



Lukhanji Municipality
**BUDGET STRATEGY AND
EXPENDITURE FRAMEWORK**

FOR

2014/15 – 2016/17

ADOPTED 31 MARCH 2014

1. Table of Contents

No.	Section description	Page
1	Table of Contents – Listing of Schedules, Tables and Graphs	2
2	Mayor's Report	5
3	Budget Related Resolutions	7
	The Budget	
4	Executive Summary	9
5	Budget Schedules (operating and capital)	24
6	Budget Related Charts and Explanatory Notes	36
	Supporting Documentation	
7	Budget Process Overview (including consultation process and outcomes)	41
8	Alignment of Budget with Integrated Development Plan	46
9	Budget Related Policies Overview and Amendments	53
10	Budget Assumptions	56
11	Funding the Budget (including fiscal overview and sources of funding)	61
12	Disclosure on Allocations Made by the Municipality	79
13	Disclosure on Salaries, Allowances and Benefits	79
14	Monthly Cash Flows by Source	84
15	Measurable Performance Objectives (Revenue Source & Vote)	92
16	Disclosure on Implementation of MFMA & Other Legislation	94
17	Summary of Budgets/SDBIPs – departmental/functional (internal)	95
18	Summary of Budgets and SDBIPs – entities & other external mechanisms	97
19	Summary of Detailed Capital Plan	96
A	Appendix A – Rates and Tariffs	104
B	Appendix B – New and Amended Policies	126

Listing of Schedules, Tables and Graphs

No.	Description	Page
	Total Revenues Summary Pie Chart	18
	Total Expenditures Summary Pie Chart	20
	Functional Organizational Chart	21
Table A1	Budget Summary	23
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification)	24
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote)	25
Table A4	Budgeted Financial Performance (revenue and expenditure)	26
Table A5	Budgeted Capital Expenditure by Vote, standard classification and funding	27
Table A6	Budgeted Financial Position	28
Table A7	Budgeted Cash Flows	29
Table A8	Cash backed reserves/accumulated surplus reconciliation	30
Table A9	Asset Management	31
Table A10	Basic Service Delivery Measurement	33
Chart 1	Operating Revenue by Source	35
Chart 2	Operating Expenditure by GFS Function	36
Chart 3	Capital Expenditure by Vote	37
Chart 4	Capital Funding by Source	38
Table SA4	Reconciliation of IDP to Budget - Revenue	48
Table SA5	Reconciliation of IDP to Budget - Operating Expenditure	49
Table SA6	Reconciliation of IDP to Budget - Capital Expenditure	50
	Listing of Budget Assumptions	54
Table SA10	Funding Measurement	61
Table SA8	Performance Indicators and Benchmarks	62
Table SA15	Investment Particulars by Type	66
Table SA16	Investment Particulars by Maturity	67
Table SA18	Transfer and Grants receipts	70
Table SA19	Expenditures on transfers and grant programme	71
Table SA 20	Reconciliation of transfers, grant receipts and unspent funds	72

Table SA17	New Borrowing	76
Table SA21	Transfers and grants made by the municipality	77
Table SA23	Disclosure of Salary, Allowance and Benefits (political office bearers/councillors/senior managers)	78
Table SA22	Summary of councillor and staff benefits	79
Table SA24	Summary of Personnel Numbers	80
Table SA25	Budgeted monthly revenue and expenditure	83
Table SA26	Budgeted monthly revenue and expenditure (municipal vote)	84
Table SA27	Budgeted monthly revenue and expenditure (standard classification)	85
Table SA28	Budgeted monthly capital expenditure (municipal vote)	86
Table SA29	Budgeted monthly capital expenditure (standard classification)	87
Table SA30	Budgeted monthly cash flows	88
Table SA34a	Capital expenditure on new assets by asset class	96 - 100
	Appendix A – Rates and Tariffs	101

Executive Mayors Foreword

The Municipality through the State of the Municipal Address in June 2012 adopted the Integrated Development Plan 2012-2017 and the Medium Term Revenue and Expenditure Framework 2012-2015. These strategic documents have been implemented and to-date the Municipality has started its reviews as per Municipal Systems Act and the Municipal Finance Management Act.

In the Council meeting of the 31st March 2014 the Reviewed Integrated Development Plan 2014-2015 and the Reviewed Medium Term Revenue and Expenditure Framework 2014-2017 were adopted. This will be preceded by a process of public participation and community engagement to ensure that all stakeholders make an input before the final documents are approved for implementation. This also encapsulate the Draft Spatial Development Framework that has been adopted and also due for public participation process.

These documents have taken note of all the forecasts and the objectives and strategies adopted seek to respond to all the challenges faced by the Municipality. Critically during this process will be to ensure that there is integrated planning with other spheres of government and stakeholders so that we realize the integration process that must culminate into improved service delivery. Acknowledging that the needs will always be limitless with limited resources to fulfil them, we are to engage in a rigorous process of seeking alternative funding for resource mobilization.

We also are proposing some increases in our rates and tariffs as part of our funding of the Municipal programs. This has been done notwithstanding the water tariffs increase by the district but an engagement process around that is being explored. The following are the proposed tariffs and will engage stakeholders before the final proposals are presented to Council for approval;

Electricity_ 7,39% increase

- Rates_ 10.0% increase
- Refuse Collection 8 % increase
- Water312%
- Sanitation 6 % increase

Our mainstream funding flow from the National Treasury in a form of Equitable Share and some conditional grants and what becomes critical is to ensure that they are spent 100% in each financial year.

The Municipality is engaged in a process of indigency so that we are able to intervene decisively and provide the free basic services to our people. This process will also ensure that our interventions make the desired impact. Our Municipality is growing through many investments that have emerged and our financial policies more especially the debt and credit control policies need to be implemented to the latter and ensure that the Municipality is financially viable.

Lukhanji Adopted Draft Budget 201415

The governance structures should assist by employing developmental mechanisms to ensure accountability of all the resources of the Municipality and help to improve the Audit Outcomes which is the critical sign of good governance.

We owe all the above to the citizenry of Lukhanji who are the primary beneficiaries of everything that is done by Council. At all intervals, we will engage our communities and improve our accountability standards as we move forward.



Executive Mayor

Cur N Makanda

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3. Budget Related Recommendations

1. Council recommends that the final annual budget of the municipality for the financial year 2014/15 and indicative for the two projected outer years 2015/16 and 2016/17 be adopted as set-out in the following tables:

- 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) **Table A2.**
- 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) **Table A3.**
- 1.3. Budgeted Financial Performance (revenue and expenditure by source) **Table A4.**
- 1.4. Budgeted Capital Expenditure by vote, standard classification and funding **Table A5.**
- 1.5. Budgeted Financial Position **Table A6.**
- 1.6. Budgeted Cash Flows **Table A7.**
- 1.7. Cash Backed Reserves/accumulated surplus Reconciliation **Table A8.**
- 1.8. Asset Management **Table A9.**
- 1.9. Basic Service Delivery **Table A10.**
2. Council resolves that property rates and any other municipal taxes reflected in **appendix A** are imposed for the budget year.
2. Electricity tariffs be imposed at 8.06% approved by Nersa for bulk purchases with effect 1 July 2014.
3. Council resolves that tariffs and charges reflected in **appendix A** are approved for the budget year.
 - 3.1 Council resolves that the Electricity tariffs for non-indigent consumers be approved with 7.39% with effect 1 July 2014.
 - 3.2 Council resolves that the monthly electricity tariffs for registered indigents for the financial year be approved as follows:

First 50 Kw	Free
In excess of 51Kw	Increase of 7.39%
4. Council resolves that the measurable performance objectives for revenue from each source reflected in **table 10** are approved for the budget year.
5. Council resolves that the measurable performance objectives for each vote reflected in **section 17** are approved for the budget year 2014/15.

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6. Council resolves to adopt the amended Integrated Development Plan as submitted.
7. That the **6.8%** provided for salary increases for employees is maintained.
8. That indigent income levels are set at the following:

Destitute indigent	R 1750
Indigent	R 2540
9. That the attached revised policies contained in appendix B in this budget document be adopted.

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The Budget

4 Executive Summary

The Municipal Budget and Reporting Regulations (MBRR), are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver services by facilitating improved financial sustainability and better medium term planning. The Municipal Finance Management Act (MFMA) and the related Circulars that have been distributed by the National Treasury require that the Mayor table a three year medium term budget strategy and expenditure framework to the Lukhanji Municipal Council by the end of March for the financial year beginning July 1,2014 and ending June 30,2015

The MFMA also requires that the municipal budget be tabled in council at least 90 days before the start of the new financial year..

The tabled budget is to be taken out to the public for consultation and then with all revisions be brought back to the entire municipal council for approval before the beginning of the new financial year as required in the MFMA. This final budget to be brought back to council will incorporate any of the submissions and changes that are deemed required by the Mayor.

Most of the requirements of the MFMA concerning the budget content and documentation are in place for this budget process and were incorporated into this budget document. Major requirements of the MFMA include: 1) the budget must set out 'realistically anticipated revenues' for the year by each revenue source; 2) the budget must be generally divided between capital and operating expenditures and each must be set out by 'vote'; 3) expenditures can only be funded by 'realistic' revenues, surplus cash carried forward and not committed to any other expenditure or borrowed funds (borrowed funds can only be used to fund capital projects). There are many other format requirements for the budget that are too numerous to mention here, however, a complete listing can be found in section 17 of the MFMA.

The preparation of this budget document evolved the making of critical policy decisions and key strategies and policy directions that were given by the Mayoral Committee over the past months. In August of 2013 the Mayoral committee approved a set of assumptions and forecasts that were then used

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to prepare 'baseline' budgets. These 'baseline' budgets formed the basis for operating budget discussions and these were given to the Directors to review and revise within given guidelines. These revised baseline budgets returned by the directors then formed the basis for the draft budget that was built upon the key assumptions and decisions (*see section 10 for a discussion of budget assumptions*).

The budget and financial policies used to develop this budget are focused on making Lukhanji financially sustainable in the long run. One of the biggest challenges facing the municipality in the near future is maintaining an operating year end cash balance to allow for positive operating cash flows and unexpected contingencies.

It is the intention of the municipality to build a cash backed reserve in support of the capital assets reserve fund from which future assets financing can be made. Lukhanji Municipality does not have any cash – backed reserve at the moment. Cash reserves are not only necessary to pay all the creditors that we owe as required by the MFMA but to cushion the municipality in times of shortfalls in times of our cash position during the operating year.

Where residents are formally registered as indigent and have completed the requisite Municipal forms, had affidavits signed and had their residential status inspected and confirmed by municipal staff, then this charge will be waived.

As presented, the draft Budget for 2014/15 balances expenditures with revenues and available cash balances as required by the MFMA. In addition, we anticipate moving toward our goal of maintaining an operating cash reserve of 30 days.

Operational Revenues are anticipated to reach **R609.8Million** (including currently known grants received for operational expenditures); **operational expenditures** funded from cash carry forwards and operating revenues are proposed at **R609.8 Million**.

The Capital Budget is funded from a blend of conditional grants, and internally generated fund. Capital expenditures for 2014/15 are estimated to total **R53 Million** for a variety of projects and purchases.

Total Budget proposed for the 2014/15 financial year is therefore estimated to be R662.8 million.

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In preparing the budget many issues emerged that had to be taken into account. Several assumptions were utilized to produce estimates and forecasts. In addition, many policy decisions were incorporated into this budget document. The following list attempts to give the most significant of these.

Operating Revenues

- Revenues are shown on a 'billed' (or accrual) basis where applicable. In many cases revenue billed is much higher than cash actually collected on that billing. An offsetting bad debt expense is also included for each billed revenue vote. This expense must be considered in any revenue discussion. **Allocations for bad debt** include the following amounts.
 - Electricity 29.4 million
 - Rates 1.4 million
 - Refuse Collection 13.8 million
 - Water 61.3 million
 - Sanitation 9.9 million
 - Interest on Debtors 15.9 million

- **Rates and tariffs** in most cases contain proposed increases. A detailed listing and explanation of these is included in this document (see appendix A). To summarize these recommended increases:
 - Electricity 7.39% increase
 - Rates 10.0% increase
 - Refuse Collection 8.0% increase
 - Sanitation 6.0% increase
 - Water 312% increase

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- The **Equitable Share** Allocation from the National Treasury is **R118,301,000** which is up from the current budget of R112,655,000.
- The operating budget anticipates an agency **payment from the Chris Hani District Municipality** for providing the water and sanitation service of **R31,6 in the Lukhanji Municipal Area**. This amount is based on the model we have used for the past two years but which does not cover adequately the cost of providing this agency function on behalf of the district municipality.
- On the issue of water subsidy from the district municipality, MFMA circular 72, stipulates that if a district municipality has devolved the water function to the local municipalities within its area of jurisdiction it needs to ensure it provides for the transfer of a portion of the equitable share to the local municipalities actually performing the function through the district's budget process. Going forward this is one area that the local municipality will have to engage the district municipality in order to cover the full cost of the water and sanitation function.

Operating Expenditures

- **Employee salaries** and related expenses are increased by the level indicated by correspondence from the national treasury. MFMA circular 72 recommended that the projected inflation forecast plus one percent be applied to the employee salaries. **Salaries will therefore be increased by 6.79%**. Municipalities must take into consideration the multi - year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increases based on the average CPI for the period 1 February 2013 until 31 January 2014, plus 1 percent for 2014/15 financial year (with effect from 1 July 2014).
- The average CPI for the period February 2013 to 31 January 2014 is 5.79 per cent. Municipalities are therefore advised to provide for increases related to salaries and wages as follows:

2014/15 Financial Year – 6.79 percent (5.79 percent plus 1 percent)

2015/16 Financial Year – 6.40 percent (5.40 percent plus 1 percent)

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2016/17 Financial Year – 6.40 percent (5.40 percent plus 1 percent)

MFMA circular 72 recommends that the projected inflation forecast plus one per cent be applied to the 2015/16 and 2016/17 financial years in the absence of a collective Salary and Wage agreement.

- All new personnel requests by departments are not included in this budget due to budget shortfalls. Employee salaries and wages have increased from R138.7 million (2013/14 adjustment budget) to R148.8 million in the 2014/15 draft budget showing an increase of 7.3%.
- Municipalities have been advised by National Treasury to budget for remuneration of councilors based on the actual costs approved in line with the latest Public Office Bearers Act issued in December 2013 and revised in January 2014. Councillor remuneration has increased from R18.8 million in 2013/14 to R20.2 million in the 2014/15 draft budget.
- **Electricity bulk purchases** are anticipated to **increase by 8.06%** in the 2014/15 financial year. Electricity bulk purchases will increase to R150.0 million in the 2014/15 financial year. Electricity losses which stand at the moment at 31.0% is expected to decrease further in the 2014/15 MTERF with the intervention of the Revenue enhancement team launched in 2013.
- All costs related to the repayment for **past fleet purchases** are fully funded in this budget. Interest payment and capital redemption payments for the municipality's finance leases will be fully paid up by 2015/16 financial year. Repayment in 2014/15 will amount to R1.3 million with the final amount of R675 000 to be paid in the 2015/16 financial year.
- An amount of **R4,04 million** has been allocated in the operating budget for normal street maintenance and repairs. This is in addition to what has been allocated in the Capital budget.
- **No amount** is included in the operating budget for the purchase of small equipment and machinery.
- Bad debt provision in the budget has increased from R80.0 million (2013/14 original budget) and R67.0 million (2013/14 adjustment

Lukhanji Adopted Draft Budget 201415

budget) to R131.0 million in the 2014/15 budget. The steep increase is mainly due to the R61.0 million increases in the bad debt provision in the water tariff. The 312% increase in the water tariff has taken us into unknown territory in terms of our bad debt provision and it will be prudent on the part of the municipality to provide adequate provision for bad debt. The intention is to minimize any effect on the municipality's Cash flows due to possible non - payment of billed tariffs,

- MFMA Circular No. 66 has also highlighted the following examples of non- priority expenditures that should be eliminated:
- The circular aims at providing guidelines within which expenditure should be incurred in broad terms.
- i. excessive sponsorship of music festivals, beauty pageants and sporting events, including the purchase of tickets to events for councillors and/or officials;
- ii. public relations projects and activities that are not centred on actual service delivery or are not a municipal function (e.g. celebrations; gala dinners; commemorations, advertising and voter education);
- iii. LED projects that serve the narrow interests of only a small number of beneficiaries or fall within the mandates of other government departments such as the Department of Agriculture;
- iv. excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- v. arranging workshops and events at expensive private venues, especially ones outside the municipality (as opposed to using the municipality's own venues);
- vi. excessive printing costs (instead of maximising the use of the municipality's website, including providing facilities for the public to access the website);
- vii. excessive luxurious office accommodation and office furnishings;
- viii. foreign travel by mayors, councillors and officials, particularly

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- 'study tours';
- ix. Excessive councillor and staff perks such as luxurious mayoral cars and houses, notebooks, IPADS and cell-phone allowances; travel and subsistence allowances. Municipalities are reminded that in terms of section 7 (1) of the Remuneration of Public Office-bearers Act, 1998 (Act No.20 of 1998) the Minister for Cooperative Governance and Traditional Affairs must determine the limit of salaries and allowances of the different members of municipal councils and any budget provision may not be outside this framework;
- x. excessive staff in the office of the mayor – particularly the appointment of political 'advisors' and 'spokespersons';
- xi. all donations to individuals that are not made in terms of the municipality's indigent policy or a bursary scheme; for instance donations to cover funeral costs (other than pauper burials which is a district municipality function);
- xii. costs associated with long-standing staff suspensions and the legal costs associated with not following due process when suspending or dismissing staff, as well as payment of severance packages or 'golden handshakes'; and
- xiii. the use of consultants to perform routine management tasks, and the payment of excessive fees to consultants.
- National Treasury is also informing Councilors, municipal employees and rate and tax payers that municipalities must concentrate their spending effort on services that are meaningful and not indulgent. In other words there should be a direct service budget aimed at the people who live in municipalities and not the municipalities themselves.

Capital Budget

The capital budget reflected in this document utilizes actually anticipated revenues, cash forward and to fund the budgeted expenditures of **R53.0 million**. Major items include the allocation of **R40.6 million** in conditional capital grants allocated to the municipality and **R12.5 Million** to be funded from internal generated funds.

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No External loan is included in this budget. Included in the conditional grant amount is R3.0 million in respect of Integrated National Electrification Programme (INEP) allocated to the municipality in the Division of Revenue Bill.

National Treasury has also indicated that a minimum of 40% of the capital budget should be for renewal as opposed to new infrastructure. The forthcoming budget indicates that renewal expenditure will amount to 34.4% of the capital budget (R18.3 million). The municipality will continue to work towards this goal in the near future.

Capital projects to be undertaken in the 2014/15 MTREF.

- Completion of the Intermodal taxi rank has been allocated R8.3 million in the 2014/15 financial year with a further R25.0 million to be allocated in the two outer years of the MTREF.
- The Lukhanji Community Lightning programme will receive a R10.0 million budget allocations in the MTREF with a R2.0 million allocation in 2014/15 financial year.
- Sport fields will receive R8.8 million funding in the 2014/15 with a further funding of R2.3 million in the 2015/16 budget.
- Construction of new cemeteries in Ilinge, Whittlesea and Lesseyton will receive R9.9 million in the MTREF starting with a R2.0 million allocation in the 2014/15 budget.
- Construction of community halls will continue to receive R8.9 million further allocations for construction of halls in wards 1 and 7 in the 2014/15 budget with additional funding of R10.7 allocation in the MTREF for the construction of halls in wards 3 and 17.
- Upgrade of rural gravel roads will receive R5.8 million in the 2014/15 budget with a further R19.0 million allocation for the two outer years of the MTREF. Included in this amount will be allocation for the re – work on Qwabi bridge over Kuzintigu River.
- Fencing of grazing camps will receive R2.6 million in the medium term budget whilst Shearing sheds will receive R800 thousand in the MTREF. Details of these projects can be obtained from the LED section in the IPED Directorate.

Lukhanji Adopted Draft Budget 201415

- Surfacing of Lukhanji Roads will continue to receive funding with R12.5 million allocated in the 2014/15 budget with a further R12.0 million to be allocated in the MTREF.
- In addition to the above projects, a further R8.0 million will be allocated to the R13.0 million 5 – year electricity infrastructure master plan initiated in the 2013/14 adjustment budget.

Conclusion

The budget as presented in this document meets the requirements of the MFMA and is presented to Council for consideration and review.

