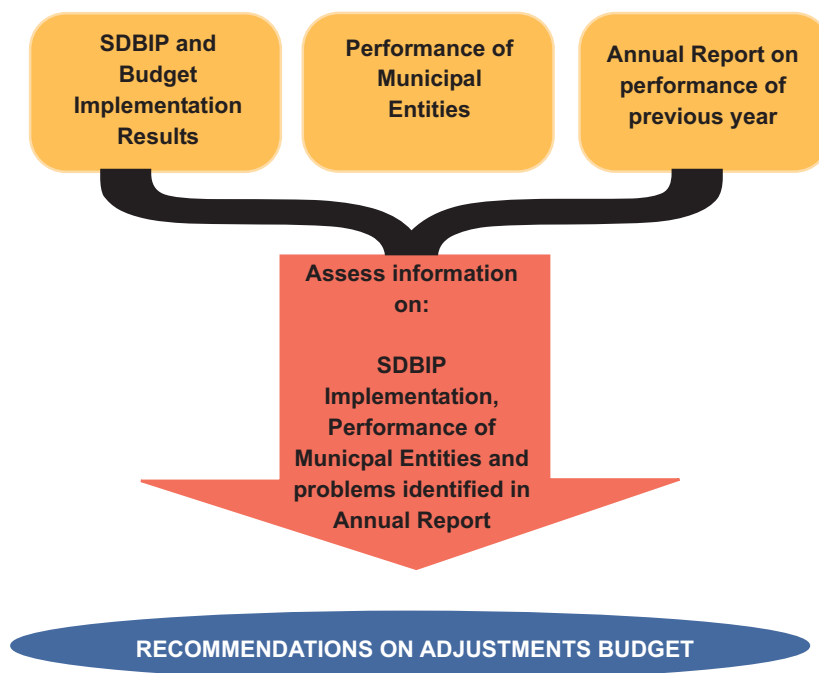
For the SDBIP to be useful, regular reporting is essential. Various progress reports must be submitted to Council for consideration during January of each year. These reports include:

The quarterly SDBIP report – Section 52(d) of the MFMA stipulates that the Mayor must, within 30 days after the end of each quarter, submit a report to Council on the Implementation of the Budget and the Financial State of Affairs of the municipality.

Mid-year Assessment of the Budget – Section 72 of the MFMA states that the Accounting Officer must, by the 25th January of each year assess the performance of the municipality during the first half of the financial year taking the monthly financial results, the SDBIP results, the past year's annual report and the performance of the municipal entities.

Adjustments Budget - Section 72 of the MFMA further states that the Accounting Officer must, as part of the Mid-Year Assessment of the budget, make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Visually, the process can be summarized as follows:



Only one main adjustments budget may be considered by Council resulting from the mid year review, but there are a number of exceptions where adjustments budgets can be dealt with:

- If a national or provincial adjustments budget allocates additional revenue to a municipality
- When unforeseeable and unavoidable expenditure is incurred and approved by the Mayor
- Approval of roll-overs (to be approved before the 25th August annually)
- Approval of un-authorized expenditure when the Mayor tables the annual report.

Budget Implementation and Monitoring Policy

The annual mid-year review will be performed during January of each year. The main adjustments budget will be commenced with during January, but Council will have the prerogative to deal with the adjustments budget either during January or at the latest February annually.

The adjustments budget will be considered by the Budget Steering Committee as well as all portfolio committees prior to it being finally approved by Council.

The Finance department will facilitate the requests for shifting of funds between votes. All needs identified between July and December annually must be communicated to the Finance department for the preparation of a consolidated report.

Additional allocations to departments will only be considered if actual revenue has significantly exceeded budgeted revenue for the first six months of the year and it is realistically anticipated that the trend will continue for the second half of the year **or** if new revenue not budgeted for has been received **or** if additional national or provincial adjustments budget allocations were made to the municipality.