As with any such endeavour, preparation of this document required the participation and time of many individuals. Appreciation and thanks are expressed to all those involved in making this possible.

The tables and charts in the next few pages show the percentage makeup of the revenue and expenditures for the 2014/15 Lukhanji Budget.

Lukhanji Adopted Draft Budget 201415

REVENUE			
Operating Budget Revenues (R'000)		Capital Budget Revenues (R'000)	
Assessment Rates	75 162	Municipal Infrastructure Grant (MIG)	37 591
Fines	348	Integrated National Electrification Programme (INEP)	3 000
Electricity tariff	178 197	Own Internal generated fund	12 500
Interest on Investments	8 200		
Interest on Debtors	19 438		
Water rariff	91 529		
Sanitation tariff	22 850		
Refuse tariff	30 507		
Grants & Subsidies	129 070		
Licenses & Permit	3 889		
Agency fees & subsidies	35 242		
Rental of facilities	2 476		
Other Revenue	12 828		
Total Operating Revenue	609 802	Total Capital Revenue	53 091

Lukhanji Adopted Draft Budget 201415

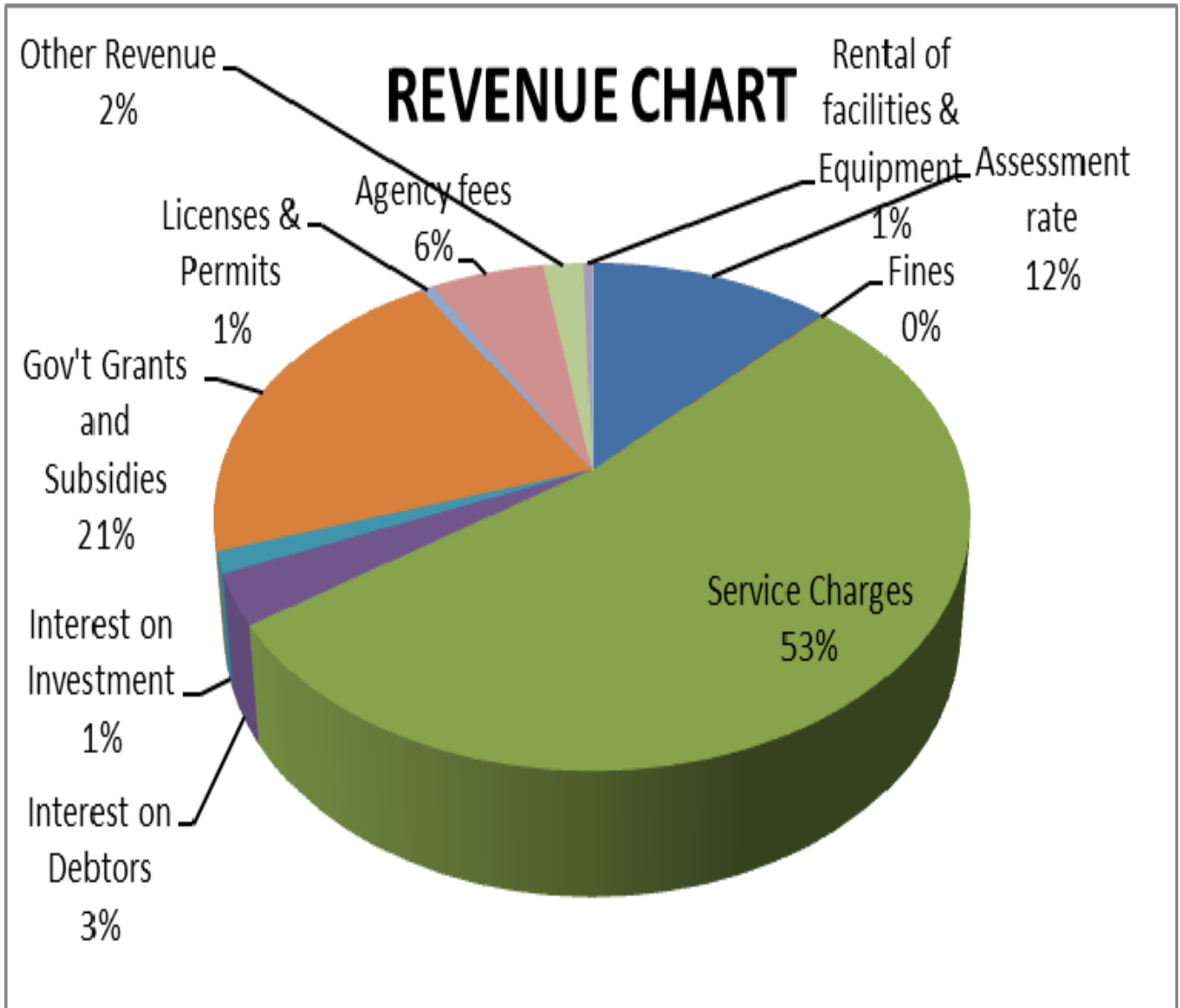
EXPENDITURES

Operating Budget Expenditure (R'000)		Capital Budget Expenditure (R'000)	
Salaries, wages & Council allowance	168 999	Inter modal	8 300
Repairs and Maintenance	20 840	Surfacing of Lukhanji Roads	12 500
General Expenses	60 536	Community Hall Ward 1	4 100
Bad Debt provision	131 811	Community Hall Ward 7	4 760
Grant and Subsidies	4 734	Community Lightining	2 000
Contracted Services	52 766	Ilinge Cemetery	1 000
Bulk Purchases	150 240	Integrated National Electrification Programme	3 000
Depreciation	24 615	Lesseyton Cemetery	1 000
Finance cost and Capital Redemption	1 286	Upgrade of Lukhanji Gravel Roads & Bridges	5 751
		Ilinge Sport field	8 800
		PMU Fees	1 880
Total	609 802	Total	53 091

Lukhanji Adopted Draft Budget 201415

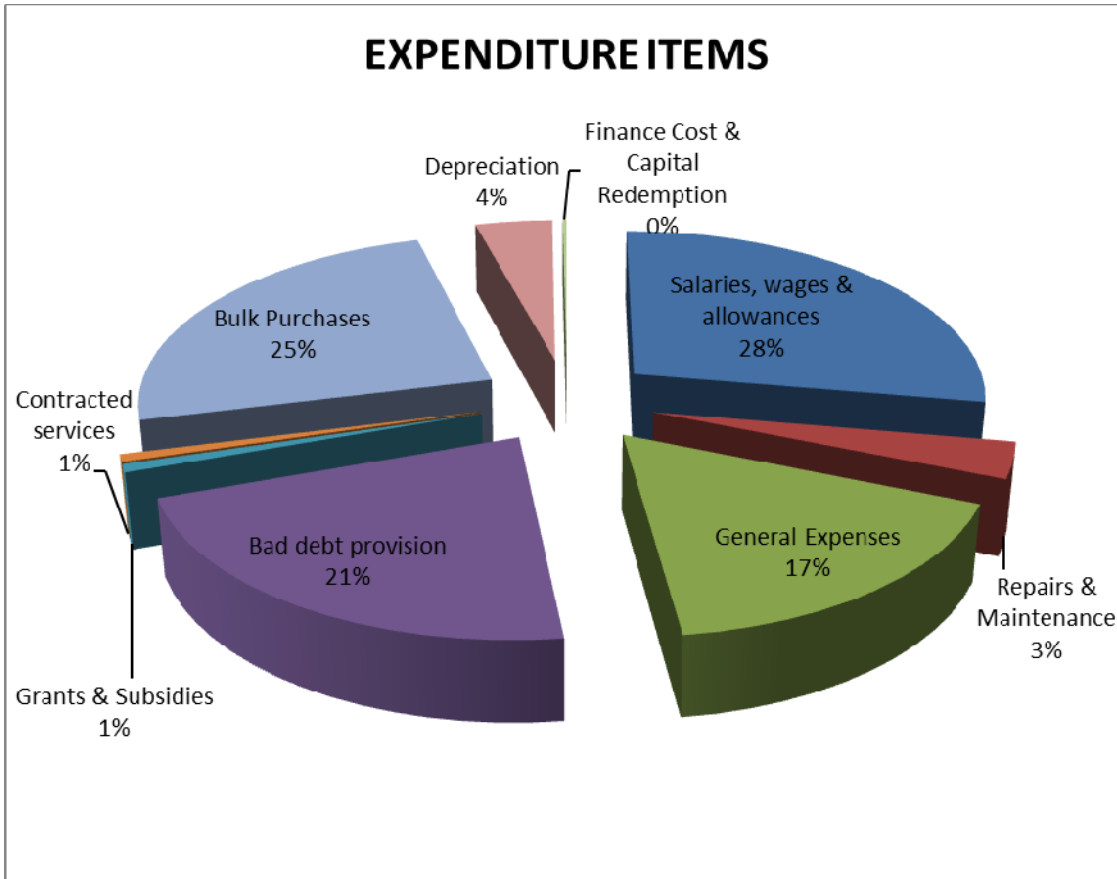
HOW THE REVENUE BUDGET OF R609.8 MILLION IS MADE UP OF

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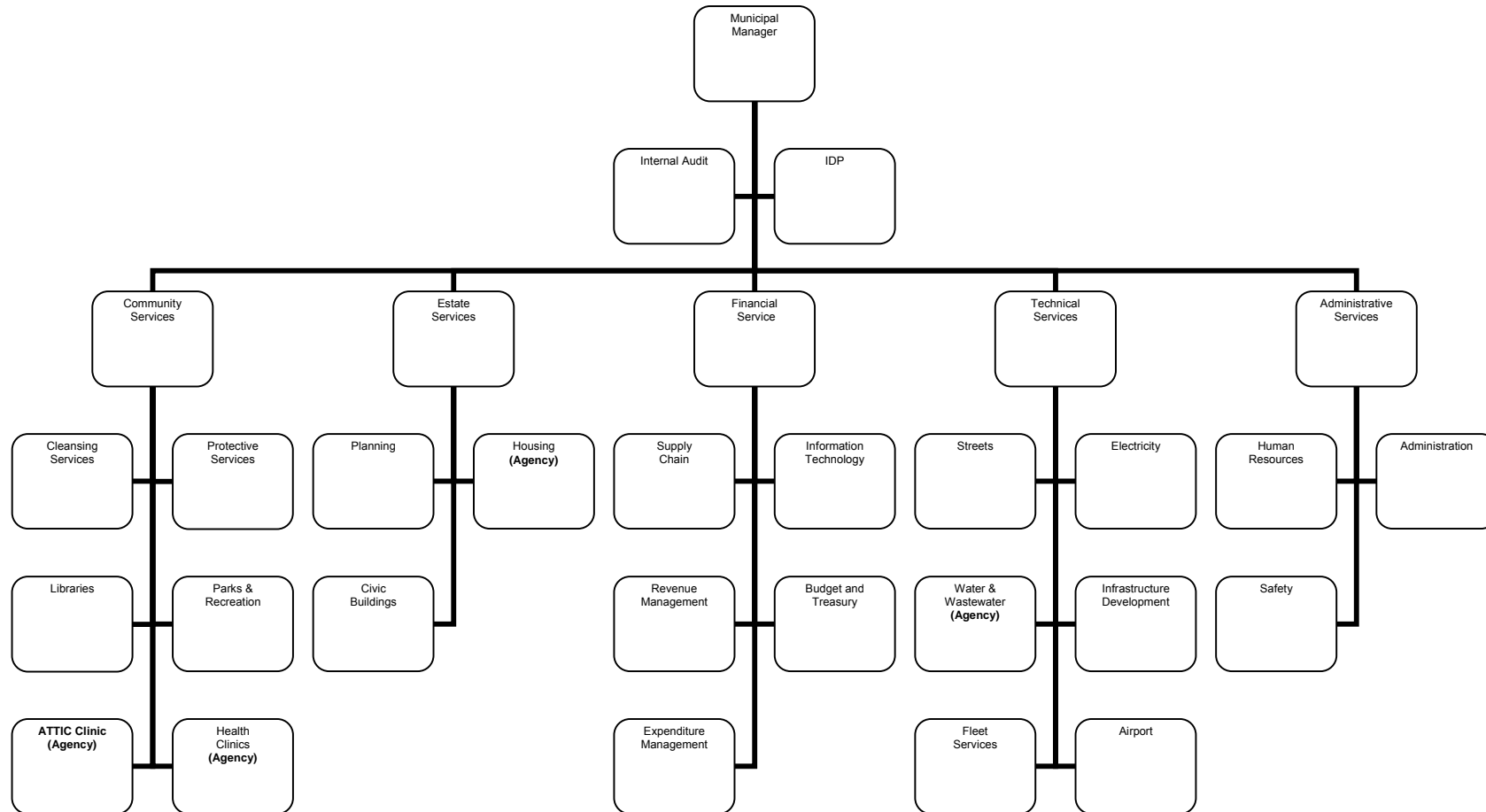
Lukhanji Adopted Draft Budget 201415

HOW THE TOTAL OPERATING EXPENDITURE BUDGET OF R609.8 MILLION IS ALLOCATED



Lukhanji Adopted Draft Budget 201415

Lukhanji Municipality Current Organogram (a simplified version)



Lukhanji Adopted Draft Budget 201415

5 Annual Budget Tables (Operating & Capital)

These budget schedules are to be approved by resolution of Council and are contained in the following pages:

- 5.1 - Table A1 - Budget Summary**
- 5.2 - Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**
- 5.3 - Table A3 - Budgeted Financial Performance (revenue and Expenditure by municipal vote)**
- 5.4 - Table A4 - Budgeted Financial Performance (revenue and Expenditure)**
- 5.5 - Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding**
- 5.6 - Table A6 - Budgeted Financial Position**
- 5.7 - Table A7 - Budgeted Cash Flows**
- 5.8 - Table A8 - Cash Backed reserves/accumulated surplus Reconciliation**
- 5.9 - Table A9 - Asset management**
- 5.10 - Table A10 - Basic Service Delivery**

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	39 334	47 815	62 700	68 611	74 399	74 399	74 399	75 162	81 174	87 668
Service charges	170 897	199 911	227 551	246 266	261 369	261 369	261 369	323 138	353 413	386 827
Investment revenue	5 202	7 853	8 326	5 460	7 970	7 970	7 970	8 200	8 200	8 200
Transfers recognised - operational	125 368	119 086	119 868	125 947	126 105	126 105	126 105	128 899	138 693	137 306
Other own revenue	78 621	76 015	83 471	79 432	73 708	73 708	73 708	74 430	80 475	82 488
Total Revenue (excluding capital transfers and contributions)	419 423	450 680	501 916	525 717	543 550	543 550	543 550	609 829	661 956	702 489
Employee costs	98 336	100 915	104 593	143 513	143 983	143 983	143 983	148 834	158 383	168 516
Remuneration of councillors	15 242	17 918	18 065	18 795	19 892	19 892	19 892	20 167	21 297	22 468
Depreciation & asset impairment	15 309	15 763	24 272	18 263	24 272	24 272	24 272	24 617	24 617	24 617
Finance charges	876	4 126	5 675	2 140	2 140	2 140	2 140	1 286	675	-
Materials and bulk purchases	103 726	117 979	145 057	130 826	158 897	158 897	158 897	150 240	172 254	177 422
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	147 934	154 501	158 661	212 180	194 366	194 366	194 366	264 685	283 972	298 568
Total Expenditure	381 423	411 201	456 324	525 717	543 550	543 550	543 550	609 829	661 198	691 591
Surplus/(Deficit)	37 999	39 479	45 592	(0)	(0)	(0)	0	0	758	10 899
Transfers recognised - capital	-	16 395	(0)	34 037	42 559	42 559	42 559	40 591	39 324	40 979
Contributions recognised - capital & contributed	-	-	-	35 625	38 426	38 426	38 426	12 500	10 000	10 000
Surplus/(Deficit) after capital transfers & contributions	37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Capital expenditure & funds sources										
Capital expenditure	802 003	23 647	105 151	69 662	80 985	80 985	80 985	53 091	49 324	50 979
Transfers recognised - capital	801 983	23 647	26 996	34 037	42 559	42 559	42 559	40 591	39 324	40 979
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	78 155	35 625	38 426	38 426	38 426	12 500	10 000	10 000
Total sources of capital funds	801 983	23 647	105 151	69 662	80 985	80 985	80 985	53 091	49 324	50 979
Financial position										
Total current assets	263 829	331 111	402 506	244 118	314 363	314 363	314 363	277 694	277 694	277 694
Total non current assets	802 003	817 594	858 193	929 581	855 436	855 436	855 436	855 436	855 436	855 436
Total current liabilities	55 864	65 907	76 820	50 922	87 998	87 998	87 998	51 038	51 038	51 038
Total non current liabilities	83 864	78 457	143 637	77 571	28 410	28 410	28 410	28 410	28 410	28 410
Community wealth/Equity	926 104	1 004 341	1 040 242	1 045 206	1 053 391	1 053 391	1 053 391	1 053 681	1 053 681	1 053 681
Cash flows										
Net cash from (used) operating	30 510	82 315	22 847	84 898	50 278	50 278	50 278	67 196	71 479	81 742
Net cash from (used) investing	(12 518)	(27 243)	(197 098)	(34 037)	(42 558)	(42 558)	(42 558)	(40 591)	(39 324)	(40 979)
Net cash from (used) financing	(1 022)	(3 342)	43 956	(1 715)	(1 715)	(1 715)	(1 715)	(1 162)	(654)	-
Cash/cash equivalents at the year end	125 000	176 729	46 434	105 552	130 439	130 439	130 439	173 795	205 296	246 059
Cash backing/surplus reconciliation										
Cash and investments available	125 000	176 729	256 929	162 648	182 066	182 066	182 066	148 352	148 352	148 352
Application of cash and investments	(38 732)	(91 077)	(36 676)	(43 358)	(99 210)	(99 210)	(99 210)	(71 359)	(73 449)	(73 249)
Balance - surplus (shortfall)	163 732	267 806	293 605	206 006	281 276	281 276	281 276	219 711	221 801	221 601
Asset management										
Asset register summary (WDV)	802 003	817 594	1 658 193	929 581	855 436	855 436	855 436	855 436	855 436	855 436
Depreciation & asset impairment	15 309	15 763	24 272	18 263	24 272	24 272	24 617	24 617	24 617	24 617
Renewal of Existing Assets	-	-	27 856	21 980	24 139	24 139	24 139	18 251	16 312	18 000
Repairs and Maintenance	6 652	6 288	14 172	22 925	16 679	16 679	20 840	20 840	22 752	23 414
Free services										
Cost of Free Basic Services provided	31 834	35 710	36 586	27 957	27 957	27 957	19 011	19 011	19 011	19 011
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	10	9	9	9	9	9	5	5	5	5
Sanitation/sew erage:	-	-	-	5	5	5	4	4	4	4
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	8	8	8	8	8	9	9	9	9

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard										
<i>Governance and administration</i>		194 515	152 341	176 455	185 615	197 665	197 665	203 150	218 931	224 772
Executive and council		140 987	80 930	93 145	99 838	100 398	100 398	104 312	113 428	112 073
Budget and treasury office		52 555	67 851	83 115	85 654	94 811	94 811	96 890	103 556	110 751
Corporate services		973	3 560	195	123	2 456	2 456	1 947	1 947	1 947
<i>Community and public safety</i>		21 190	17 385	23 541	37 405	41 568	41 568	33 523	36 325	28 194
Community and social services		1 878	3 862	9 311	13 233	21 874	21 874	16 554	17 315	8 870
Sport and recreation		210	945	5 003	5 157	9 634	9 634	7 135	9 094	9 345
Public safety		12 637	9 799	9 176	8 966	10 060	10 060	9 835	9 916	9 978
Housing		-	-	51	10 049	-	-	-	-	-
Health		6 465	2 780	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		3 639	24 099	25 364	45 538	59 031	59 031	38 529	35 016	41 939
Planning and development		1 303	3 066	902	4 923	7 679	7 679	5 700	6 087	6 170
Road transport		2 335	21 033	24 462	40 616	51 352	51 352	32 829	28 929	35 770
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		200 077	273 248	276 553	326 818	326 268	326 268	387 715	421 005	458 560
Electricity		121 846	154 972	160 048	177 841	195 011	195 011	192 585	209 884	233 462
Water		31 742	64 974	49 916	72 790	65 156	65 156	125 818	136 121	144 922
Waste water management		17 793	18 778	28 463	37 426	26 676	26 676	27 710	29 921	31 272
Waste management		28 696	34 524	38 126	38 761	39 425	39 425	41 602	45 079	48 904
<i>Other</i>	4	3	3	3	3	3	3	3	3	3
Total Revenue - Standard	2	419 423	467 075	501 916	595 379	624 535	624 535	662 920	711 280	753 468
Expenditure - Standard										
<i>Governance and administration</i>		83 762	59 948	75 497	100 753	105 567	105 567	113 116	117 200	121 529
Executive and council		50 281	23 847	36 187	44 155	51 514	51 514	52 048	54 116	56 235
Budget and treasury office		27 964	24 810	31 203	45 859	41 070	41 070	41 945	43 326	44 873
Corporate services		5 517	11 292	8 108	10 740	12 983	12 983	19 122	19 759	20 420
<i>Community and public safety</i>		43 477	42 502	52 392	67 225	50 149	50 149	53 174	58 177	61 689
Community and social services		9 993	10 739	18 849	20 564	11 689	11 689	13 629	15 246	16 078
Sport and recreation		7 312	8 919	1 243	1 912	10 492	10 492	11 523	12 260	13 027
Public safety		17 245	20 021	25 676	31 549	27 968	27 968	28 023	30 671	32 585
Housing		-	-	6 624	13 200	-	-	-	-	-
Health		8 927	2 822	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		16 691	28 714	25 307	34 364	45 356	45 356	45 036	47 202	49 154
Planning and development		7 083	10 410	4 436	6 688	18 960	18 960	16 409	17 364	18 043
Road transport		9 608	18 304	20 871	27 675	26 395	26 395	28 628	29 838	31 110
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		237 395	279 945	303 041	323 249	342 354	342 354	398 358	438 480	459 073
Electricity		149 606	152 650	193 548	182 582	215 478	215 478	207 576	233 399	243 011
Water		49 920	67 687	65 748	81 783	73 990	73 990	131 688	139 235	147 234
Waste water management		14 144	26 670	13 502	28 049	16 229	16 229	21 608	23 867	24 046
Waste management		23 725	32 938	30 242	30 836	36 656	36 656	37 486	41 979	44 782
<i>Other</i>	4	99	92	86	126	126	126	145	138	146
Total Expenditure - Standard	3	381 423	411 201	456 324	525 717	543 550	543 550	609 829	661 198	691 591
Surplus/(Deficit) for the year		37 999	55 874	45 592	69 662	80 985	80 985	53 091	50 082	61 878

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote										
Vote 1 - EXECUTIVE AND COUNCIL	1	140 987	80 930	93 145	99 838	96 465	96 465	104 312	113 428	112 073
Vote 2 - FINANCE AND ADMINISTRATION		53 528	71 411	83 115	87 398	97 267	97 267	98 838	105 504	112 699
Vote 3 - PLANNING AND DEVELOPMENT		1 303	3 066	2 976	5 724	7 679	7 679	5 700	6 087	6 170
Vote 4 - HEALTH		6 465	2 780	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1 878	3 862	6 175	19 261	21 874	21 874	16 554	17 315	8 870
Vote 6 - COMMUNITY SAFETY		12 637	9 799	10 353	10 060	10 060	10 060	9 835	9 916	9 978
Vote 7 - SPORT AND RECREATION		210	945	5 135	5 214	9 634	9 634	7 135	9 094	9 345
Vote 8 - WASTE WATER MANAGEMENT		17 793	18 778	28 463	36 298	26 676	26 676	27 710	29 921	31 272
Vote 9 - WASTE MANAGEMENT		28 696	34 524	38 126	38 762	39 425	39 425	41 602	45 079	48 904
Vote 10 - ROADS TRANSPORT		2 335	21 033	24 462	48 116	51 352	51 352	32 829	28 929	35 770
Vote 11 - WATER		31 742	64 974	49 604	65 456	65 156	65 156	125 818	136 121	144 922
Vote 12 - ELECTRICITY		121 846	154 972	160 360	178 236	195 011	195 011	192 585	209 884	233 462
Vote 13 - OTHER		3	3	3	3	3	3	3	3	3
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	-	1 013	3 933	3 933	-	-	-
Total Revenue by Vote	2	419 423	467 075	501 916	595 379	624 535	624 535	662 920	711 280	753 468
Expenditure by Vote to be appropriated										
Vote 1 - EXECUTIVE AND COUNCIL	1	50 281	23 847	36 187	44 155	47 306	47 306	48 713	50 606	52 546
Vote 2 - FINANCE AND ADMINISTRATION		33 481	36 102	41 184	56 065	59 034	59 034	61 068	63 085	65 293
Vote 3 - PLANNING AND DEVELOPMENT		7 083	10 410	8 929	17 953	18 960	18 960	16 409	17 364	18 043
Vote 4 - HEALTH		8 927	2 822	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		9 993	10 739	11 101	13 046	11 684	11 684	13 629	15 246	16 078
Vote 6 - COMMUNITY SAFETY		17 245	20 021	25 290	27 356	27 968	27 968	28 023	30 671	32 585
Vote 7 - SPORT AND RECREATION		7 312	8 919	8 652	11 807	10 492	10 492	11 523	12 260	13 027
Vote 8 - WASTE WATER MANAGEMENT		14 144	26 670	13 502	23 734	16 229	16 229	21 608	23 867	24 046
Vote 9 - WASTE MANAGEMENT		23 725	32 938	30 244	37 714	36 656	36 656	37 486	41 980	44 782
Vote 10 - ROADS TRANSPORT		9 608	18 304	15 178	24 769	26 395	26 395	28 628	29 838	31 110
Vote 11 - WATER		49 920	67 686	65 748	76 152	73 990	73 990	131 688	139 235	147 234
Vote 12 - ELECTRICITY		149 606	152 650	198 188	188 618	210 497	210 497	207 576	233 399	243 011
Vote 13 - OTHER		99	92	86	126	131	131	145	138	146
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	2 034	4 224	4 207	4 207	3 335	3 509	3 690
Total Expenditure by Vote	2	381 423	411 201	456 324	525 717	543 550	543 550	609 829	661 198	691 591
Surplus/(Deficit) for the year	2	37 999	55 874	45 592	69 662	80 985	80 985	53 091	50 082	61 878

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	39 334	47 815	62 700	68 611	74 399	74 399	74 399	75 162	81 174	87 668
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	113 421	136 593	149 365	165 963	182 666	182 666	182 666	178 197	197 460	217 998
Service charges - water revenue	2	25 157	27 414	29 076	30 706	30 406	30 406	30 406	91 529	97 906	105 729
Service charges - sanitation revenue	2	14 124	14 945	18 923	21 611	20 911	20 911	20 911	22 904	24 490	26 186
Service charges - refuse revenue	2	18 195	20 960	30 187	27 986	27 386	27 386	27 386	30 507	33 558	36 914
Service charges - other											
Rental of facilities and equipment		1 469	2 478	2 491	2 476	2 476	2 476	2 476	2 476	2 476	2 476
Interest earned - external investments		5 202	7 853	8 326	5 460	7 970	7 970	7 970	8 200	8 200	8 200
Interest earned - outstanding debtors		16 883	18 993	19 436	17 652	18 771	18 771	18 771	19 438	21 013	22 718
Dividends received											
Fines		729	380	382	347	347	347	347	348	348	348
Licences and permits		5 009	3 888	4 488	3 889	3 889	3 889	3 889	3 889	3 889	3 889
Agency services		35 945	38 466	25 630	43 350	35 242	35 242	35 242	35 242	39 285	39 373
Transfers recognised - operational		125 368	119 086	119 868	125 947	126 105	126 105	126 105	128 899	138 693	137 306
Other revenue	2	9 230	10 095	31 043	11 718	12 982	12 982	12 982	13 037	13 464	13 683
Gains on disposal of PPE		9 356	1 714								
Total Revenue (excluding capital transfers and contributions)		419 423	450 680	501 916	525 717	543 550	543 550	543 550	609 829	661 956	702 489
Expenditure By Type											
Employee related costs	2	98 336	100 915	104 593	143 513	143 983	143 983	143 983	148 834	158 383	168 516
Remuneration of councillors		15 242	17 918	18 065	18 795	19 892	19 892	19 892	20 167	21 297	22 468
Debt impairment	3	76 044	79 188	74 111	80 343	66 794	66 794	66 794	131 811	141 227	151 433
Depreciation & asset impairment	2	15 309	15 763	24 272	18 263	24 272	24 272	24 272	24 617	24 617	24 617
Finance charges		876	4 126	5 675	2 140	2 140	2 140	2 140	1 286	675	
Bulk purchases	2	95 076	117 979	145 057	130 826	158 897	158 897	158 897	150 240	172 254	177 422
Other materials	8	8 650									
Contracted services		40 883	43 323	3 113	43 492	50 232	50 232	50 232	52 766	55 189	57 732
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	31 007	31 989	81 437	88 346	77 340	77 340	77 339	80 108	87 557	89 403
Loss on disposal of PPE											
Total Expenditure		381 423	411 201	456 324	525 717	543 550	543 550	543 550	609 829	661 198	691 591
Surplus/(Deficit)		37 999	39 479	45 592	(0)	(0)	(0)	0	0	758	10 899
Transfers recognised - capital			16 395	(0)	34 037	42 559	42 559	42 559	40 591	39 324	40 979
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets					35 625	38 426	38 426	38 426	12 500	10 000	10 000
Surplus/(Deficit) after capital transfers & contributions		37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Taxation											
Surplus/(Deficit) after taxation		37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
<i>Multi-year expenditure to be appropriated</i>	2										
Vote 1 - EXECUTIVE AND COUNCIL		1 633	375	-	1 285	2 215	2 215	2 215	1 880	1 966	2 049
Vote 2 - FINANCE AND ADMINISTRATION		16 144	2 127	-	-	-	-	-	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	1 880	1 966	2 049
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		571 874	1 334	-	13 200	15 948	15 948	15 948	10 860	11 200	2 750
Vote 6 - COMMUNITY SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 7 - SPORT AND RECREATION		665	724	-	5 000	9 419	9 419	9 419	6 920	8 880	9 131
Vote 8 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - WASTE MANAGEMENT		8 359	144	-	-	-	-	-	-	-	-
Vote 10 - ROADS TRANSPORT		119 096	11 940	105 151	40 056	44 691	44 691	44 691	26 551	22 312	29 000
Vote 11 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY		84 212	7 003	-	2 900	2 900	2 900	2 900	5 000	3 000	6 000
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	801 983	23 647	105 151	62 440	75 174	75 174	75 174	53 091	49 324	50 979
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION		-	-	-	-	-	-	-	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-	1 381	2 185	2 185	2 185	-	-	-
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		-	-	-	378	378	378	378	-	-	-
Vote 6 - COMMUNITY SAFETY		-	-	-	270	270	270	270	-	-	-
Vote 7 - SPORT AND RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 8 - WASTE WATER MANAGEMENT		-	-	-	1 866	1 051	1 051	1 051	-	-	-
Vote 9 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 10 - ROADS TRANSPORT		-	-	-	1 783	383	383	383	-	-	-
Vote 11 - WATER		-	-	-	562	562	562	562	-	-	-
Vote 12 - ELECTRICITY		-	-	-	982	982	982	982	-	-	-
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	7 222	5 811	5 811	5 811	-	-	-
Total Capital Expenditure - Vote		801 983	23 647	105 151	69 662	80 985	80 985	80 985	53 091	49 324	50 979
Capital Expenditure - Standard											
<i>Governance and administration</i>											
Executive and council		17 777	375	-	1 285	2 215	2 215	2 215	1 880	1 966	2 049
Budget and treasury office		1 633	375	-	1 285	2 215	2 215	2 215	1 880	1 966	2 049
Corporate services		16 144	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		685	2 101	-	18 848	26 015	26 015	26 015	17 780	20 080	11 881
Community and social services		-	1 377	-	13 848	16 325	16 325	16 325	10 860	11 200	2 750
Sport and recreation		665	724	-	5 000	9 419	9 419	9 419	6 920	8 880	9 131
Public safety		20	-	-	-	270	270	270	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		690 970	14 067	105 151	43 220	47 259	47 259	47 259	28 431	24 278	31 049
Planning and development		571 874	2 127	-	1 381	2 185	2 185	2 185	1 880	1 966	2 049
Road transport		119 096	11 940	105 151	41 838	45 075	45 075	45 075	26 551	22 312	29 000
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		92 571	7 103	-	6 310	5 495	5 495	5 495	5 000	3 000	6 000
Electricity		84 212	7 003	-	3 882	3 882	3 882	3 882	5 000	3 000	6 000
Water		-	-	-	562	562	562	562	-	-	-
Waste water management		-	-	-	1 866	1 051	1 051	1 051	-	-	-
Waste management		8 359	100	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	802 003	23 647	105 151	69 662	80 985	80 985	80 985	53 091	49 324	50 979
Funded by:											
National Government		801 983	23 647	26 996	34 037	42 559	42 559	42 559	40 591	39 324	40 979
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	801 983	23 647	26 996	34 037	42 559	42 559	42 559	40 591	39 324	40 979
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	78 155	35 625	38 425	38 425	38 425	12 500	10 000	10 000
Total Capital Funding	7	801 983	23 647	105 151	69 662	80 985	80 985	80 985	53 091	49 324	50 979

Lukhanji Adopted Draft Budget 2014/15

EC134 Lukhanji - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS											
Current assets											
Cash		27 277	73 694	136 088	56 406	70 997	70 997	70 997	36 818	36 818	36 818
Call investment deposits	1	97 722	103 035	120 841	106 242	111 069	111 069	111 069	111 534	111 534	111 534
Consumer debtors	1	25 538	36 092	96 157	61 864	110 800	110 800	110 800	107 844	107 844	107 844
Other debtors		113 292	118 290	49 344	19 606	21 421	21 421	21 421	21 422	21 422	21 422
Current portion of long-term receivables											
Inventory	2			76		76	76	76	76	76	76
Total current assets		263 829	331 111	402 506	244 118	314 363	314 363	314 363	277 694	277 694	277 694
Non current assets											
Long-term receivables											
Investments											
Investment property		91 284	91 284	91 284	105 015	91 581	91 581	91 581	91 581	91 581	91 581
Investment in Associate											
Property, plant and equipment	3	710 711	726 310	764 415	824 567	763 856	763 856	763 856	763 856	763 856	763 856
Agricultural											
Biological				2 493							
Intangible		8	0	1							
Other non-current assets											
Total non current assets		802 003	817 594	858 193	929 581	855 436	855 436	855 436	855 436	855 436	855 436
TOTAL ASSETS		1 065 832	1 148 705	1 260 699	1 173 699	1 169 799	1 169 799	1 169 799	1 133 130	1 133 130	1 133 130
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	4 794	4 432	6 836	4 432	2 404	2 404	2 404	2 404	2 404	2 404
Consumer deposits		7 937	8 455	17 136	8 672	8 780	8 780	8 780	8 806	8 806	8 806
Trade and other payables	4	41 740	51 630	52 847	33 385	16 217	16 217	16 217	(20 769)	(20 769)	(20 769)
Provisions		1 393	1 390		4 432	60 597	60 597	60 597	60 597	60 597	60 597
Total current liabilities		55 864	65 907	76 820	50 922	87 998	87 998	87 998	51 038	51 038	51 038
Non current liabilities											
Borrowing		6 906	3 925	3 795	3 925	3 189	3 189	3 189	3 189	3 189	3 189
Provisions		76 959	74 532	139 842	73 646	25 221	25 221	25 221	25 221	25 221	25 221
Total non current liabilities		83 864	78 457	143 637	77 571	28 410	28 410	28 410	28 410	28 410	28 410
TOTAL LIABILITIES		139 728	144 364	220 457	128 494	116 408	116 408	116 408	79 448	79 448	79 448
NET ASSETS	5	926 104	1 004 341	1 040 242	1 045 206	1 053 391	1 053 391	1 053 391	1 053 681	1 053 681	1 053 681
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)	4	926 104	1 004 341	1 040 242	1 045 206	1 053 391	1 053 391	1 053 391	1 053 681	1 053 681	1 053 681
Reserves		-	-	-	-	-	-	-	-	-	-
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	926 104	1 004 341	1 040 242	1 045 206	1 053 391	1 053 391	1 053 391	1 053 681	1 053 681	1 053 681

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		162 008	292 663	229 942	316 262	340 851	340 851	340 851	341 745	380 678	410 798
Government - operating	1	101 664	133 278	119 868	123 179	126 105	126 105	126 105	128 899	138 693	137 306
Government - capital	1			-	34 537	42 539	42 539	42 539	40 591	39 324	40 979
Interest		13 651	7 853	27 763	5 460	7 970	7 970	7 970	8 200	8 200	8 200
Dividends				-		-	-	-			
Payments											
Suppliers and employees		(240 129)	(345 065)	(346 054)	(394 115)	(466 762)	(466 762)	(466 762)	(452 115)	(495 395)	(515 541)
Finance charges		(6 684)	(6 414)	(5 675)	(425)	(425)	(425)	(425)	(124)	(21)	-
Transfers and Grants	1			(2 997)		-	-	-			
NET CASH FROM/(USED) OPERATING ACTIVITIES		30 510	82 315	22 847	84 898	50 278	50 278	50 278	67 196	71 479	81 742
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		9 356	1 714	138		-	-	-			
Decrease (increase) in non-current debtors				-		-	-	-			
Decrease (increase) other non-current receivables				-		-	-	-			
Decrease (increase) in non-current investments		5 694		(113 618)	35 625	38 427	38 427	38 427	12 500	10 000	10 000
Payments											
Capital assets		(27 568)	(28 957)	(83 618)	(69 662)	(80 985)	(80 985)	(80 985)	(53 091)	(49 324)	(50 979)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(12 518)	(27 243)	(197 098)	(34 037)	(42 558)	(42 558)	(42 558)	(40 591)	(39 324)	(40 979)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans				-							
Borrowing long term/refinancing				35 275							
Increase (decrease) in consumer deposits				8 682							
Payments											
Repayment of borrowing		(1 022)	(3 342)		(1 715)	(1 715)	(1 715)	(1 715)	(1 162)	(654)	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 022)	(3 342)	43 956	(1 715)	(1 715)	(1 715)	(1 715)	(1 162)	(654)	-
NET INCREASE/ (DECREASE) IN CASH HELD		16 970	51 730	(130 295)	49 146	6 005	6 005	6 005	25 443	31 501	40 763
Cash/cash equivalents at the year begin:	2	108 030	125 000	176 729	56 406	124 435	124 435	124 435	148 352	173 795	205 296
Cash/cash equivalents at the year end:	2	125 000	176 729	46 434	105 552	130 439	130 439	130 439	173 795	205 296	246 059

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	125 000	176 729	46 434	105 552	130 439	130 439	130 439	173 795	205 296	246 059
Other current investments > 90 day s		(0)	(0)	210 495	57 096	51 626	51 626	51 626	(25 443)	(56 944)	(97 707)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		125 000	176 729	256 929	162 648	182 066	182 066	182 066	148 352	148 352	148 352
Application of cash and investments											
Unspent conditional transfers		15 471	16 281	-	16 337	8 635	8 635	8 635	21 361	21 361	21 361
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(54 203)	(107 359)	(36 676)	(59 695)	(107 845)	(107 845)	(107 845)	(92 720)	(94 810)	(94 810)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(38 732)	(91 077)	(36 676)	(43 358)	(99 210)	(99 210)	(99 210)	(71 359)	(73 449)	(73 249)
Surplus(shortfall)		163 732	267 806	293 605	206 006	281 276	281 276	281 276	219 711	221 801	221 601