If any budget amendments result in a change in the SDBIP outcomes, departments will be allowed to submit revised SDBIP's to Council for consideration. A reduction in SDBIP targets as a result of sub-standard performance will not be considered as part of the adjustments budget process.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

Adjustments budgets other than the main adjustments budget resulting from the mid year review, will be considered as follows:

Approval of roll-overs (to be approved before the 25th August annually)

Projects funded from Provincial or National Government Grants, or other externally funded sources where projects were scheduled for completion by 30 June annually, but, due to unforeseen delays are not completed by 30 June and no provision for completion of the projects were made in the annual budget, will be considered for roll-overs.

For projects to be considered, the following conditions must be met:

- Funding must have been received, or a legally binding written commitment for funding to be transferred must have been received
- National and/or Provincial government must have approved the roll over of the funding in terms of the conditions of the Division of Revenue Act (i.e no surrendering of funds applicable)
- Projects must have been committed and/or commenced with.

The Chief Financial Officer will, annually during July, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the August council meeting.



Budget Implementation and Monitoring Policy

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

If a national or provincial adjustments budget allocates additional revenue to a municipality

Additional allocations made to the municipality resulting from a National or Provincial adjustments budget will be dealt with in an adjustments budget.

For an adjustments budget to be considered, the following conditions must be met:

- Funding must have been received, or gazetted in an amended Division of Revenue Act.
- Projects must be able to be completed by the end of the financial year, or funding must be available for use after the financial year in terms of the conditions of the Division of Revenue Act.

The Chief Financial Officer will annually, after the Provincial or National adjustments budgets are announced, allow departments the opportunity to submit requests for budget adjustments where the above conditions are met.

An adjustments budget will be submitted to Council for consideration at the next council meeting.

The adjustments budget must follow the process and be in the format as prescribed by Part 4 of the MFMA Budget and Reporting Regulations.

Once the adjustments have been approved by Council, the Venus financial system will be updated whereafter departments will be allowed to process financial transactions.

1. Unforeseeable and unavoidable expenditure is incurred and approved by the Mayor

The MFMA Budget and Reporting Regulations prescribes the process to be followed for the approval of unforeseeable and unavoidable expenditure.

Unforeseen and unavoidable expenditure are expenditure that

- Could not have been foreseen at the time the annual budget of the municipality was passed
- The delay that will be caused by a pending adjustments budget may:
 - o Result in significant financial loss for the municipality
 - o Cause a disruption or suspension or serious threat to the continuation of municipal services
 - o Lead to loss of life or serious injury or significant damage to property
 - o Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

No unavoidable expenditure exceeding R15 million may be approved during a financial year.

Any department becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer with the full details on the unforeseen expenditure, providing information



Budget Implementation and Monitoring Policy

on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event). A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 72(2) of the MFMA Budget and Reporting Regulations must be given by the department when approaching the CFO.

The Chief Financial Officer will determine whether the cost cannot be dealt with through a process of shifting of funds within the relevant votes. If sufficient funds are available for shifting within the vote, the shifting of funds process will be followed. If not, the matter will be reported to the City Manager for consideration as unforeseen and unavoidable expenditure.

Once the City Manager has granted approval, the relevant Head of Department will be authorised to submit a report to the Executive Mayor requesting approval. If approval is granted, the Venus financial system will be adjusted to allow the department to process the financial transaction.

The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not exacerbate the situation.

An adjustments budget will be submitted to the next Council meeting. The preferred process would be to shift funds between votes to avoid any negative impact on the total cash position of council.

2. Approval of unauthorised expenditure when the Mayor tables the annual report

The MFMA defines unauthorised, irregular or fruitless and wasteful expenditure as follows:

"Unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Any unauthorised expenditure as defined above, must be disclosed in the Annual Financial Statements by the Chief Financial Officer.

The Municipal Public Accounts Committee must consider the unauthorised expenditure as disclosed immediately after the Annual Report has been tabled in Council. As part of their investigation, the following requirements for recovering of cost must be considered:

Budget Implementation and Monitoring Policy

Section 32 of the MFMA:

- (1) *Without limiting liability in terms of the common law or other legislation-*
 - (a) *a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly, or after having been advised by the accounting officer of the municipality, that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;*
 - (b) *the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);*
 - (c) *any political office-bearer or official of a municipality who deliberately or negligently committed, made, or authorised an irregular expenditure, is liable for that expenditure; or*
 - (d) *any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.*
- (2) *A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-*
 - (a) *in the case of unauthorised expenditure, is-*
 - (i) *authorised in an adjustments budget; or*
 - (ii) *certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and*
 - (b) *in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.*
- (3) *If the accounting officer becomes aware that the council, the Mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.*

Once the Municipal Public Accounts Committee has concluded its investigations, a report will be submitted to the Executive Mayor whereafter the unauthorised expenditure will be considered for approval, recovery of cost, write-off with or without disciplinary and/or criminal proceedings.