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A9 Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE										
Total New Assets	1	211 511	107 142	119 096	47 682	56 846	56 846	34 840	33 012	32 979
Infrastructure - Road transport		119 096	102 213	119 096	5 858	8 078	8 078	-	-	-
Infrastructure - Electricity		84 212	4 929	-	3 882	3 882	3 882	5 000	3 000	6 000
Infrastructure - Water		-	-	-	562	562	562	-	-	-
Infrastructure - Sanitation		-	-	-	1 866	1 051	1 051	-	-	-
Infrastructure - Other		8 203	-	-	6 500	6 289	6 289	8 300	6 000	11 000
Infrastructure		211 511	107 142	119 096	18 668	19 862	19 862	13 300	9 000	17 000
Community		-	-	-	20 133	27 300	27 300	19 660	22 046	13 930
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	8 881	9 685	9 685	1 880	1 966	2 049
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	27 856	21 980	24 139	24 139	18 251	16 312	18 000
Infrastructure - Road transport		-	-	27 856	21 980	24 139	24 139	18 251	16 312	18 000
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	27 856	21 980	24 139	24 139	18 251	16 312	18 000
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	8 881	9 685	9 685	1 880	1 966	2 049
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	119 096	102 213	146 952	27 838	32 217	32 217	18 251	16 312	18 000
Infrastructure - Road transport		84 212	4 929	-	3 882	3 882	3 882	5 000	3 000	6 000
Infrastructure - Electricity		-	-	-	562	562	562	-	-	-
Infrastructure - Water		-	-	-	1 866	1 051	1 051	-	-	-
Infrastructure - Sanitation		-	-	-	6 500	6 289	6 289	8 300	6 000	11 000
Infrastructure - Other		8 203	-	-	-	-	-	-	-	-
Infrastructure		211 511	107 142	146 952	40 648	44 001	44 001	31 551	25 312	35 000
Community		-	-	-	20 133	27 300	27 300	19 660	22 046	13 930
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	8 881	9 685	9 685	1 880	1 966	2 049
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	211 511	107 142	146 952	69 662	80 985	80 985	53 091	49 324	50 979
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	119 096	119 096	1 564 415	138 656	138 656	138 656	165 206	137 519	164 770
Infrastructure - Electricity		84 212	84 212	-	107 430	107 430	107 430	112 430	115 430	121 430
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		8 203	8 203	-	8 423	8 423	8 423	12 182	16 114	20 213
Infrastructure		211 511	211 511	1 564 415	254 508	254 508	254 508	289 818	269 064	306 412
Community		-	-	-	1 645	1 645	1 645	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		91 284	91 284	91 284	105 015	91 581	91 581	91 581	91 581	91 581
Other assets		499 200	514 799	-	568 413	507 702	507 702	474 038	494 792	457 443
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	2 493	-	-	-	-	-	-
Intangibles		8	0	1	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	802 003	817 594	1 658 193	929 581	855 436	855 436	855 436	855 436	855 436
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment	3	15 309	15 763	24 272	18 263	24 272	24 272	24 617	24 617	24 617
Repairs and Maintenance by Asset Class		6 652	6 288	14 172	22 925	16 679	16 679	20 840	22 752	23 414
Infrastructure - Road transport		953	2 289	2 493	4 843	4 667	4 667	4 667	4 759	4 856
Infrastructure - Electricity		1 722	1 233	1 728	2 989	2 939	2 939	2 939	2 961	3 309
Infrastructure - Water		490	547	926	5 171	1 962	1 962	5 171	5 190	5 209
Infrastructure - Sanitation		940	174	3 151	6 254	3 467	3 467	4 100	4 118	4 138
Infrastructure - Other		-	-	-	1 936	1 686	1 686	1 686	3 272	3 360
Infrastructure		4 106	4 243	8 298	21 193	14 721	14 721	18 562	20 300	20 872
Community		165	351	-	413	478	478	730	748	766
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	2 381	1 694	5 875	1 319	1 481	1 481	1 547	1 703	1 775
TOTAL EXPENDITURE OTHER ITEMS		21 961	22 051	38 444	41 188	40 952	40 952	45 457	47 368	48 030
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	19.0%	31.6%	29.8%	29.8%	34.4%	33.1%	35.3%
<i>Renewal of Existing Assets as % of deprecn</i>		0.0%	0.0%	114.8%	120.4%	99.5%	99.5%	74.1%	66.3%	73.1%
<i>R&M as a % of PPE</i>		0.9%	0.9%	1.9%	2.8%	2.2%	2.2%	2.7%	3.0%	3.1%
<i>Renewal and R&M as a % of PPE</i>		1.0%	1.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

References

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Table A10 Basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
Water:										
Piped water inside dwelling		20 851	20 758	21 761	26 610	26 610	26 610	25 580	25 580	25 580
Piped water inside yard (but not in dwelling)		11 952	11 952	11 927	11 854	11 854	11 854	12 074	12 074	12 074
Using public tap (at least min.service level)	2	8 511	8 511	8 340	8 099	8 099	8 099	8 879	8 879	8 879
Other water supply (at least min.service level)	4	2 315	2 315	2 110	2 203	2 203	2 203	-	-	-
<i>Minimum Service Level and Above sub-total</i>		43 629	43 536	44 138	48 766	48 766	48 766	46 533	46 533	46 533
Using public tap (< min.service level)	3	7 095	7 095	7 072	7 778	7 778	7 778	3 381	3 381	3 381
Other water supply (< min.service level)	4	2 533	2 315	2 160	1 329	1 329	1 329	1 259	1 259	1 259
No water supply										
<i>Below Minimum Service Level sub-total</i>		9 628	9 410	9 232	9 107	9 107	9 107	4 640	4 640	4 640
Total number of households	5	53 257	52 946	53 370	57 873	57 873	57 873	51 173	51 173	51 173
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		30 983	30 973	30 989	33 190	33 190	33 190	33 430	33 430	33 430
Flush toilet (with septic tank)		1 724	1 724	1 724	1 385	1 385	1 385	1 365	1 365	1 365
Chemical toilet		4 170	4 170	4 170	1 410	1 410	1 410	1 410	1 410	1 410
Pit toilet (ventilated)		8 386	8 386	8 160	5 857	5 857	5 857	5 046	5 046	5 046
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		45 263	45 253	45 043	41 842	41 842	41 842	47 108	47 108	47 108
Bucket toilet					103	103	103	-	-	-
Other toilet provisions (< min.service level)										
No toilet provisions					4 482	4 482	4 482	4 065	4 065	4 065
<i>Below Minimum Service Level sub-total</i>		-	-	-	4 585	4 585	4 585	4 065	4 065	4 065
Total number of households	5	45 263	45 253	45 043	46 427	46 427	46 427	51 173	51 173	51 173
Energy:										
Electricity (at least min.service level)		51 921	52 640	53 300	54 155	54 155	54 155	54 347	54 347	54 347
Electricity - prepaid (min.service level)		50 271	50 555	51 575	52 355	52 355	52 355	56 647	56 647	56 647
<i>Minimum Service Level and Above sub-total</i>		102 192	103 195	104 875	106 510	106 510	106 510	110 994	110 994	110 994
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	102 192	103 195	104 875	106 510	106 510	106 510	110 994	110 994	110 994
Refuse:										
Removed at least once a week			27 890	27 890	27 890	27 890	27 890	28 939	28 939	28 939
<i>Minimum Service Level and Above sub-total</i>		-	27 890	27 890	27 890	27 890	27 890	28 939	28 939	28 939
Removed less frequently than once a week										
Using communal refuse dump			110	110	123	123	123	215	215	215
Using own refuse dump										
Other rubbish disposal			4 048	4 048	4 142	4 142	4 142	4 316	4 316	4 316
No rubbish disposal			4 158	4 158	4 222	4 222	4 222	4 533	4 533	4 533
<i>Below Minimum Service Level sub-total</i>		-	8 316	8 316	8 487	8 487	8 487	9 064	9 064	9 064
Total number of households	5	-	36 206	36 206	36 377	36 377	36 377	38 003	38 003	38 003
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		7 241	7 310	7 309	3 534	3 534	3 534	4 233	4 233	4 233
Sanitation (free minimum level service)		9 567	9 088	9 157	3 534	3 534	3 534	4 233	4 233	4 233
Electricity/other energy (50kw h per household per month)		8 354	8 076	8 152	3 534	3 534	3 534	4 233	4 233	4 233
Refuse (removed at least once a week)		9 535	9 558	9 812	3 534	3 534	3 534	4 233	4 233	4 233
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		6 390	6 899	6 914	8 773	8 773	8 773	5 944	5 944	5 944
Sanitation (free sanitation service)		3 961	4 321	4 321	5 201	5 201	5 201	3 379	3 379	3 379
Electricity/other energy (50kw h per household per month)		11 034	12 900	13 752	7 628	7 628	7 628	5 068	5 068	5 068
Refuse (removed once a week)		10 448	11 590	11 598	6 355	6 355	6 355	4 619	4 619	4 619
Total cost of FBS provided (minimum social package)		31 834	35 710	36 586	27 957	27 957	27 957	19 011	19 011	19 011
Highest level of free service provided										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kw h per household per month)										
Refuse (average litres per week)										
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)										
Property rates (other exemptions, reductions and rebates)										
Water										
Sanitation										
Electricity/other energy										
Refuse										
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	-	-	-	-	-	-	-	-	-

Lukhanji Adopted Draft Budget 201415

6 Budget Related Charts and Explanatory Notes

These charts tie with the budget schedules presented above and are presented to illustrate the related numerical schedule.

6.1 - Chart 1 - Operating Revenue by Source

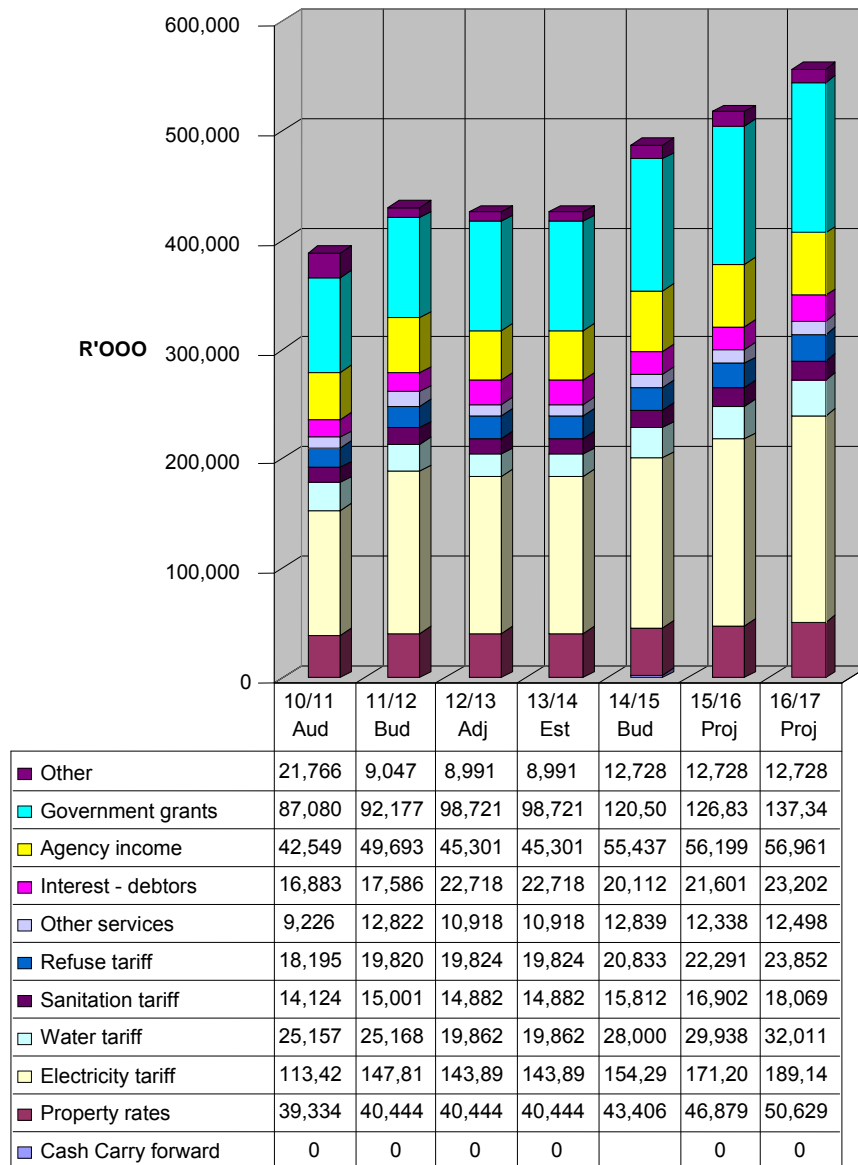
6.2 - Chart 2 - Operating Expenditures by GFS Function (Vote)

6.3 - Chart 3 - Capital Expenditure by Vote

6.6 - Chart 4 - Capital Budget by funding source

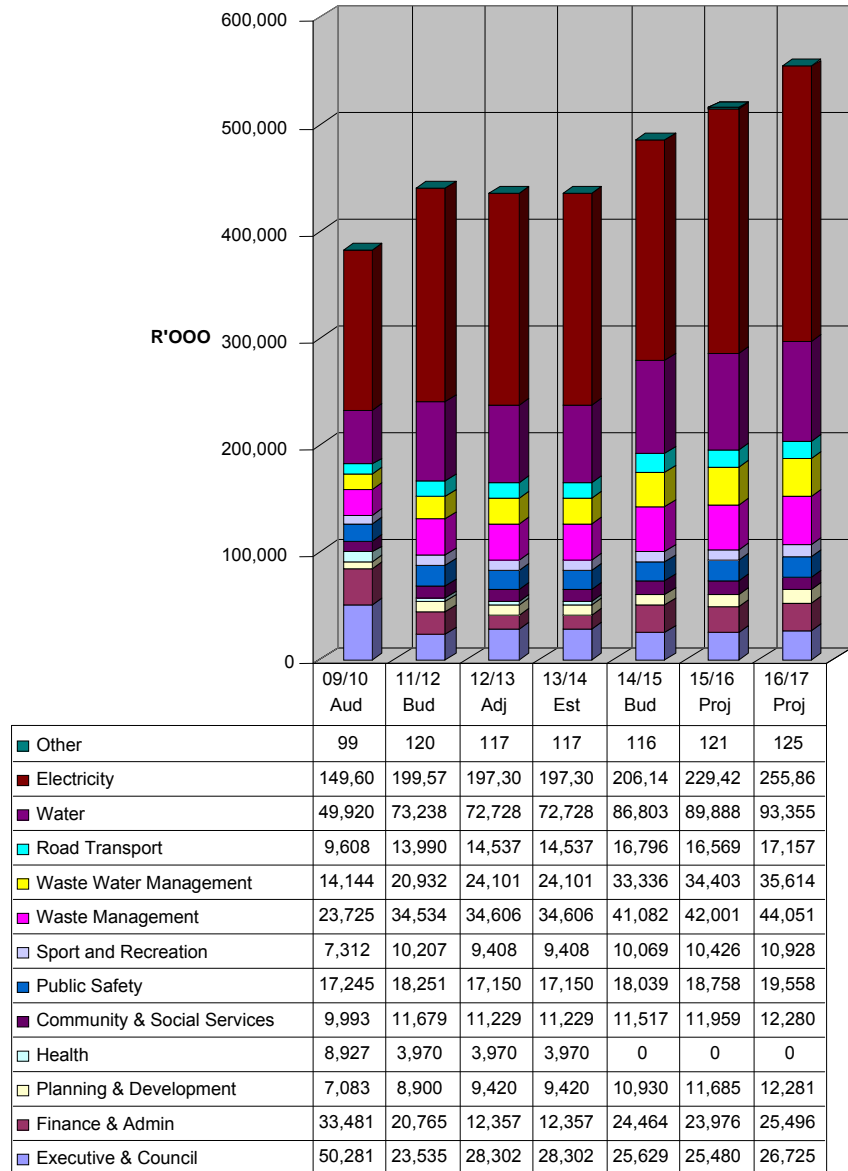
Lukhanji Adopted Draft Budget 201415

CHART 1 - OPERATING REVENUE BY SOURCE



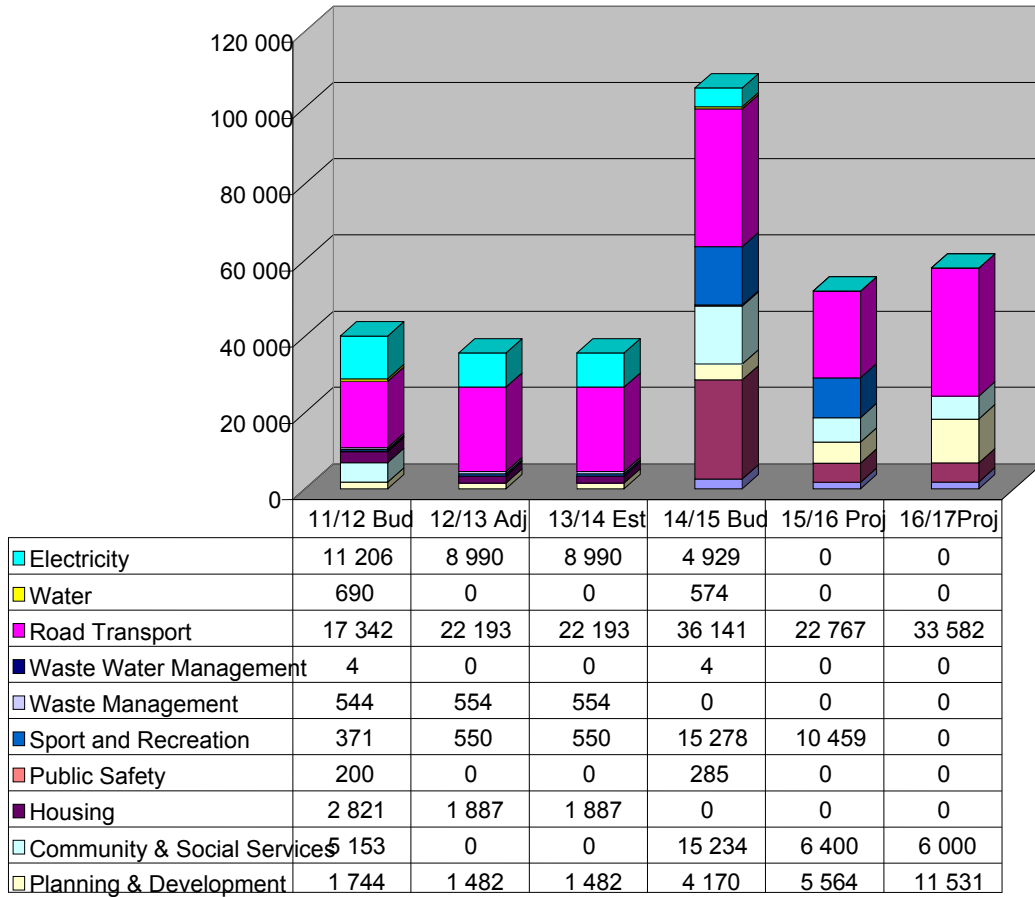
Lukhanji Adopted Draft Budget 201415

CHART 2 - OPERATING EXPENDITURE BY GFS FUNCTION



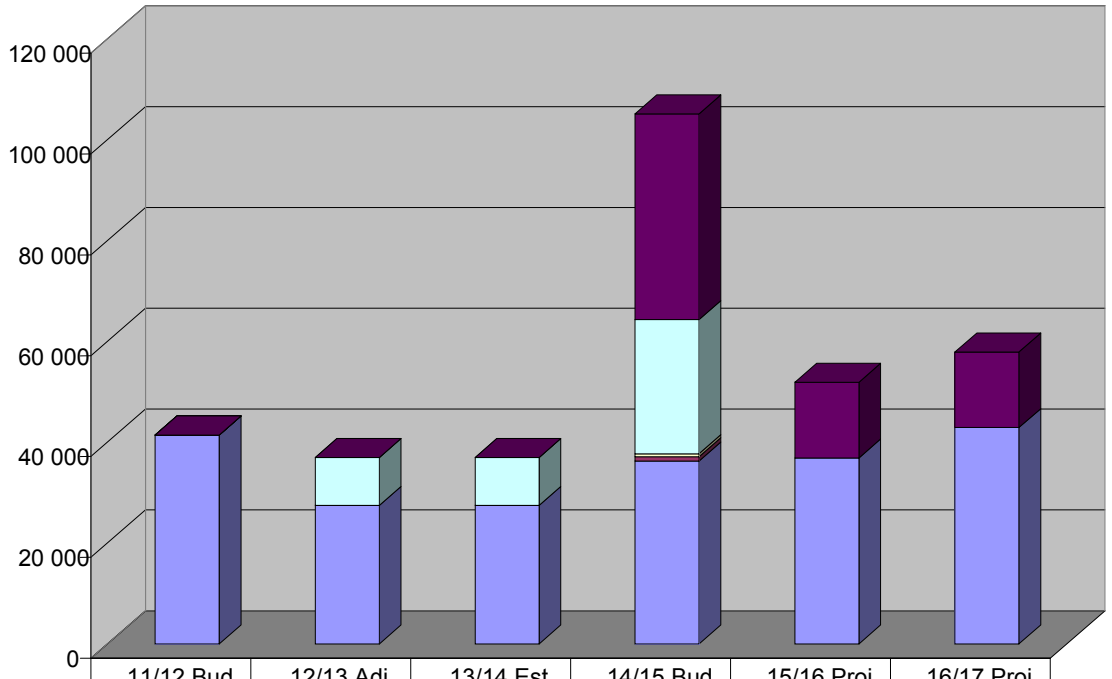
Lukhanji Adopted Draft Budget 201415

CHART 3 - CAPITAL EXPENDITURE BY VOTE



Lukhanji Adopted Draft Budget 201415

CHART 4 - CAPITAL FUNDING BY SOURCE



	11/12 Bud	12/13 Adj	13/14 Est	14/15 Bud	15/16 Proj	16/17 Proj
■ Accumulated Surplus (Own Funds)	0	0	0	12500	10 000	10 000
■ External Loans	0	9 500	9 500		0	0
■ District Municipality	0	0	0		0	0
■ Provincial Government	0	0	0		0	0
■ National Government	41 452	27 480	27 480	37565	36 885	42 906

Lukhanji Adopted Draft Budget 201415

Supporting Documentation

Section 17(3) of the MFMA requires certain documents must accompany the budget.

7. Budget Process Overview

The following schedule was adopted by the Council in August 2013 and was followed in the preparation of the 2014/15 medium term budget document. This process plan was followed in conjunction with the IPED directorate who are responsible for the review of the Integrated Development Plan. The intention is to ensure the alignment of the budget and the IDP.

Lukhanji Municipality

1) Approved schedule for the IDP / PMS and Budget REVIEW PROCESS PLAN – 2013 / 2014

The below schedule was approved by Council on the 30th August 2012, for purposes of ensuring compliance with the municipal legislation and alignment between integrated development planning activities and those of budget review process

Activity	Date	Custodian
July 2013		
Review of the IDP for 2013/14 and compilation of the IDP/PMS and Budget Process Plans	1-31 July 2013	Chief Financial Officer; and Integrated Planning and Economic Development
August 2013		
Preparation of the draft annual performance report 2012 / 2013	20-21 August 2013	Integrated Planning and Economic Development
Establishment of IDP/PMS AND Budget Committees.	26 August 2013	Executive Mayor
IDP/PMS and Budget Technical Steering committee to discuss draft IDP/PMS and Budget Review Process Plan 2014 / 2015.	27 August 2013	Executive Mayor
IDP Representative Forum-Consultation on the draft IDP/PMS AND Budget Review Process Plan 2014/2015.	28 August 2013	Executive Mayor
Special Council Meeting – Presentation of the IDP/PMS and Budget Review Process Plan 2013/2014 for adoption	30 August 2013	Executive Mayor
2012/2013 Financial Statements and Draft Annual Performance Report submitted to	30 August 2013	Municipal Manager; Chief Financial Officer

Lukhanji Adopted Draft Budget 201415

Activity	Date	Custodian
Auditor-General.		
September 2013		
Advertisement and/or publication of the IDP/PMS and Budget Review Process Plan 2014 / 2015	06 September 2013	Integrated Planning & Economic Development
Submission of IDP/ PMS and Budget Review Process Plan to the district municipality and other spheres of government	06 September 2013	Integrated Planning & Economic Development
IDP/PMS and Budget Framework Workshop for all Councillors; Traditional Leaders and Officials	17 September 2013	Integrated Planning & Economic Development
October 2013		
Preparations for the sittings of cluster meetings; circulation of information on the situational analysis review processes	01 – 04 October 2013	Integrated Planning & Economic Development Cluster Chairpersons
Submission of Performance reports and performance information of the first quarter	04 October 2013	All Directors
IDP/PMS and Budget Technical Steering Committee: presentation of the situational analysis under review, performance report (1 st quarter).	09 October 2013	Municipal Manager
IDP/PMS and Budget steering committee: presentation of the situational analysis under review performance report (1 st quarter)	16 October 2013	Executive Mayor
Cluster meetings to review performance of the first quarter and presentation of the draft review situational analysis.	21-25 October 2013	Cluster Chairperson
Submission of the Performance Report of the institution to the Office of the Executive Mayor	30 October 2013	Integrated Planning & Economic Development
Public Meetings / Mayoral Imbizo's – Presentation on the 1 st quarter performance report to local community	31 October 2013	Executive Mayor
November 2013		
Review of the Situational analysis continue, review of objectives and strategies.	01-29 November 2013	All Directors
IDP/PMS and Budget Technical Steering Committee – presentation and discussion of the situational analysis. Launch of the second phase of the IDP (Development of the objectives and strategies commences)	20 November 2013	Integrated Planning & Economic Development Municipal Manager

Lukhanji Adopted Draft Budget 201415

Activity	Date	Custodian
December 2013		
Logistical arrangements on the review of the mid-year performance reports, assessment and performance and review of the service delivery and budget implementation plans	02 – 06 December 2013	Integrated Planning & Economic Development
IDP/PMS and Budget Technical Steering Committee to discuss draft objectives and strategies.	11 December 2013	Municipal Manager; Integrated Planning and Economic Development
January 2014		
Submission of Performance reports and performance information – mid-year performance	03 January 2014	All Directors
Cluster meetings to discuss mid-year performance reports and draft objectives and strategies	07-11 January 2014	Cluster Chairperson
IDP/PMS and Budget Technical Steering committee to present and discuss draft objectives and strategies. Launch of the third phase of the IDP (Discussions on the projects commences, preparation of the IDP Core components for submission no later than the end of February 2013)	15 January 2014	All Directorates
	15 January 2014	Integrated Planning and Economic Development
Strategic planning session to present updated situation analysis, refined objectives and strategies and draft projects. Review Strategic Scorecard and prepare draft SDBIP 2013 / 2014	20 – 22 January 2014	Municipal Manager; Integrated Planning and Economic Development
Presentation of reviewed SDBIP to the Executive Mayor for approval.	23 January 2014	Municipal Manager; Integrated Development and Economic Development.
Table in Council the draft annual report 2012 / 2012, Mid-year Performance Report 2012 / 2013, annual report, mid-year assessment report, financial statements and audit report	24 January 2014	Executive Mayor
Publication of the draft annual report, mid-year performance report and the reviewed SDBIP 2012 / 2013	31 January 2014	Integrated Development and Economic Development
February 2014		

Lukhanji Adopted Draft Budget 201415

Activity	Date	Custodian
Submission of mid-term performance reports to the Sector Departments (National / Provincial Treasury and the department of Local Government and Traditional Affairs)	07 February 2014	Integrated Planning and Economic Development
IDP/PMS and Budget Technical Steering Committee to discuss and finalise draft projects and submission of reviewed sector plans.	19 February 2014	Municipal Manager
Public Meetings / Mayoral Imbizo's – Presentation of the mid-year performance report, draft annual report 2012 /2013	28 February 2014	Executive Mayor
March 2014		
Presentation of draft Reviewed IDP 2014 / 2015 to IDP/PMS and Budget Technical committee and alignment of budget	12 March 2014	Integrated Planning and Economic Development
IDP/PMS and Budget Steering Meeting: Final draft operating and capital budget presented to Mayoral Committee review	19 March 2014	Executive Mayor
Special Council Meeting – Presentation of the 1 st draft IDP 2014/2015 (2 nd Review)	31 March 2014	Executive Mayor
April 2014		
Submission of Draft IDP document to the Office of the Premiers, Provincial and National Treasury and the MEC for Local Government ad Traditional Affairs	04 April 2014	Municipal Manager
Submission of Performance reports and performance information of the third quarter	04 April 2014	All Directors
IDP advertised for public comments, public meetings and consultation	04 – 06 April 2014	Executive Mayor
IDP, Budget and PMS Road shows	07 – 25 April 2014	Executive Mayor
IDP/PMS and Budget Technical Steering Committee to consider public comments and those from sector departments; presentation of performance reports for the 3 rd quarter.	30 April 2014	Municipal Manager
May 2014		
IDP/PMS and Budget Steering Committee – Consider final IDP 2014/2015 (2 nd Review)	14 May 2014	Integrated Development and Economic Development.

Lukhanji Adopted Draft Budget 201415

Activity	Date	Custodian
		Municipal Manager
IDP/PMS and Budget Technical Steering Committee: Presentation of Final Draft IDP and Budget (Operating and Capital Budget) for presentation to the full Council	21 May 2014	Executive Mayor
State of the Municipal Address: Council to consider final adoption of the IDP & Budget	30 May 2014	Executive Mayor
June 2014		
IDP/ PMS and Budget Technical Steering Committee to finalize the service delivery and budget implementation plans for 2014 / 2015	11 June 2014	Integrated Planning and Economic Development
Submission of the approved Reviewed IDP 2014 / 2015 to the National, Provincial Treasury department, MEC for Local Government and Traditional Affairs and the district municipality	13 June 2014	Municipal Manager
Presentation of the final draft service delivery and budget implementation plan to the Executive Mayor for approval.	18 June 2014	Municipal Manager
Assessment of annual performance of the institution.	24-27 June 2014	Integrated Planning and Economic Development. Municipal Manager
Ordinary Council Meeting	30 June 2014	Executive Mayor

Political Oversight

Every Municipal Budget is a political document. Although most of the technical preparation of the document is performed by staff, the budget is, in accordance with the MFMA, the Mayor's document. The Mayor and the Mayoral committee were involved with the budget at every step. Their guidance and direction shape the outlook of the budget and what should be contained in it.

In July 2013 the mayor appointed a 'Budget' Steering committee to assist in the political oversight of the budget process. This committee met regularly to review each step of the budget's development. It was this committee that made the major political decisions regarding policies, tariffs and funding issues.

Budget Development Overview

The 2014/15 budget process began in July 2013 with the development of a Budget Schedule. This schedule outlined the key steps, milestones and timetables for the budget process. The Mayoral Committee also reviewed and approved the 'Budget

Lukhanji Adopted Draft Budget 201415

Preparation and Financial Guidelines' that list the assumptions, goals and roles and responsibilities used in preparing the new budget.

In August 2013 the Mayoral committee approved the budget preparation schedule and tabled that schedule to council.

During the months of September thru January 2013/14 the baseline budget was prepared using the approved guidelines and assumptions. Each directorate was given the opportunity to make changes within their operating budgets. Directorates were also requested to submit capital requests and supplemental operating requests on items such as personnel and new programs.

Concurrent with this process various committees were appointed to review and make recommendations on the municipality's various budget related policies.

At the end of January a first draft budget was prepared using all available data and in March this report was presented to the Mayoral Committee.

On the 26th of March 2013 a draft budget was presented to the Mayoral along with a list of recommendations for items such as tariff increases and miscellaneous items.

The draft budget is to be tabled in council on the 31st of March together with the revised IDP for the 2014/15 budget year.

8. Alignment of Budget with Integrated Development Plan

Each year the IDP must be reviewed as required by the Municipal Systems Act and MFMA. It should be reviewed in terms of performance in achieving outcomes and outputs, since the current financial position and the future fiscal outlook for the municipality will have a direct bearing on delivery. The review should ensure that the plans are still within the financial capacity of Lukhanji. This section should give readers a good understanding of what is contained in the IDP and how that guides the allocations in the budget. The intention is not to attach the IDP as an annexure or to repeat everything in the IDP. However, it is critical that the user of the budget documentation obtains a good high-level overview of the IDP and be referred to the detailed IDP documentation.

Vision

Lukhanji Municipality to be a municipality of choice that seeks to work closely with its people, and to promote governance, economic growth and sustainable delivery of services.

Mission

To strive for financial and administrative stability while providing effective, affordable, sustainable integrated development in order to achieve socio economic upliftment, stability and growth.

Lukhanji Adopted Draft Budget 2014/15

Value

In addition to the Batho Pele principles, our municipality commits itself to upholding the following set of values:

- Good Governance
- Accountability
- Public Participation
- People Development
- Teamwork
- Integrity
- Tolerance
- Honesty
- Responsibility
- Trust

LUKHANJI KEY PRIORITIES (KPAs) FOR 2014/2019

Priorities as determined by the communities through the ward councilors and endorsed by the IDP Representative Forum

1. Infrastructure and Basic Services
 - Roads
 - Storm Water Drainage
 - Street lighting
 - Sanitation
2. Housing
 - Rectification of the RDP houses
3. Local Economic Development and job creation
 - Fencing of agricultural and grazing land
 - Tourism
 - SMME development
 - Irrigation schemes
4. Social and Recreational Facilities
 - Sports Facilities
 - Fencing facilities
5. Health

LUKHANJI DEVELOPMENT TARGETS FOR 2014/2019

GOOD GOVERNANCE + FINACIAL VIABILITY

- To achieve a clean audit by June 2017
- To improve turnaround time for completion of budget: adjustment , DRAFT 14/15 budget

Lukhanji Adopted Draft Budget 201415

- To improve turn around for dealing with disciplinary cases brought before the DC to less than 60 days from date of initial charges by end 2015.
- To have all our employees signing a pledge to anti-corruption program by end of 2015.
- To develop clear policy for restorative justice processes and renaming

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

- To revise and automate and cascade performance management
- To adopt a HR retention strategy
- To adopt revised EEP with specific targets for women, youth and disabled in our top three levels of management
- To fill all critical budgeted vacancies in the organogram by June 2015
- To facilitate accredited training of officials and councilors
- To facilitate training and capacity building of all ward committees

LOCAL ECONOMIC DEVELOPMENT

- To improve Agric contribution to economy by between 1% and 2.5%
- To support Local Tourism Agency
- To adopt an Agriculture and Rural development plan
- To pilot Liberation Heritage Route at Sada and Ntabelanga/Bulhoek
- To develop an investment package by the end of 2015

SERVICE DELIVERY

- To ensure that 90% of our households have safe places to dispose of their refuse and waste by end 2015
- To facilitate construction of community Halls
- To facilitate supply of electricity to 2%of households by June 2015
- To construct 50km of new gravel road network in our rural areas by December 2015
- To maintain and or upgrade at least 25km of road surface (Tarr + Gravel)
- To facilitate increase household access to water and sanitation services

Lukhanji Adopted Draft Budget 201415

The tables contained in the following pages attempt to align the draft budget with the IDP.

8.2 – Table SA4 – Reconciliation of IDP strategic objectives and Budget – Revenue

8.3 – Table SA5 – Reconciliation of IDP strategic objectives and Budget – Operating Expenditure

8.4 – Table SA6 – Reconciliation of IDP strategic objectives and Budget – Capital Expenditure

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Good Governance & Financial Viability	To achieve clean audit by 30 June 2014			193 542	215 532	178 138	178 762	187 516	187 516	199 041	213 561	226 228
Institutional Development & Transformation	Revise and automate and cascade performance management			973	1 084	2 456	2 464	2 585	2 585	2 744	2 944	3 119
Local Economic Development	Improve agricultural contribution to economy			1 303	1 451	6 387	6 409	6 723	6 723	7 136	7 657	8 111
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and waste			223 604	249 009	314 935	407 744	427 711	427 711	453 999	487 118	516 010
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	419 422	467 076	501 916	595 379	624 535	624 535	662 920	711 280	753 468

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
Good Governance & Financial Viability	To achieve clean audit by 30 June 2014			78 245	397 305	59 001	49 718	49 718	49 718	57 673	62 531	65 405	
Institutional Development & Transformation	Revise and automate and cascade performance management			5 517	5 948	4 502	4 588	4 588	4 588	5 322	5 770	6 036	
Local Economic Development	Improve agricultural contribution to economy			7 083	7 636	21 440	11 849	11 849	11 849	13 745	14 903	15 588	
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and			290 579	313	371 381	459 561	477 394	477 394	533 088	577 993	604 561	
Allocations to other priorities													
Total Expenditure				1	381 423	411 202	456 324	525 717	543 550	543 550	609 828	661 197	691 590

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Good Governance & Financial Viability	To achieve clean audit by 30 June 2014	A		17 777	524	-						
Institutional Development & Transformation	Revise and automate and cascade performance management	B		-	-	-						
Local Economic Development	Improve agricultural contribution to economy	C		571 874	16 861	2 535	2 235	2 235	2 235	1 703	1 582	1 636
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and	D		212 352	6 261	102 617	27 291	27 291	27 291	20 799	19 323	19 972
Service Delivery	To have good access road in the communities	E					40 136	51 459	51 459	30 589	28 418	29 372
		F										
		G										
		H										
		I										
		J										
		K										
		L										
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	802 003	23 647	105 151	69 662	80 985	80 985	53 091	49 324	50 979

Lukhanji Adopted Draft Budget 201415

9 Budget Related Policies Overview and Amendments

The draft budget contains detailed policies which have direct bearing on the budget. Some of these policies are existing policies which have been **reviewed** whilst some are new policies to be considered by council for approval.

This section attempts to give a **broad overview** some of the budget policy framework and highlight the amended policies to be approved by council resolution.

Budget related policies include, but are not limited to:

- Revenue related policies (tariffs, credit control, revenue collection, indigents, etc)
- Free basic services including levels, households benefiting and cost
- Investment of funds, reserves, borrowing and cash management
- Supply chain management policy
- Adjustment budgets, and unforeseen and unavoidable expenditure

Revenue Related Policies

In 2007/08 the municipality approved several revised revenue related policies. These included a revised credit control and debt collection policy.

Policies submitted for revision in with the 2014/15 tabled budget include :

Lukhanji Municipality Virement (Adjustment Budget) Policy
Lukhanji Municipality Arrangement Policy
Lukhanji Municipality Credit Control and Debt Collection policy

Credit Control and Debt Collection Policy

This policy lays out the framework and the principles by which the municipality deals with those citizens that either want to connect to the municipal services or fall into arrears on the municipal services for which they are provided service.

This policy sets out the application process, the billing process and the mechanism to be used when performing the debt collection function.

Free Basic Services

No revisions to free basic services are planned for this financial year. The free basic services policy is written in line with national directives and recommendations and states that those households registered as indigent within the municipality will receive 50kw of electricity and 10kl of water each month free of charge for the provision of basic service.

Lukhanji Adopted Draft Budget 201415

Investment of Funds, borrowing and cash management

In accordance with the MFMA, this past financial year the council adopted a 'cash and investment policy' setting out various principles and reporting requirements for the municipality's investments.

During 2007/08 a debt management policy that sets out the debt policy of the municipality was also adopted. This policy sets a framework for the municipality to use when considering the use of debt for a project. This policy also sets self-imposed limits on both the total amount of debt that can be issued by the municipality and the amount required each year for annual debt servicing.

Supply Chain Management Policy

The MFMA required the municipality to adopt and implement a new supply chain policy by January 1st of 2006. The municipality met this deadline. We now have a detailed policy of council and a set of procedures to follow. The Supply Chain unit has been established within the Finance Directorate and is operating. The policy set limits for the various methods of procurement used within the municipality and delegated authority to implement the policy to the Accounting Officer as required in the MFMA.

Unforeseen and Unavoidable Expenditure Policy

In accordance with the MFMA the council passed a policy to be used in the municipality when unforeseen and unavoidable expenditures become needed. This policy delegates certain powers and responsibilities onto the Mayor and Municipal Manager and requires all such expenditures to be tabled before council in an adjustment budget as soon as possible.

Adjustment budget Policy

A policy relating to adjustment budgets was adopted by council in during the 2006/07 budget process. This policy sets out the method and authority for proposing adjustments budgets to council during the financial year.

Lukhanji Adopted Draft Budget 201415

Debt Management Policy

A Debt Management Policy was adopted by council in 2007/08. This policy is meant to establish guidelines for the issuance, use of or budgeting of debt instruments within the municipality.

Write Off Policy

The municipality has many old and uncollectible accounts still within its active billing system.

This write off policy (adopted in 2007/08) establishes guidelines and authorization levels and criteria to be used when writing off those debtor accounts that are deemed uncollectible.

Arrangements Policy

This policy (adopted in 2007/08) creates the framework to guide staff in entering into arrangements for payment with municipal customers that have problems paying their accounts.

The policy differentiates between indigent, domestic and business type customers. The policy also basis repayment schedules based upon the income levels of households and sets guidelines to use when dealing with indigents.

New Policies to be considered by Council

1. IT Policies
2. Virenment Policy
3. Gift Policy

Lukhanji Adopted Draft Budget 201415

10 Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. The section provides a comprehensive summary of all the assumptions used in preparing the budget.