The Accounting Officer must ensure compliance with the MFMA reporting requirements in respect of unauthorised expenditure, including criminal proceedings where applicable with the assistance of the Executive Director: Legal and Administrative Services.





**PLANNING AND APPROVAL OF
CAPITAL BUDGETS POLICY**



Planning and approval of Capital Projects Policy

PLANNING AND APPROVAL OF CAPITAL PROJECTS POLICY

1. Application and Scope

The Planning and Approval of Capital Projects Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- Brakpan Bus Company
- East Rand Water Care Company
- Ekurhuleni Development Company, including Pharoeh Park, Phase Two and Lethabong Housing Institute

The policy will be effective as from 1 July 2010.

This policy is an interim policy that will be amended once the Project Monitoring Unit is fully operational. It is the intention that Ekurhuleni Metropolitan Municipality will have a functional Program Monitoring Office by June 2010 to assist in the formal evaluations of all proposed projects. A detailed policy will be developed during the 2010/11 financial year for implementation as from 1 July 2011.

2. Objectives of Policy

- To ensure that capital projects are only budgeted for if feasibility has been proven.
- To ensure the optimum allocation of resources to projects that can be implemented within the timeframes budgeted for.

3. Introduction

The three-year capital budget provides departments the opportunity to plan their capital spending activities in advance, allowing for a more strategic approach.

The typical project cycle consist of at least the following phases:

- Feasibility Study
- Basic Planning
- Environmental Impact Assessment
- Detail Planning and Design
- Implementation

4. Policy Statement

That all projects be evaluated in terms of a project plan (time line) as well as a cash flow linked to the project plan, to determine the practicality to implement the project within the proposed budget and time frame (multi-year projects).

That all proposed budgets for projects be approved only if the evaluation is positive.





MUNICIPAL ENTITIES POLICY



Municipal Entities Policy

MUNICIPAL ENTITIES POLICY

1. Application and Scope

The Municipal Entities Support Policy is applicable to the Ekurhuleni Metropolitan Municipality.

Ekurhuleni Metropolitan Municipality has three Municipal Entities:

- 1) Brakpan Bus Company (**BBC**).
- 2) East Rand Water Care Company (**ERWAT**).
- 3) Ekurhuleni Development Company (**EDC**), which includes the following companies:
 - a. Ekurhuleni Development Company
 - b. Pharoe Park
 - c. Phase Two
 - d. Lethabong Housing Institute

The revised policy will be effective as from 1 July 2010.

2. Objectives of Policy

- To regulate the financial support given to municipal entities
- To ensure compliance with the Municipal Finance Management Act

3. Introduction

Regular requests are received for financial and other support from the municipal entities. It is not a sound principle to evaluate requests for financial support on an ad hoc basis only, but it is preferable to have a framework within which requests will be considered.

Options include, but are not limited to:

- Bulk contributions received from developers used to fund additional capacity requirements.
- Negotiation of consolidated borrowings for EMM and entities at more beneficial rates than what entities can obtain loan funding.
- Entities that are not financially viable be incorporated into EMM administration.

4. Legislative Framework

Chapter 10 of the MFMA provides the legislative framework for municipal entities.