Budget Assumptions Table 2014/15			
	Estimated 2014/15	Estimated 2015/16	Estimated 2016/17
1) General Inflation Factor	6.3%	5.8%	5.6%
2) Interest Rates:			
Borrowing	10.0%	10.0%	10.0%
Investing	6.0%	6.0%	6.0%
3) Increases - Rates and Tariffs:			
Growth Factor	1.0%	1.0%	1.0%
Rates	10.0%	8.0%	8.0%
Electricity	7.0%	8.0%	8.0%
Refuse	8.0%	10.0%	10.0%
Water	6.0%	6.0%	6.0%
Sanitation	6.0%	6.0%	6.0%
4) Tax Base Growth	0.0%	0.0%	0.0%
5) Billing Collection Rates:			
Rates	81.0%	81.0%	81.0%
Electricity	87.0%	87.0%	87.0%
Refuse	54.0%	54.0%	54.0%
Water	61.0%	61.0%	61.0%
Sanitation	71.0%	71.0%	71.0%
Debtor Interest	14.6%	14.6%	14.6%
6) Bulk Electricity Purchases			
Growth Factor	0.0%	0.0%	0.0%
Bulk Cost Increases	25.9%	15.0%	5.0%
7) Salary Increases			
Salaries	7.0%	6.0%	6.0%
Overtime	6.5%	6.0%	6.0%
Contract Workers	4.0%	4.0%	4.0%

Lukhanji Adopted Draft Budget 201415

8)	WSSA contract increase	5.0%	5.0%	5.0%
9)	Equitable Share Allocation	118 301 000	127 277 000	125 368 000
10)	Water/Sanitation Subsidy (from District)	46 935 370	49 282 138	51 746 245
12)	Primary Health Clinics Allow.	-	-	-
13)	Primary Health Clinics Deficit	-	-	-
14)	ATIC Clinics Allow.			
15)	ATIC Clinic Deficit	-	-	-
16)	Property Sales	-	-	-
17)	Small Equipment Purchases	-	-	-
18)	Change in # of Staff	-	-	-
19)	New Capital Purchases (Fleet)	1 979 250	1 958 000	2 346 000
20)	New Debt Payments (Fleet)	378 479	374 415	448 610
21)	Library Allocation	4 150 000	4 150 000	4 150 000

The above assumptions were anticipated when the planning stage of the 2014/15 budget was conceived. It must be noted however that as the year progresses some of these guidelines had to change due to the dynamic nature of the economy.

Salaries were anticipated to increase by 7.0% but the new guideline in secular 72 stipulates that municipalities use the average CPI plus 1 percent which is the 6.79 %. Electricity tariff was expected to increase by 7.0% but by NERSA guidelines the rate will be hiked by 7.39%. Water tariff was supposed to increase by 6.0% but this will be increased by 312.0% .

Nevertheless these guidelines enable the municipality to work within set parameters.

Lukhanji Adopted Draft Budget 201415

General inflation outlook and its impact on the municipal activities

General inflationary pressure is expected to remain in the moderate range as per the National Treasury forecasts. We have used the guidelines as per circular 67, 70 and 72 from National Treasury for the next three years when preparing this medium term budget. The budget is also based on some of the earlier circulars which are still relevant such as circular 58.

Interest rates for borrowing and investment of funds

Based on historical trends and current market analysis we have used 10% as the base interest rate on all loans that we anticipate taking out over the medium term estimate. Investment income is calculated using a 6% rate for cash invested.

Rates, tariffs, charges and timing of revenue collection

The Municipality has completed property valuations over the past two years with supplementary valuations being done. The new valuations on property within the municipality have made it possible to be able to determine the correct property values under the Lukhanji municipal area. As a result of this, infrastructure improvement rate which used to be levied on properties which were not valued has been discontinued. Rates are set to increase by 10% representing the CPIX.

A costing study was conducted in 2005/06 to assist the municipality in determining the 'total' direct and indirect cost of delivering the various services to the community. As a result of this study a new costing model was developed to distribute the indirect or 'administrative' costs incurred by the municipality. This new costing model is reflected in the proposed tariffs for the municipality this year.

Refuse charges are set to remain at 8% this year. This is as a result of the service not breaking even or running at a loss. This will have to be increased over a number of years to ensure that the service is fully funded. It is anticipated that once consumers start to pay for these service and a full break-even is achieved, the municipality will start lowering this rate.

Electricity tariff is determined and controlled by the energy regulator NERSA. Electrical service is dependent on bulk electric purchases from ESKOM. As a result of the 8.06% increase in the cost of bulk electricity purchases, the tariffs charged to customers will increase this year by 7.39 margin. Indigent customers will be subsidized as follows:

0 – 50kw	free
----------	------

Lukhanji Adopted Draft Budget 201415

51kw onwards 7.39% Increase

Provision of water is a district municipal function. As a result the municipality performs the water and sanitation services under an agency contract with the Chris Hani District Municipality. The district must approve all tariff increases relating to the water and sanitation function. The municipality was expected to implement a steep increase in water tariff last year, but due to the late decision on the matter the proposed tariff was not implemented last year.

This year, after much consultation and deliberations, the mayoral resolved to implement the new water tariff. Consequently, water tariff for the 2014/15 financial year will increase by 312%. An example of how an average consumer who consumes 38 kilo litres of water will be affected is shown below:

CURRENT TARIFFS FOR 2013/2014

CONS	38	Basic	52.79
	Cons	Tariff	Amount
0 - 20 kl	20.00	4.13	82.6
21 - 50 kl	18.00	4.91	88.38
51 - 99999 kl	0.00	5.76	0.00
	38.00		170.98
		VAT	23.94
		Total	194.92

NEW PROPOSED 2014/15 TARIFF

CONS	38	Basic	50.49
	Cons	Tariff	Amount
0 - 6 kl	6.00	14.41	86.46
7 - 15 kl	9.00	18.01	162.09
16 - 25 kl	10.00	22.52	225.20
26 - 40 kl	13.00	28.14	365.82
41 - 500 kl		42.22	
500 kl >		84.43	
	38.00		839.57

Lukhanji Adopted Draft Budget 201415

VAT	<u>117.54</u>
Total	<u>957.11</u>

The above illustration shows that in the current tariff, a consumer who consumes 38 kilo litres of water pays R192.94 a month. In 2014/15 with the new tariff same consumer will pay R957.11 for same 38 kilo litres of water. The above steep increase of the water tariff was necessary for further investment in water infrastructure and the sustainability of the service for future generations.

Collection rates for each revenue source and customer type

(for more detail see section 15 – revenue by source and vote)

Collection of billed services continues to be problematic in many areas of the municipality. As a result of this the allowance for bad debts has been increased substantially over the past years to more closely reflect the actual collection rate of municipal services. These lower collection rates continue to put upward pressure on service tariffs and will require a conscience effort to address in the future. There are however glimpses of improve collection rate of billed services in the first half of the 2013/14. It is hoped that this trend will continue into 2014/15 financial year.

Collection rates for services that are billed to the community are usually very different than the amount actually billed for a particular service. This is the result of many different factors including consumer attitude, ability to pay and other issues. The municipality began a project plan last year to improve the collection of the various billed services thru a project management plan that addresses many different areas of the billing and collection cycle.

In addition, the credit control and debt collection policy was revised last year and a debtor's write off and arrangements policies were also added to the mix. The adoption of these policies is only one part of a multi prong approach to address this issue.

Average salary increases

When we include councillor allowances, salaries and related expenses make up almost 28% of the operating budget. This salary related expenses are increased each year by bargaining agreements controlled by SALGA.

Salaries for municipal workers are projected to increase steadily over the medium term budget forecast. For 2014/15 salaries are projected to increase 6.8%, for 14/15 to 15/16 a projected 6.4% increase is also used.

Lukhanji Adopted Draft Budget 201415

11 Funding the Budget

Fiscal Overview

Over the past few years the Lukhanji Municipality has been working to reform its financial position and reporting systems to promote sustainability and conformance to the requirements of the MFMA.

Sustainability can mean many different things but at its core is the idea of financial stability and the ability to financially meet the obligations and commitments that are required to deliver the services within the community.

The MFMA requires many things from the municipality in this respect. Some of these items include: 1) Payment of all creditors within 30 days; 2) using only realistically expected actual revenues and non-committed cash surpluses to fund the budget; 3) discontinue the use of short term borrowing (bank overdraft) to fund operating expenses; and 4) ensuring that all required reserve funds are 'cash backed'.

Primarily from a cash point of view, Lukhanji has faced serious financial difficulties over the past few years. Lukhanji is not alone. Many local municipalities in South Africa are facing the same difficulties. The reasons for this situation are not simple and neither are the solutions. Over the past years the municipality has been required to take on large numbers of employees, a large borrowing debt and a large population that simply do not have the income to pay the rates and tariffs required. In recent years though, the municipality has not taken any new debt as a result, the municipality will pay off its debt in the medium term budget.

It is to this end the municipality has continued to focus its attention toward the past few years. Prudent budgeting and some hard decision making has allowed this goal to become a reality. The municipality will end 2013/14 with enough cash at the end of the financial year to pay all of its creditors. This, however, must not be the end.

The municipality must strengthen its credit control and debt collection efforts. We must evaluate every area of operations and ask ourselves if we are doing things in the most efficient and effective way. We must make sure that those organs of state for which we supply agency functions pay for those functions in their entirety so that local Rand can be used to pay for the local services that we are required to perform.

Probably most important, we must be willing to change. We cannot continue to do things the way that we always have done them in the past.

New challenges always bring with them new opportunities. We must find those opportunities that present themselves and use them to better our municipality.

Lukhanji Adopted Draft Budget 201415

Funded verses a Balanced budget: Table SA 10

The implementation of the MFMA changes the perspective of the budget from a 'funds' perspective where the emphasis is on balancing funds going out to funds coming in to a more dynamic accounting prospective.

This new prospective requires us to analyse the budget from several viewpoints to ensure that the budget is indeed balanced in accordance with the MFMA. The MFMA requires in section 18 that the budget be funded using only 'realistically' anticipated revenues to be collected and cash backed accumulated funds that are not committed to other purposes. Borrowed funds can only be used to fund capital budget items in accordance with MFMA requirements.

Although we show revenues on an accrual basis we must ensure that revenues used to fund the budget are realistically anticipated to be collected.

To be credible the budget must be consistent with the IDP and be achievable in terms of service delivery and performance targets. Credible budgets have realistic revenue and expenditure projections and the implementation of it improves the financial viability of the municipality.

The municipality has followed these principles and the directions put forth in NT circulars 41 and 42 concerning both the budget process and funding of a municipal budget.

We have made full disclosure on all revenues using accrual methods and all cash that is available has been shown where it is legally committed to be spent.

Cash flow for the 2014/15 budget year reflects that cash receipts for the year will be sufficient to place a small surplus into working operating capital.

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	125 000	176 729	46 434	105 552	130 439	130 439	130 439	173 795	205 296	246 059
Cash + investments at the yr end less applications - R'000	18(1)b	2	163 732	267 806	293 605	206 006	281 276	281 276	281 276	219 711	221 801	221 601
Cash year end/monthly employee/supplier payments	18(1)b	3	4.4	5.7	1.5	2.8	3.3	3.3	3.3	3.9	4.2	4.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	37 999	55 874	45 592	69 662	80 985	80 985	80 985	53 091	50 082	61 878
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	11.8%	11.2%	2.5%	0.6%	(6.0%)	(6.0%)	12.6%	3.1%	3.2%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	58.0%	90.9%	61.5%	80.2%	83.2%	83.2%	83.2%	72.3%	73.9%	73.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	35.9%	31.6%	25.3%	25.3%	19.7%	19.7%	19.7%	32.9%	32.3%	31.7%
Capital payments % of capital expenditure	18(1)c;19	8	3.4%	122.5%	79.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (ex cl. transfers)	18(1)c	9	0.0%	0.0%	45.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	11.2%	(5.8%)	(44.0%)	62.3%	0.0%	0.0%	(2.2%)	0.0%	0.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)	13	0.9%	0.9%	1.9%	2.8%	2.2%	2.2%	2.7%	2.7%	3.0%	3.1%
Asset renewal % of capital budget	20(1)(v)	14	0.0%	0.0%	26.5%	31.6%	29.8%	29.8%	0.0%	34.4%	33.1%	35.3%

11.2 – Financial Indicators – Table SA 8

The municipality is in the process of developing useful performance indicators that will be both meaningful and useful for detecting financial problems and trends that need to be investigated. These indicators are not available at this time but will be made public once finalized.

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.5%	1.8%	1.2%	0.7%	0.7%	0.7%	0.7%	0.4%	0.2%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.6%	2.3%	1.5%	1.0%	0.9%	0.9%	0.9%	0.5%	0.3%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	45.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	4.7	5.0	5.2	4.8	3.6	3.6	3.6	5.4	5.4	5.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	4.7	5.0	5.2	4.8	3.6	3.6	3.6	5.4	5.4	5.4
Liquidity Ratio	Monetary Assets/Current Liabilities	2.2	2.7	3.3	3.2	2.1	2.1	2.1	2.9	2.9	2.9
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		58.0%	90.9%	61.5%	80.2%	83.2%	83.2%	83.2%	72.3%	73.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		58.0%	90.9%	61.5%	80.2%	83.2%	83.2%	83.2%	72.3%	73.9%	73.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	33.1%	34.3%	29.0%	15.5%	24.3%	24.3%	24.3%	21.2%	19.5%	18.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))										
Creditors to Cash and Investments		21.0%	18.6%	113.8%	5.4%	1.7%	1.7%	1.7%	0.4%	0.4%	0.3%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated			0							
Water Distribution Losses (2)	Total Volume Losses (kt)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	23.4%	22.4%	20.8%	27.3%	26.5%	26.5%	26.5%	24.4%	23.9%	24.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27.1%	0.0%	28.5%	30.9%	29.2%	29.2%		27.7%	27.1%	27.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.6%	1.4%	2.8%	4.4%	3.1%	3.1%		3.4%	3.4%	3.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	3.9%	4.4%	6.0%	3.9%	4.9%	4.9%	4.9%	4.2%	3.8%	3.5%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	26.3	11.9	53.2	41.3	41.3	41.3	44.6	54.3	63.8	68.9
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	65.6%	61.7%	49.7%	25.7%	39.1%	39.1%	39.1%	32.3%	29.6%	27.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	4.4	5.7	1.5	2.8	3.3	3.3	3.3	3.9	4.2	4.8

Lukhanji Adopted Draft Budget 2014/15

Sources of Funding

11.3 - Rates, tariffs and other charges

The detailed listings of all of the proposed tariffs and rates for the 2014/15 financial year are contained in **appendix A**. In this section we will highlight only the major changes proposed. We will concentrate on the four major tariffs of the municipality along with the property rates.

These five revenue sources will account for an almost R262.3 million in billed revenue for the municipality in 2014/15 and will account for an estimated R201.4 million in actual cash collection. The breakdown is as follows:

Item	Billed (000's)	Cash (000's)
• Property Rates	75,161	73,789
• Electricity	178,197	148,762
• Water	91,529	30,224
• Wastewater	22,904	12,963
• Refuse Collection	30,507	16,749
• Total	<u>398,298</u>	<u>282,487</u>

Property Rates

The municipality still faces the challenges regarding valuations done by the service provider. Currently the municipality is trying to obtain solutions from the service provider regarding incorrect valuations as well as properties not correctly identified in the valuation roll. This has hopefully be resolved and will enable the municipality to raise its rates correctly on 1 July 2015.

As shown in appendix A levied rates are proposed to be increased by **10%** this budget year.

Electricity Tariffs

The single largest revenue source for the municipality is the electricity tariff (R178.1 million next year). It is also the source of the single largest expenditure – bulk electricity purchases (budgeted at R150.4 million next year).

The vast majority of domestic users of the municipal electrical distribution system are using a 'pre-paid' meter system. Using this system the municipality is able to collect the tariff charge 'up front' and eliminate all bad debts associated with these customers. This is the reason that the collection rate

Lukhanji Adopted Draft Budget 201415

from the electricity tariff is so high compared to other tariffs that are billed in the conventional way.

Some 3199 customers (including domestic, commercial and industrial) are billed via a conventional meter. As can be seen in the rates listed in appendix A the charge to these customers is broken down into several components including fixed component and several usage based components.

The initial tariff increase put forth in the budget for electricity is **7.39%**.

Water and Wastewater Tariffs

Lukhanji delivers water and wastewater services in the capacity of an agent of the Chris Hani District Municipality. As such, the budget and any tariff increases are to be done in consultation with the district.

As of this time we are requesting a **6%** increase in Sanitation tariff and 312.0% increase in water tariff.

Currently the wastewater tariffs are billed to customers with water borne sewer connections based on the number of sewer connection points. Households are assumed and only charged for one connection point while commercial and industrial users are billed for the actual number of points that they have. Wastewater is an annual charge and may be paid annually or in monthly instalments if the rates and taxes of the relevant erf are also paid in monthly instalments.

Water is billed monthly based on usage with higher usage resulting in a higher charge. An availability charge is payable on all property where a connection to the water network is possible but not utilized.

All current/proposed water and wastewater tariffs are listed in appendix A.

Refuse Collection

Refuse collection tariffs are 'use based' fees that are based on factors such as the category of the customer and the number of removals required.

For 2014/15 financial year we are proposing an **8.0%** increase in refuse tariffs across the board. The tariff could have been reduced next year as a result of the service breaking even after the previous increases, but the 52.0% collection rate made it impossible to hike rates.

The listing of proposed refuse tariffs is included in appendix A.

Lukhanji Adopted Draft Budget 201415

11.5 - Investments – cash backed accumulated surplus

This section documents particulars of existing investments and predicted levels of investments based on future strategies. The portfolio of investments should also be compliant with the MFMA, regulations and investment framework.

The following tables are included to show details concerning the municipality's investments.

11.6 - Table SA15 – Investments Particulars by Type

11.7 - Table SA16 – Investments Particulars by Maturity

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		97 722	103 035	120 841	106 242	111 069	111 069	111 534	111 534	111 534
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	97 722	103 035	120 841	106 242	111 069	111 069	111 534	111 534	111 534
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		97 722	103 035	120 841	106 242	111 069	111 069	111 534	111 534	111 534

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
Parent municipality														
ABSA BANK		Call	CALL ACCOUNTS	Yes	Variable	0	0	0		111 534	8 200	-	-	119 734
														-
														-
														-
Municipality sub-total										111 534		-	-	119 734
Entities														
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									111 534		-	-	119 734

Lukhanji Adopted Draft Budget 201415

11.8 - Grant allocations

The following is a listing of grants included within the budget and a brief description of each.

MUNICIPAL INFRASTRUCTURE GRANT

This fund is allocated to municipalities to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure, as well as the rehabilitation and renewal of municipal infrastructure. Conditions to the grant is to prioritise residential infrastructure for water, sanitation, refuse removal, street lighting, solid waste, connector and bulk infrastructure, and other municipal infrastructure like roads in line with the MIG policy framework. Municipalities must adhere to the labour intensive construction method and must report to DPLG in terms of the Division of Revenue Act on progress.

MUNICIPAL SYSTEM IMPROVEMENT PROGRAMME

This grant is allocated to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance system as required in the Local Government Municipal Systems Act of 2000.

Conditions include that a activity plan must be submitted in the prescribed format with detail budgets and timeframes. Submission of monthly expenditure reports in accordance of the Division of the Revenue Act.

LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

This grant is allocated to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act.

Conditions include submission of council resolution striving to achieve multi-year budgets, accounting and reporting reforms. The employment of a skilled chief financial officer and promotion of internship programme in financial management and ongoing review, revision and submission of implementation plans to address weaknesses in financial management.

Lukhanji Adopted Draft Budget 201415

LOCAL GOVERNMENT SUPPORT GRANT

This grant is allocated to strengthen the capacity of municipalities, integrated planning and good governance, facilitate land and Infrastructure development and promotion of sustainable local economic and rural development as well as free basic services.

Conditions include proper utilization of the funds for which it is allocated and regular reporting in terms of the Division of Revenue Act.

11.9 -Table SA 18 - Transfers and grant receipts

Table SA 19 - Expenditure on transfers and grant programme

**Table SA 20 - Reconciliation of transfers, grant receipts and unspent
Funds**

The tables on the following pages give a detail listing of the allocations that the municipality anticipates receiving.

Lukhanji Adopted Draft Budget 2014/15

EC134 Lukhanji - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:										
Operating expenditure of Transfers and Grants										
National Government:		87 550	98 352	-	118 911	120 323	120 323	124 749	132 394	130 586
Local Government Equitable Share		86 908	96 062		112 656	112 656	112 656	118 301	127 277	125 368
Finance Management			1 500		1 550	1 550	1 550	1 600	1 650	1 700
Municipal Systems Improvement			790		890	1 064	1 064	934	967	1 018
EPWP Incentive		642	-		1 515	1 602	1 602	1 714	-	-
Integrated National Electrification Programme										
Infrastructure Skills Development Grant			-		2 300	3 451	3 451	2 200	2 500	2 500
Provincial Government:		6 581	-	-	4 267	4 267	4 267	4 150	4 150	4 150
Sport and Recreation		6 776	-							
Library Subsidy		(195)			4 150	4 150	4 150	4 150	4 150	4 150
LED Assistance Grant					117	117	117			
District Municipality:		32 505	36 500	-	42 574	35 242	35 242	-	-	-
Water and Sanitation Provider		32 505	36 500		42 574	35 242	35 242			
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total operating expenditure of Transfers and Grants		126 636	134 852	-	165 752	159 833	159 833	128 899	136 544	134 736
Capital expenditure of Transfers and Grants										
National Government:		-	27 480	-	34 537	42 559	42 559	40 591	39 324	40 979
Municipal Infrastructure Grant (MIG)			26 480		34 537	42 559	42 559	37 591	39 324	40 979
Neighbourhood Development Partnership			1 000							
INEP								3 000	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants <i>[insert description]</i>										
District Municipality:		-	-	-	-	-	-	-	-	-
Water and Sanitation Provider										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total capital expenditure of Transfers and Grants		-	27 480	-	34 537	42 559	42 559	40 591	39 324	40 979
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		126 636	162 332	-	200 289	202 392	202 392	169 490	175 868	175 715

Lukhanji Adopted Draft Budget 2014/15

EC134 Lukhanji - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		89 550	98 352	116 354	118 911	120 323	120 323	124 749	132 394	130 586
Local Government Equitable Share		86 908	96 062	109 210	112 656	112 656	112 656	118 301	127 277	125 368
Finance Management		1 250	1 500	1 500	1 550	1 550	1 550	1 600	1 650	1 700
Municipal Systems Improvement		750	790	800	890	1 064	1 064	934	967	1 018
EPWP Incentive		642	-	2 844	1 515	1 602	1 602	1 714	-	-
Integrated National Electrification Programme										
Infrastructure Skills Development Grant			-	2 000	2 300	3 451	3 451	2 200	2 500	2 500
Provincial Government:		-	-	-	4 267	4 262	4 260	4 150	4 150	4 150
Sport and Recreation										
Library Subsidy					4 150	4 150	4 150	4 150	4 150	4 150
LED Assistance Grant					117	112	110			
District Municipality:		-	36 500	42 574	42 574	35 242	35 242	-	-	-
Water and Sanitation Provider			36 500	42 574	42 574	35 242	35 242			
Other grant providers: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	89 550	134 852	158 928	165 752	159 828	159 826	128 899	136 544	134 736
Capital Transfers and Grants										
National Government:		6 980	27 480	32 122	34 537	42 559	42 559	40 591	39 324	40 979
Municipal Infrastructure Grant (MIG)		5 980	26 480	32 122	34 537	42 559	42 559	37 591	39 324	40 979
Neighbourhood Development Partnership		1 000	1 000							
INEP								3 000	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants <i>[insert description]</i>										
District Municipality:		-	-	-	-	-	-	-	-	-
Water and Sanitation Provider										
Other grant providers: <i>[insert description]</i>		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	6 980	27 480	32 122	34 537	42 559	42 559	40 591	39 324	40 979
TOTAL RECEIPTS OF TRANSFERS & GRANTS		96 530	162 332	191 050	200 289	202 387	202 385	169 490	175 868	175 715

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year						1 412	1 412			
Current year receipts					118 911	118 911	118 911	124 749	132 394	130 586
Conditions met - transferred to revenue		-	-	-	118 911	120 323	120 323	124 749	132 394	130 586
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts					4 327	4 327	4 327	4 150	4 150	4 150
Conditions met - transferred to revenue		-	-	-	4 327	4 327	4 327	4 150	4 150	4 150
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts					42 574	35 242	35 242	35 242	38 062	38 062
Conditions met - transferred to revenue		-	-	-	42 574	35 276	35 242	35 242	38 062	38 062
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	-	-	165 812	159 926	159 893	164 141	174 606	172 798
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year						8 022	8 022			
Current year receipts					34 537	34 537	34 537	40 591	39 324	40 979
Conditions met - transferred to revenue		-	-	-	34 537	42 559	42 559	40 591	39 324	40 979
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	-	34 537	42 559	42 559	40 591	39 324	40 979
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		-	-	-	200 349	202 486	202 452	204 732	213 930	213 777
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

Lukhanji Adopted Draft Budget 201415

11.10 - Contributions and donations

Municipalities must budget for anticipated contributions and or donations. These could be in the form of cash or in kind. An example of an in kind contribution is infrastructure assets donated to the municipality free of charge by a developer as part of a residential development scheme. Municipalities must consider the financial and service delivery consequences of receiving contributions and donations. For example, the receipt of an infrastructure asset will require ongoing repairs and maintenance of the asset to maintain agreed service levels and standards. The revenue implications should also be considered. In the above example of a new residential development there should also be new rates and taxes on the new residential properties. Whether the new rates and taxes etc are set at levels sufficient to cover the ongoing costs of the new infrastructure is a policy decision for the council.

The municipality anticipates **no contributions and or donations** for the coming budget years.

11.11 - Sale of assets

All disposals of municipal assets is controlled by requirements put forth in the MFMA. The municipality does not anticipate selling portions of surplus vacant land in the 2014/15 financial year. The revenue from this sale if it does take place will be utilized for once off maintenance to properties.

11.12 - Carry over

Provision for the carryover of cash from unfinished programs and projects from the 2013/14 financial year to the 2014/15 financial year will not be included in the draft budget the will be presented to council. Such unspent funds will have to be applied for by August 2014. As per circular 67 by National Treasury, such unspent funds will only be included in the budget through an adjustment budget after National Treasury has approved the use of the unspent funds. These funds were allocated to a specific purpose in previous financial years but for a variety of reasons the project will not be completed by the end of the financial year.

Lukhanji Adopted Draft Budget 201415

A full listing of all cash roll overs will be provided with an adjustment budget to be tabled in December 2014.

11.13 - Proposed Future Revenue Sources

Each year when preparing the budget, thought should be given to proposed future revenue sources that could be introduced. This section will highlight these, their potential impact on future budgets and any potential issues.

The largest single potential revenue source for the municipality is the collection of billed tariffs and rates. In addition, the completion of the valuation of property within the municipality is critical to the financial future.

Both of these items will be given top priority in the coming financial year in hopes of development strategies and plans to implement improvements in the future.

11.14 - Borrowing

Lukhanji Municipality does not at this stage anticipate taking up new loans for the 2014/2015 financial year.

11.15 - TABLE SA17 - New Borrowing

The table on the following page outlines anticipated payments to borrowings for the year.

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA17 Borrowing

Borrowing - Categorised by type R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Parent municipality</u>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases		6 906	3 925	3 795	3 925	3 189	3 189	3 189	3 189	3 189
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	6 906	3 925	3 795	3 925	3 189	3 189	3 189	3 189	3 189

Lukhanji Adopted Draft Budget 201415

12. - Table SA 21 - Disclosure on Allocations Made by the Municipality

The municipality currently does not make any allocations to other municipalities so this table is not included.

EC134 Lukhanji - Supporting Table SA21 Transfers and grants made by the municipality

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Transfers to other municipalities <i>Insert description</i>	1										
Total Cash Transfers To Municipalities:		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Entities/Other External Mechanisms <i>Insert description</i>	2										
Total Cash Transfers To Entities/Ems'		-	-	-	-	-	-	-	-	-	-
Cash Transfers to other Organs of State <i>Insert description</i>	3										
Total Cash Transfers To Other Organs Of State:		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Organisations <i>Insert description</i>	4										
Total Cash Transfers To Organisations		-	-	-	-	-	-	-	-	-	-
Cash Transfers to Groups of Individuals <i>Insert description</i>	5										
Total Cash Transfers To Groups Of Individuals:		-	-	-	-	-	-	-	-	-	-
TOTAL CASH TRANSFERS AND GRANTS	6	-	-	-	-	-	-	-	-	-	-

13 Disclosure on Salaries, Allowances and Benefits

The tables on the following pages give the required listings of salaries, Allowances, and personnel as required by the MFMA.

13.1 - TABLE SA23 - Salaries, Allowances and Benefits (Political Office bearers/councillors/senior managers)

13.2 - TABLE SA22 - Summary of councillor and staff benefits

13.3 - TABLE SA24 - Summary of Personnel Numbers

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		12 255		10 389	13 276	14 076	14 076	14 178	15 177	15 678
Pension and UIF Contributions				-		-	-	-	-	-
Medical Aid Contributions				-		-	-	-	-	-
Motor Vehicle Allowance				3 463	4 705	4 885	4 885	4 980	5 099	5 480
Cellphone Allowance				760	814	931	931	1 010	1 021	1 310
Housing Allowances				-		-	-	-	-	-
Other benefits and allowances				-		-	-	-	-	-
Sub Total - Councillors		12 255	-	14 612	18 795	19 892	19 892	20 168	21 297	22 468
% increase	4		(100.0%)	-	28.6%	5.8%	-	1.4%	5.6%	5.5%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2 730		4 325	6 116	6 116	6 116	6 313	6 516	6 116
Pension and UIF Contributions		422		502	603	433	433	463	540	633
Medical Aid Contributions		137		228	580	472	472	504	551	672
Overtime				-	-	-	-	-	-	-
Performance Bonus		326		443	534	534	534	571	624	664
Motor Vehicle Allowance	3	379		332	373	373	373	398	436	573
Cellphone Allowance	3			-	-	-	-	-	-	-
Housing Allowances	3	23		22	14	14	14	15	16	17
Other benefits and allowances	3	12			11	11	11	11	13	13
Payments in lieu of leave						-	-	-	-	-
Long service awards						-	-	-	-	-
Post-retirement benefit obligations	6					-	-	-	-	-
Sub Total - Senior Managers of Municipality		4 029	-	5 852	8 231	7 953	7 953	8 274	8 696	8 688
% increase	4		(100.0%)	-	40.7%	(3.4%)	-	4.0%	5.1%	(0.1%)
Other Municipal Staff										
Basic Salaries and Wages		63 642		84 166	89 898	88 772	88 772	95 393	101 256	106 549
Pension and UIF Contributions		10 714		12 985	15 894	13 227	13 227	13 977	14 227	15 194
Medical Aid Contributions		7 695		9 442	11 603	10 823	10 823	11 531	11 617	12 823
Overtime		4 981		5 823	7 231	7 231	7 231	8 531	9 231	9 931

Lukhanji Adopted Draft Budget 201415

Performance Bonus		4 062		3 626	3 880	3 880	3 880	4 151	4 880	5 875
Motor Vehicle Allowance	3	2 527		2 999	3 209	3 209	3 209	3 310	3 909	4 209
Cellphone Allowance	3	17		1	1	1	1	1	1	1
Housing Allowances	3	213		245	262	262	262	262	262	262
Other benefits and allowances	3	2 957		2 628	2 781	2 781	2 781	2 881	3 781	4 481
Payments in lieu of leave				-	-	-	-	-	-	-
Long service awards		486		489	523	523	523	524	523	563
Post-retirement benefit obligations	6			-	-	-	-	-	-	-
				122						
Sub Total - Other Municipal Staff		97 294	-	404	135 281	130 709	130 709	140 560	149 687	159 888
% increase	4		(100.0%)	-	10.5%	(3.4%)	-	7.5%	6.5%	6.8%
Total Parent Municipality		113 578	-	142 868	162 307	158 554	158 554	169 002	179 680	191 045

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		54	54		54	54		54	54	
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	9		7	9		8	9	-	9
Other Managers	7	2		2						
Professionals		586	574	14	612	598	12	506	473	35
Finance		60	58	2	65	63	2	62	60	2
Spatial/town planning		43	42	1	46	42	2	34	34	-
Information Technology		4	4		4	4		4	4	
Roads		40	40		55	55		9	9	
Electricity		43	43		50	50		59	50	9
Water		20	10	10	25	25		19	19	
Sanitation		25	24	1	26	26		25	25	
Refuse		121	121		117	117		47	47	
Other		232	232		224	216	8	249	225	24
Technicians		-	-	-	-	-	-	-	-	-
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)		55	47	8	53	48	8	183	183	-
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS	9	708	675	31	728	700	28	754	710	44
% increase					2.8%	3.7%	(9.7%)	3.6%	1.4%	57.1%
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

Lukhanji Adopted Draft Budget 201415

- 14 Table SA 25 - Budgeted monthly revenue and expenditure**
- Table SA 26 - Budgeted monthly revenue and expenditure
(Municipal Vote)**
- Table SA 27 - Budgeted monthly revenue and expenditure
(Standard Classification)**
- Table SA 28 - Budgeted monthly capital expenditure
(Municipal Vote)**
- Table SA 29 - Budgeted monthly capital expenditure
(Standard Classification)**
- Table SA 30 - Budgeted Monthly cash flow**

The table on the following pages presents a monthly cash flow for the municipality over the next financial year.

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source																
Property rates		4 417	3 518	10 734	14 506	5 612	4 980	5 539	4 920	4 471	3 699	4 867	7 898	75 162	81 174	87 668
Property rates - penalties & collection charges																
Service charges - electricity revenue		10 175	9 218	13 199	16 090	13 400	10 284	12 370	10 860	11 075	9 306	12 507	49 713	178 197	197 460	217 998
Service charges - water revenue		5 005	4 383	7 011	7 786	8 482	5 330	7 922	6 478	6 345	5 663	7 458	19 668	91 529	97 906	105 729
Service charges - sanitation revenue		859	1 000	2 290	3 576	1 350	1 007	1 197	1 097	1 036	833	1 060	7 599	22 904	24 490	26 186
Service charges - refuse revenue		1 442	1 164	2 599	1 973	1 869	1 336	1 833	1 714	1 667	1 403	1 791	11 716	30 507	33 558	36 914
Service charges - other																
Rental of facilities and equipment		206	206	206	206	206	206	206	206	206	206	206	206	2 476	2 476	2 476
Interest earned - external investments		683	683	683	683	683	683	683	683	683	683	683	683	8 200	8 200	8 200
Interest earned - outstanding debtors		1 620	1 620	1 620	1 620	1 620	1 620	1 620	1 620	1 620	1 620	1 620	1 620	19 438	21 013	22 718
Dividends received																
Fines		29	29	29	29	29	29	29	29	29	29	29	29	348	348	348
Licences and permits		324	324	324	324	324	324	324	324	324	324	324	324	3 889	3 889	3 889
Agency services		2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	35 242	39 285	39 373
Transfers recognised - operational		10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	128 899	138 693	137 306
Other revenue		1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	13 037	13 464	13 683
Gains on disposal of PPE																
Total Revenue (excluding capital transfers and contributions)		39 526	36 911	53 460	61 558	48 340	40 564	46 488	42 697	42 222	38 532	45 310	114 221	609 829	661 956	702 489
Expenditure By Type																
Employee related costs		12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	148 834	158 383	168 516
Remuneration of councillors		1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	20 167	21 297	22 468
Debt impairment		10 984	10 984	10 984	10 984	10 984	10 984	10 984	10 984	10 984	10 984	10 984	10 984	131 811	141 227	151 433
Depreciation & asset impairment		2 051	2 051	2 051	2 051	2 051	2 051	2 051	2 051	2 051	2 051	2 051	2 051	24 617	24 617	24 617
Finance charges		107	107	107	107	107	107	107	107	107	107	107	107	1 286	675	
Bulk purchases		12 520	12 520	12 520	12 520	12 520	12 520	12 520	12 520	12 520	12 520	12 520	12 520	150 240	172 254	177 422
Other materials																
Contracted services		4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 398	52 766	55 189	57 732
Transfers and grants																
Other expenditure		6 676	6 676	6 676	6 676	6 676	6 676	6 676	6 676	6 676	6 676	6 676	6 676	80 108	87 557	89 403
Loss on disposal of PPE																
Total Expenditure		50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	609 829	661 198	691 591
Surplus/(Deficit)																
Transfers recognised - capital		3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	40 591	39 324	40 979
Contributions recognised - capital																
Contributed assets		1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	12 500	10 000	10 000
Surplus/(Deficit) after capital transfers & contributions		(6 869)	(9 484)	7 065	15 163	1 945	(5 831)	93	(3 697)	(4 173)	(7 863)	(1 085)	67 826	53 091	50 082	61 878
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	(6 869)	(9 484)	7 065	15 163	1 945	(5 831)	93	(3 697)	(4 173)	(7 863)	(1 085)	67 826	53 091	50 082	61 878

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote																
Vote 1 - EXECUTIVE AND COUNCIL		8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	104 312	113 428	112 073
Vote 2 - FINANCE AND ADMINISTRATION		8 237	8 237	8 237	8 237	8 237	8 237	8 237	8 237	8 237	8 237	8 237	8 236	98 838	105 504	112 699
Vote 3 - PLANNING AND DEVELOPMENT		475	475	475	475	475	475	475	475	475	475	475	475	5 700	6 087	6 170
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 379	16 554	17 315	8 870	
Vote 6 - COMMUNITY SAFETY		820	820	820	820	820	820	820	820	820	820	819	9 835	9 916	9 978	
Vote 7 - SPORT AND RECREATION		595	595	595	595	595	595	595	595	595	595	594	7 135	9 094	9 345	
Vote 8 - WASTE WATER MANAGEMENT		2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	27 710	29 921	31 272	
Vote 9 - WASTE MANAGEMENT		3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 466	41 602	45 079	48 904	
Vote 10 - ROADS TRANSPORT		2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	32 829	28 929	35 770	
Vote 11 - WATER		10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	125 818	136 121	144 922	
Vote 12 - ELECTRICITY		16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	192 585	209 884	233 462	
Vote 13 - OTHER		0	0	0	0	0	0	0	0	0	0	0	3	3	3	
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Vote 15 - IPED		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue by Vote		55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 242	662 920	711 280	753 468	
Expenditure by Vote to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL		4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 059	4 060	48 713	50 606	52 546	
Vote 2 - FINANCE AND ADMINISTRATION		5 089	5 089	5 089	5 089	5 089	5 089	5 089	5 089	5 089	5 089	5 089	61 068	63 085	65 293	
Vote 3 - PLANNING AND DEVELOPMENT		1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	16 409	17 364	18 043	
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 135	13 629	15 246	16 078	
Vote 6 - COMMUNITY SAFETY		2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	28 023	30 671	32 585	
Vote 7 - SPORT AND RECREATION		960	960	960	960	960	960	960	960	960	960	960	11 523	12 260	13 027	
Vote 8 - WASTE WATER MANAGEMENT		1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	21 608	23 867	24 046	
Vote 9 - WASTE MANAGEMENT		3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	37 486	41 980	44 782	
Vote 10 - ROADS TRANSPORT		2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 385	28 628	29 838	31 110	
Vote 11 - WATER		10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	131 688	139 235	147 234	
Vote 12 - ELECTRICITY		17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	207 576	233 399	243 011	
Vote 13 - OTHER		12	12	12	12	12	12	12	12	12	12	12	145	138	146	
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Vote 15 - IPED		278	278	278	278	278	278	278	278	278	278	278	3 335	3 509	3 690	
Total Expenditure by Vote		50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 817	609 829	661 198	691 591	
Surplus/(Deficit) before assoc.		4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 425	53 091	50 082	61 878	
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)	1	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 425	53 091	50 082	61 878	