The following sections of the Municipal Finance Management Act (MFMA) are specifically quoted to emphasise the nature of the relationship between the EMM and the Municipal Entities:



Municipal Entities Policy

Section 87 - Budgets

- (1) *The board of directors of a municipal entity must, for each financial year, submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality.*
- (4) *The board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality.*
- (5) *The budget of a municipal entity must-*
 - (a) *be balanced;*
 - (c) *be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;*
 - (d) *include a multi-year business plan for the entity that-*
 - (iv) *reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates; and*
- (7) *Any projected allocation to a municipal entity from its parent municipality must be provided for in the annual budget of the parent municipality, and to the extent not so provided, the entity's budget must be adjusted.*

Section 89 - Remuneration packages

The parent municipality of a municipal entity must—

- (a) *determine the upper limits of the salary, allowances and other benefits of the chief executive officer and senior managers of the entity; and*
- (b) *monitor and ensure that the municipal entity reports to the council on all expenditure incurred by that municipal entity on directors and staff remuneration matters, and in a manner that discloses such expenditure per type of expenditure namely:*

Section 90 - Disposal of capital assets

- (1) *A municipal entity may not transfer ownership as a result of a sale or other transaction or otherwise dispose of a capital asset needed to provide the minimum level of basic municipal services.*
- (2) *A municipal entity may transfer ownership or otherwise dispose of a capital asset other than an asset contemplated in subsection (1), but only after the council of its parent municipality, in a meeting open to the public—*
 - (a) *has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and*
 - (b) *has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.*

Municipal Entities Policy

- (3) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services may not be reversed by the municipality or municipal entity after that asset has been sold, transferred or otherwise disposed of.
- (4) A municipal council may delegate to the accounting officer of a municipal entity its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets of the entity below a value determined by the council.
- (5) Any transfer of ownership of a capital asset in terms of subsection (2) or (4) must be fair, equitable, transparent and competitive and consistent with the supply chain management policy which the municipal entity must have and maintain in terms of section 111.
- (6) This section does not apply to the transfer of a capital asset to a municipality or another municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury provided that such transfers are in accordance with a prescribed framework.

Section 94 - Fiduciary duties of accounting officers

- (1) *The accounting officer of a municipal entity must-*
 - (a) *exercise utmost care to ensure reasonable protection of the assets and records of the entity;*
 - (d) *seek, within the sphere of influence of that accounting officer, to prevent any prejudice to the financial interests of the parent municipality or the municipal entity.*

Section 101 - Impending under collection, shortfalls, overspending, overdrafts, and nonpayment

- (1) *The accounting officer of a municipal entity must report, in writing, to the board of directors of the entity, at its next meeting, and to the accounting officer of the entity's parent municipality any financial problems of the entity, including- (b) any steps taken to rectify such financial problems.*

Section 108 - Borrowing of money

- (1) *A municipal entity may borrow money, but only in accordance with-*
 - (a) *the entity's multi-year business plan referred to in section 87(5)(d); and*
 - (b) *the provisions of Chapter 6 to the extent that those provisions can be applied by a municipal entity.*

Section 109 - Financial problems in municipal entities

If a municipal entity experiences serious or persistent financial problems and the board of directors of the entity fails to act effectively, the parent municipality must either-

- (a) *take appropriate steps in terms of its rights and powers over that entity, including its rights and powers in terms of any relevant service delivery or other agreement;*



Municipal Entities Policy

- (b) *impose a financial recovery plan, which must meet the same criteria set out in section 142 for a municipal financial recovery plan; or*
- (c) *liquidate and disestablish the entity.*

5. Financial Support

The following support will be provided to the Municipal Entities in line with the provisions of the MFMA:

Brakpan Bus Company

- Use of Council Owned Buses as per the conditions contained in the Lease Agreement. The further recapitalisation of the bus fleet will be subject to the availability of funds in the capital budget of the Ekurhuleni Metropolitan Municipality.
- Use of Council Owned Facilities as per the conditions contained in the Lease Agreement
- Administrative support in relation to financial management (on request) at no cost to the BBC with the express provision that the accountability remains with the Accounting Officer of the Entity.
- Direct financial support to be considered on a year-to-year basis by Council, subject to availability of finance and/or budget provision at the EMM.
- Guarantee of borrowings of entity subject to financial viability of proposed borrowings.
- Any other support will be provided in terms of the Service Level agreement, but subject to the availability of resources in the Ekurhuleni Metropolitan Municipality.

Ekurhuleni Development Company

- Administrative support in relation to financial management (on request) at no cost to the EDC with the express provision that the accountability remains with the Accounting Officer of the Entity.
- Direct financial support to be considered on a year-to-year basis by Council, subject to availability of finance and/or budget provision at the EMM.
- Guarantee of borrowings of entity subject to financial viability of proposed borrowings.
- Any other support will be provided in terms of the Service Level agreement, but subject to the availability of resources in the Ekurhuleni Metropolitan Municipality.

ERWAT

- ERWAT, as service provider to the Ekurhuleni Metropolitan Municipal Municipality, should set cost reflective tariffs which must include both operational and capital cost related to the rendering of the service. To this end, the EMM commits to approve the following cost reflective tariffs in the MTIEF period:
- MIG grants will be made available from the EMM MIG allocation to ensure that bulk sewer infrastructure is available to service the EMM community.
- Bulk contributions received from developers used to fund additional capacity requirements.
- Guarantee of borrowings of entity subject to financial viability of proposed borrowings.
- Direct financial support to be considered on a year-to-year basis by Council, subject to availability of finance and/or budget provision at the EMM.
- Any other support will be provided in terms of the Service Level agreement, but subject to the availability of resources in the Ekurhuleni Metropolitan Municipality.

Municipal Entities Policy

Negotiation of consolidated loans for EMM and entities at more beneficial rates than what entities can obtain loan funding. Any loans in this regard will be subject to Council approval.

Direct loan funding from the EMM to the entities are not disallowed by the MFMA, but it is deemed to be impractical and is not recommended for the current medium term period.

6. Monitoring of Performance

Performance of municipal entities as required by Section 87 of the Municipal Systems Act will be managed as follows:

- Municipal Entities to submit three-year annual and one-year quarterly performance targets to the EMM as part of the annual budgeting process.
- These targets must be included in both the business plans and SDBIP's of the municipal entities.
- These targets will annually be approved by the EMM as part of the budget process. These targets will constitute the performance level agreement between the EMM and the entities for the year.
- Quarterly reports providing actual performance against the targets must be submitted to the EMM Council.
- Actual performance for the year will be included in the consolidated EMM annual report.

7. Service Level Agreements

Service Level agreements shall be entered into between the EMM and the municipal entities in line with good governance principles.

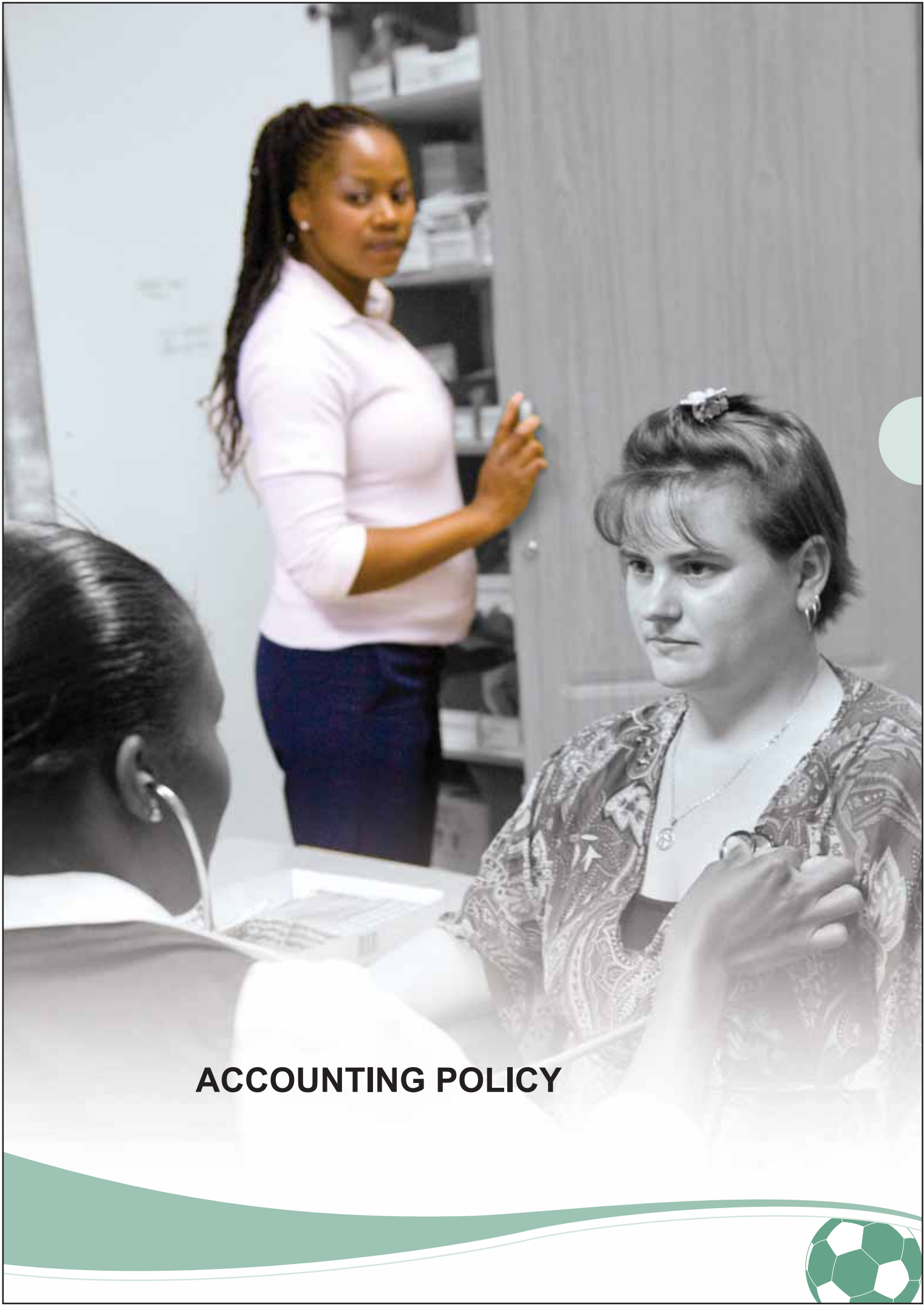
8. Dividend Preference

The municipal entities of the EMM are not for profit organisations and no dividends are declared. The EMM contributes financially to the entities and any surpluses generated by the entities should be retained by the entity to reduce future year financial dependency on the Metro.

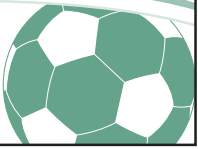
9. Conclusion

Municipal Entities have been established to further the service delivery aims of the Ekurhuleni Metropolitan Municipality. The relationship between the EMM and the entities should therefore positively contribute towards the joint service delivery aim.





ACCOUNTING POLICY



Accounting Policy

ACCOUNTING POLICY

BASIS OF PREPARATION

Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These municipal annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Property, plant and equipment (PPE)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.



Accounting Policy

The municipality maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Item	Average useful life	Item	Average useful life
Land		Infrastructure	
Landfill sites	15 years	Roads and stormwater	1 – 120 years
Motor vehicles		Pedestrian malls	30 years
Specialised vehicles	5 - 15 years	Electricity	5 – 60 years
Other vehicles	4 - 20 years	Water	3 – 200 years
Community		Sewer	3 – 120 years
Buildings	30 years	Housing	30 years
Recreational facilities	20 – 30 years	Solid Waste	5 – 60 years
Security	5 – 8 years		
Other PPE		Other PPE	
Furniture and fittings	3 - 33 years	Water craft	15 years
Office equipment	3 – 7 years	Specialised PPE	10 – 15 years
Other items of PPE	2 – 25 years		

The asset management policy contains the details of the components and their specific useful life estimates.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an asset's carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the asset's recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

Investments in controlled entities

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

Accounting Policy

Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, the municipality measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or of financial assets is impaired. If any such evidence exists, the municipality applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows



Accounting Policy

(excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the municipality has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to

Accounting Policy

estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or of financial instruments).

Derecognition

Financial assets

A financial asset is derecognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for derecognition. A transfer qualifying for derecognition occurs when the municipality transfers the contractual rights to receive the cash flows of the financial asset. Where the municipality has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:



Accounting Policy

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Fixed deposits.
- Investments in municipal bonds
- Investments in RSA Government Stock
- Long term receivables
- Consumer debtors
- Other debtors
- Call investment deposits
- Bank balances and cash.

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Fixed deposit	Held to maturity
Investments in municipal bonds	Held to maturity
Investments in RSA Government Stock	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale
Unit Trusts	Available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Creditors
- Consumer deposits
- Unspent conditional grants
- Current portion of long term liabilities

There are two main categories of financial liabilities, classified based on how they are measured.

Accounting Policy

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Long term liabilities (Current & non-current)	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Creditors	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Study Loans:

Amounts outstanding for Study Loans are in terms of the old policy on Study Loans for Staff in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost was recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the municipality for the same period of the study course paid for by the municipality. Should the employee leave the service of the municipality such employee is required to repay the municipality pro rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

Sundry Deposits:

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable

Capital Projects:

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.



Accounting Policy

Insurance Claims:

Insurance Claims are in respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Investment in Unit Trusts

The municipality has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the municipality.

Finance leases - As lessor

The economic recognise lease payments receivable as assets in the statement of financial position. The municipality present such assets as a receivable at an amount equal to the net investment in the lease.

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases – As lessee

At the commencement of the lease term, the municipality recognises finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate is used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets

Accounting Policy

that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - As lessor

The municipality present sassets subject to operating leases in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the municipality's normal depreciation policy for similar assets.

Operating leases – As lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no, or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no, or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.



Accounting Policy

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The weighted average method is the basis of allocating costs to inventories.

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

Employee benefits

Retirement Funds

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The municipality contributes to defined contribution and defined benefit funds. These funds are multi-employer funds.

Defined Contribution Funds

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

These contributions are charged to the operating account when paid.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

Provisions and contingencies

Contingent assets and contingent liabilities are not recognised.

Accounting Policy

Contingent assets and contingent liabilities are not recognised.

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a. Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b. COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%.

c. Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 12%.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.



Accounting Policy

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the municipality's right to receive payment is established.

Accounting Policy

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

Internal reserve: Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also from housing projects approved by the MEC for housing
- Any contributions to, or from the fund, are shown as transfers in the Statement of Changes in Net Assets.

The fund is derecognised in the year in which the fund liabilities exceed the fund assets.

The fund liabilities exceeded fund assets in the current year and the fund was derecognised.

Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange

Accounting Policy

transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is provided to write down the cost by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. is capable of being separated or divided from the municipality and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality, and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the municipality acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the municipality generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

Accounting Policy

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the municipality can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

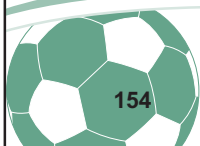
The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of, or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



Accounting Policy

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognized.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policy

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Internal Reserves

Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient costs were previously capitalized. This fair value adjustment has been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriate as to realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the municipality.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

Going concern

These annual financial statements have been prepared on a going concern basis.



Other Policies

CD ADDENDUM

The following policies (previously approved by Council) are contained in electronic format in the CD addendum to the budget document.

- SCM policy in terms of section 111 of the MFMA
- Asset management and disposal of assets policy
- Policies dealing with infrastructure investment and capital projects
 - o Developer contributions for property developments – Electricity
 - o Developer contributions for property developments – Water and Wastewater
 - o Developer contributions for property developments – Roads
- Policies relating to managing electricity
 - o Electricity metering for domestic customers (aimed at management of electricity losses)
 - o Policy to promote electricity conservation and efficiency
- Policies related to personnel (including overtime, vacancies and temporary staff)
 - o Recruitment and selection policy and procedure
 - o Policy for appointing temporary staff
 - o Personnel policy
 - o Payment of advances on salaries policy
 - o Overtime policy
 - o Acting allowance policy
 - o Acting allowance (section 57) policy
 - o Uniform allowance for night work policy
 - o Domestic travel policy
 - o Transport allowance policy
 - o Internship policy and implementation guidelines
 - o Learnership policy
 - o Study bursary scheme for employees
 - o Ekurhuleni bursary scheme
 - o HIV policy
 - o Incapacity due to ill health policy
- Other policies
 - o Acceptance of grants, donations, sponsorships and gifts policy