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard																
<i>Governance and administration</i>		16 929	16 929	16 929	16 929	16 929	16 929	16 929	16 929	16 929	16 929	16 929	16 930	203 150	218 931	224 772
Executive and council		8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	8 693	104 312	113 428
Budget and treasury office		8 074	8 074	8 074	8 074	8 074	8 074	8 074	8 074	8 074	8 074	8 074	8 074	96 890	103 556	110 751
Corporate services		162	162	162	162	162	162	162	162	162	162	163	1 947	1 947	1 947	
<i>Community and public safety</i>		2 794	2 794	2 794	2 794	2 794	2 794	2 794	2 794	2 794	2 794	2 793	33 523	36 325	28 194	
Community and social services		1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 380	1 379	16 554	17 315	8 870	
Sport and recreation		595	595	595	595	595	595	595	595	595	595	594	7 135	9 094	9 345	
Public safety		820	820	820	820	820	820	820	820	820	820	819	9 835	9 916	9 978	
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>		3 211	3 211	3 211	3 211	3 211	3 211	3 211	3 211	3 211	3 211	3 211	38 529	35 016	41 939	
Planning and development		475	475	475	475	475	475	475	475	475	475	475	5 700	6 087	6 170	
Road transport		2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	2 736	32 829	28 929	35 770	
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Trading services</i>		32 310	32 310	32 310	32 310	32 310	32 310	32 310	32 310	32 310	32 310	32 310	387 715	421 005	458 560	
Electricity		16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	16 049	192 585	209 884	233 462	
Water		10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	10 485	125 818	136 121	144 922	
Waste water management		2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	2 309	27 710	29 921	31 272	
Waste management		3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 467	3 466	41 602	45 079	48 904	
Other		0	0	0	0	0	0	0	0	0	0	0	3	3	3	
Total Revenue - Standard		55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	55 243	662 920	711 280	753 468	
Expenditure - Standard																
<i>Governance and administration</i>		9 426	9 426	9 426	9 426	9 426	9 426	9 426	9 426	9 426	9 426	9 427	113 116	117 200	121 529	
Executive and council		4 337	4 337	4 337	4 337	4 337	4 337	4 337	4 337	4 337	4 337	4 338	52 048	54 116	56 235	
Budget and treasury office		3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 495	3 496	41 945	43 326	44 873	
Corporate services		1 594	1 594	1 594	1 594	1 594	1 594	1 594	1 594	1 594	1 594	1 594	19 122	19 759	20 420	
<i>Community and public safety</i>		4 431	4 431	4 431	4 431	4 431	4 431	4 431	4 431	4 431	4 431	4 430	53 174	58 177	61 689	
Community and social services		1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 136	1 135	13 629	15 246	16 078	
Sport and recreation		960	960	960	960	960	960	960	960	960	960	960	11 523	12 260	13 027	
Public safety		2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	2 335	28 023	30 671	32 585	
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Economic and environmental services</i>		3 753	3 753	3 753	3 753	3 753	3 753	3 753	3 753	3 753	3 753	3 752	45 036	47 202	49 154	
Planning and development		1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	1 367	16 409	17 364	18 043	
Road transport		2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 386	2 385	28 628	29 838	31 110	
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Trading services</i>		33 197	33 197	33 197	33 197	33 197	33 197	33 197	33 197	33 197	33 197	33 197	398 358	438 480	459 073	
Electricity		17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	17 298	207 576	233 399	243 011	
Water		10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	10 974	131 688	139 235	147 234	
Waste water management		1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	1 801	21 608	23 867	24 046	
Waste management		3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	3 124	37 486	41 979	44 782	
Other		12	12	12	12	12	12	12	12	12	12	12	145	138	146	
Total Expenditure - Standard		50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 819	50 818	609 829	661 198	691 591	
Surplus/(Deficit) before assoc.		4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 425	53 091	50 082	61 878	
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)	1	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 425	53 091	50 082	61 878	

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2014/15											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure to be appropriated	1															
Vote 1 - EXECUTIVE AND COUNCIL		-	171	171	171	171	171	171	171	171	171	171	171	1 880	1 966	2 049
Vote 2 - FINANCE AND ADMINISTRATION														-	-	-
Vote 3 - PLANNING AND DEVELOPMENT		157	157	157	157	157	157	157	157	157	157	157	157	1 880	1 966	2 049
Vote 4 - HEALTH														-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES			1 750	1 086	950	1 085	750	2 101	940	650	748	800	800	10 860	11 200	2 750
Vote 6 - COMMUNITY SAFETY														-	-	-
Vote 7 - SPORT AND RECREATION		250	692	451	1 250	691	920	235	850	675	128	212	567	6 920	8 880	9 131
Vote 8 - WASTE WATER MANAGEMENT														-	-	-
Vote 9 - WASTE MANAGEMENT														-	-	-
Vote 10 - ROADS TRANSPORT		1 650	1 856	2 213	1 757	2 750	996	2 890	3 583	2 540	1 891	2 564	1 863	26 551	22 312	29 000
Vote 11 - WATER														-	-	-
Vote 12 - ELECTRICITY				872	1 642	775		295		654			763	5 000	3 000	6 000
Vote 13 - OTHER														-	-	-
Vote 14 - HOUSING														-	-	-
Vote 15 - IPED														-	-	-
Capital multi-year expenditure sub-total	2	2 057	4 625	4 949	5 926	5 628	2 993	5 848	5 700	4 847	3 094	3 103	4 320	53 091	49 324	50 979
Single-year expenditure to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL														-	-	-
Vote 2 - FINANCE AND ADMINISTRATION														-	-	-
Vote 3 - PLANNING AND DEVELOPMENT														-	-	-
Vote 4 - HEALTH														-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES														-	-	-
Vote 6 - COMMUNITY SAFETY														-	-	-
Vote 7 - SPORT AND RECREATION														-	-	-
Vote 8 - WASTE WATER MANAGEMENT														-	-	-
Vote 9 - WASTE MANAGEMENT														-	-	-
Vote 10 - ROADS TRANSPORT														-	-	-
Vote 11 - WATER														-	-	-
Vote 12 - ELECTRICITY														-	-	-
Vote 13 - OTHER														-	-	-
Vote 14 - HOUSING														-	-	-
Vote 15 - IPED														-	-	-
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	2	2 057	4 625	4 949	5 926	5 628	2 993	5 848	5 700	4 847	3 094	3 103	4 320	53 091	49 324	50 979

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard	1															
<i>Governance and administration</i>		-	171	171	171	171	171	171	171	171	171	171	171	1 880	1 966	2 049
Executive and council		-	171	171	171	171	171	171	171	171	171	171	171	1 880	1 966	2 049
Budget and treasury office													-	-	-	
Corporate services													-	-	-	
<i>Community and public safety</i>		250	2 442	1 537	2 200	1 776	1 670	2 336	1 790	1 325	876	212	1 367	17 780	20 080	11 881
Community and social services			1 750	1 086	950	1 085	750	2 101	940	650	748		800	10 860	11 200	2 750
Sport and recreation		250	692	451	1 250	691	920	235	850	675		212	567	6 920	8 880	9 131
Public safety													-	-	-	
Housing													-	-	-	
Health													-	-	-	
<i>Economic and environmental services</i>		1 807	2 012	2 370	1 913	2 907	1 153	3 047	3 739	2 697	2 047	2 721	2 019	28 431	24 278	31 049
Planning and development		157	157	157	157	157	157	157	157	157	157	157	157	1 880	1 966	2 049
Road transport		1 650	1 856	2 213	1 757	2 750	996	2 890	3 583	2 540	1 891	2 564	1 863	26 551	22 312	29 000
Environmental protection													-	-	-	
<i>Trading services</i>		-	-	872	1 642	775	-	295	-	654	-	-	763	5 000	3 000	6 000
Electricity				872	1 642	775		295		654			763	5 000	3 000	6 000
Water													-	-	-	
Waste water management													-	-	-	
Waste management													-	-	-	
<i>Other</i>													-	-	-	
Total Capital Expenditure - Standard	2	2 057	4 625	4 949	5 926	5 628	2 993	5 848	5 700	4 847	3 094	3 103	4 320	53 091	49 324	50 979
Funded by:																
National Government													40 591	40 591	39 324	40 979
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-	40 591	40 591	39 324	40 979
Public contributions & donations													-	-	-	-
Borrowing													-	-	-	-
Internally generated funds													12 500	12 500	10 000	10 000
Total Capital Funding		-	-	-	-	-	-	-	-	-	-	-	53 091	53 091	49 324	50 979

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source													1			
Property rates	4 417	3 518	10 734	14 506	5 612	4 980	5 539	4 920	4 471	3 699	4 867	6 526	73 789	79 551	85 915	
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	10 175	9 218	13 199	16 090	13 400	10 284	12 370	10 860	11 075	9 306	13 720	17 491	147 189	163 892	180 939	
Service charges - water revenue	1 813	1 525	2 720	3 022	3 325	2 116	3 022	2 418	2 418	2 116	2 116	3 613	30 224	39 162	42 292	
Service charges - sanitation revenue	859	1 000	2 290	3 576	1 350	1 007	1 197	1 097	1 036	833	1 060	1 164	16 470	17 633	18 854	
Service charges - refuse revenue	1 442	1 164	1 599	1 173	1 269	736	1 833	1 714	1 667	1 403	1 791	957	16 749	18 457	20 303	
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	206	206	206	206	206	206	206	206	206	206	206	206	2 476	2 476	2 476	
Interest earned - external investments	683	683	683	683	683	683	683	683	683	683	683	683	8 200	8 200	8 200	
Interest earned - outstanding debtors	194	194	194	194	194	194	194	194	194	194	194	194	2 333	2 522	2 726	
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines	29	29	29	29	29	29	29	29	29	29	29	29	348	348	348	
Licences and permits	324	324	324	324	324	324	324	324	324	324	324	324	3 889	3 889	3 889	
Agency services	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	2 937	35 242	39 285	39 373	
Transfer receipts - operational	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	10 742	128 899	138 693	137 306	
Other revenue	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	1 086	13 037	13 464	13 683	
Cash Receipts by Source	34 909	32 628	46 744	54 568	41 158	35 325	40 163	37 212	36 869	33 560	39 756	45 953	478 844	527 571	556 304	
Other Cash Flows by Source																
Transfer receipts - capital	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	3 383	40 591	39 324	40 979	
Contributions recognised - capital & Contributed	12 500	-	-	-	-	-	-	-	-	-	-	-	12 500	10 000	10 000	
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Receipts by Source	50 791	36 011	50 127	57 951	44 540	38 707	43 545	40 594	40 252	36 942	43 138	49 336	531 935	576 895	607 283	
Cash Payments by Type																
Employee related costs	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	12 403	148 833	158 383	168 516	
Remuneration of councillors	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	1 681	20 167	21 297	22 468	
Finance charges	10	10	10	10	10	10	10	10	10	10	10	10	124	21	-	
Bulk purchases - Electricity	19 309	21 418	15 150	9 776	9 837	9 612	9 081	9 948	9 245	9 672	10 295	16 898	150 240	172 254	177 422	
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contracted services	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 397	4 398	52 766	55 189	57 732	
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers and grants - other	395	395	395	395	395	395	395	395	395	395	395	395	4 734	5 100	5 150	
Other expenditure	4 545	4 545	4 545	4 545	4 545	4 545	4 545	4 545	4 545	4 545	4 545	4 545	54 534	60 422	60 839	
Cash Payments by Type	42 739	44 848	38 580	33 205	33 267	33 041	32 511	33 378	32 675	33 102	33 725	40 328	431 399	472 665	492 127	
Other Cash Flows/Payments by Type																
Capital assets	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 424	4 427	53 091	49 324	50 979	
Repayment of borrowing	97	97	97	97	97	97	97	97	97	97	97	97	1 162	654	-	
Other Cash Flow s/Payments	1 737	1 737	1 737	1 737	1 737	1 737	1 737	1 737	1 737	1 737	1 737	1 737	20 840	22 752	23 414	
Total Cash Payments by Type	48 996	51 105	44 837	39 463	39 525	39 299	38 769	39 635	38 933	39 359	39 982	46 588	506 492	545 395	566 520	
NET INCREASE/(DECREASE) IN CASH HELD	1 795	(5 094)	5 290	18 488	5 015	(592)	4 777	959	1 319	(2 417)	3 156	2 748	25 443	31 500	40 763	
Cash/cash equivalents at the month/year begin:	148 352	150 147	135 053	140 342	158 830	163 846	163 254	168 031	168 990	170 309	167 892	171 048	148 352	173 795	205 295	
Cash/cash equivalents at the month/year end:	150 147	135 053	140 342	158 830	163 846	163 254	168 031	168 990	170 309	167 892	171 048	173 795	173 795	205 295	246 058	

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

15 Measurable Performance Objectives (Revenue Source and Vote)

Provided in the following pages are summaries of annual measurable performance objectives for each vote. Also included is revenue by source and vote in Table 10. Annual performance objectives must be converted into quarterly targets for the Service Delivery and Budget Implementation Plan (SDBIP) and will be audited in terms of the annual performance report required by the Systems Act (refer also to chapters 2 and 5 of the annual report as per MFMA circular 11).

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - EXECUTIVE AND COUNCIL	Vote 2 - FINANCE AND ADMINISTRAT ION	Vote 3 - PLANNING AND DEVELOPME NT	Vote 4 - HEALTH	Vote 5 - COMMUNITY AND SOCIAL SERVICES	Vote 6 - COMMUNITY SAFETY	Vote 7 - SPORT AND RECREATIO N	Vote 8 - WASTE WATER MANAGEME NT	Vote 9 - WASTE MANAGEME NT	Vote 10 - ROADS TRANSPORT	Vote 11 - WATER	Vote 12 - ELECTRICITY	Vote 13 - OTHER	Vote 14 - HOUSING	Vote 15 - IPED	Total
R thousand	1																
Revenue By Source																	
Property rates			75 162														75 162
Property rates - penalties & collection charges																	-
Service charges - electricity revenue													178 197				178 197
Service charges - water revenue												91 529					91 529
Service charges - sanitation revenue											38						38
Service charges - refuse revenue								55	22 850	30 507							53 411
Service charges - other																	-
Rental of facilities and equipment			1 946			395	0	132						3			2 476
Interest earned - external investments			8 200														8 200
Interest earned - outstanding debtors			7 537						3 512	4 266		3 763	360				19 438
Dividends received																	-
Fines			0			2	346										348
Licences and permits						6	3 883										3 889
Agency services							3 774		1 256			30 212					35 242
Other revenue		190	370	1 621		1 140	1 661	28	93	155	6 239	314	1 017				12 828
Transfers recognised - operational		102 243	5 623	2 200		4 150	171			6 673			8 010				129 070
Gains on disposal of PPE																	-
Total Revenue (excluding capital transfers and contributions)		102 432	98 838	3 821	-	5 694	9 835	214	27 710	41 602	6 277	125 818	187 585	3	-	-	609 829
Expenditure By Type																	
Employee related costs		14 217	24 152	10 096		11 298	20 694	10 350	3 280	17 520	11 105	12 490	13 512	117			148 833
Remuneration of councillors		20 167															20 167
Debt impairment			17 371						9 941	13 758		61 306	29 435				131 811
Depreciation & asset impairment		6 068	6 829								7 346		4 373				24 617
Finance charges		117	284							550			335				1 286
Bulk purchases												160	150 081				150 240
Other materials																	-
Contracted services			667				3 686						6				4 359
Transfers and grants		934	1 600	2 200													4 734
Other expenditure		10 545	10 164	4 113		2 330	3 642	1 172	8 385	5 658	10 176	57 734	9 835	28			123 782
Loss on disposal of PPE																	-
Total Expenditure		52 048	61 068	16 409	-	13 629	28 023	11 523	21 606	37 486	28 628	131 690	207 576	145	-	-	609 829
Surplus/(Deficit)																	
Surplus/(Deficit)		50 384	37 770	(12 588)	-	(7 935)	(18 188)	(11 309)	6 104	4 115	(22 350)	(5 872)	(19 991)	(142)	-	-	(0)
Transfers recognised - capital		1 880		1 880		10 860		6 920			14 052		5 000				40 591
Contributions recognised - capital																	-
Contributed assets											12 500						12 500
Surplus/(Deficit) after capital transfers & contributions		52 264	37 770	(10 709)	-	2 925	(18 188)	(4 388)	6 104	4 115	4 201	(5 872)	(14 991)	(142)	-	-	53 091

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

16 Disclosure on Implementation of MFMA & Other Legislation

The MFMA (Municipal Finance Management Act) became effective July 1st of 2004. Most of the requirements of the act took effect immediately; however, various delays were given to certain sections of the act based on the 'capacity' of the municipality as was determined by National Treasury. All local municipalities were classified as either a high, medium or low capacity municipality with each level given different implementation dates for the various delayed sections.

Lukhanji is classified as a medium capacity municipality and was required to meet the implementation dates put forth for medium capacity municipalities.

A MFMA implementation plan was developed to assist the municipality in implementing the required changes by the deadlines given. With only a few exceptions all sections of the MFMA were required to be implemented by Lukhanji by July 1st of 2006.

Many of the major changes required by the act have already been implemented by the municipality. Some of these include adoption and implementation of a new supply chain policy and establishment of a supply chain unit, the establishment of a budget and treasury office within the finance directorate, the adoption of various policies and procedures including policies for cash and investments, delegations within the organization, establishment of a new audit committee, policy on unforeseen and unexpected expenditures and other administrative requirements.

The budget and how it must be designed, funded and reported on is a very big part of MFMA implementation. Requirements include funding the budget only from realistic revenue, surplus cash or borrowing (but only for capital projects).

Much of the implementation of the MFMA involves new and sometimes complex budgetary and financial reporting requirements. Detailed monthly budgetary reports must be delivered to the Mayor along with quarterly performance indicators. The Mayor is required to make quarterly reports to the council on all aspects of the budgets implementation and any problems that need to be addressed. A mid - year performance report is to be delivered to council along with recommendations on needed mid - year adjustments that need to be made. Annual, quarterly and monthly reports are required to be delivered to National Treasury in very specific formats. All of these reporting requirements are already being met.

Lukhanji Adopted Draft Budget 201415

17 Budgets and SDBIPs – Departmental / Functional (internal)

A summary of each functional SDBIP within each directorate is provided in the following pages showing the information set out in MFMA Circular 13 under the section “Format of Departmental SDBIPs”:

- Purpose (outcomes);
- Service delivery description (outputs);
- Resources utilised (inputs);
- Inputs to detailed sector capital plans; and
- The link between performance measures in the SDBIP and performance contracts.

The summary of the Directorate SDBIP contain in the following pages gives performance targets and indicators for the 2014/15 year.

TO BE INCLUDED IN FINAL BUDGET

18 Budgets and SDBIPs - Entities & Other External Mechanisms

The municipality has no entities.

Lukhanji Adopted Draft Budget 201415

19 Summary of Detailed Capital Plans

Detailed capital plans, aligned to national and provincial sector plans, will be contained in the SDBIP as per MFMA Circular No 13. These should be summarised and referenced here. The detailed plans must be submitted to National Treasury with the budget documentation. Capital programmes should be approved as an overall comprehensive capital budget to ensure that projects can be executed in terms of the implementation plans. The summary of the detailed capital plan should reflect:

- *Information by programme and municipal ward*
- *The source of the funding for the capital programme*

19.2 – Table SA 34a - Capital expenditure by asset category

Table SA34b – Capital expenditure on renewal of existing assets

Table SA 36 - Future financial implications of capital budget

The following pages contain the listing of capital by category.

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure	1	211 511	107 142	119 096	18 668	19 862	19 862	13 300	9 000	17 000
Infrastructure - Road transport		119 096	102 213	119 096	5 858	8 078	8 078	-	-	-
<i>Roads, Pavements & Bridges</i>		119 096	102 213	119 096	5 858	8 078	8 078			
<i>Storm water</i>										
Infrastructure - Electricity		84 212	4 929	-	3 882	3 882	3 882	5 000	3 000	6 000
<i>Generation</i>										
<i>Transmission & Reticulation</i>		84 212	2 189		3 882	3 882	3 882	5 000	3 000	6 000
<i>Street Lighting</i>			2 741							
Infrastructure - Water		-	-	-	562	562	562	-	-	-
<i>Dams & Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>					562	562	562			
Infrastructure - Sanitation		-	-	-	1 866	1 051	1 051	-	-	-
<i>Reticulation</i>					1 866	1 051	1 051			
<i>Sewerage purification</i>										
Infrastructure - Other		8 203	-	-	6 500	6 289	6 289	8 300	6 000	11 000
<i>Waste Management</i>										
<i>Transportation</i>	2				6 500	6 289	6 289	8 300	6 000	11 000
<i>Gas</i>										
<i>Other</i>	3	8 203								
Community		-	-	-	20 133	27 300	27 300	19 660	22 046	13 930
Parks & gardens										
Sportsfields & stadia					5 000	9 419	9 419	6 920	8 880	9 131
Swimming pools										
Community halls					9 600	13 433	13 433	8 860	5 800	-
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries					3 600	2 515	2 515	2 000	5 400	2 750
Social rental housing	8									
Other					1 933	1 933	1 933	1 880	1 966	2 049
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets		-	-	-	8 881	9 685	9 685	1 880	1 966	2 049
General vehicles										
Specialised vehicles	10									
Plant & equipment					7 500	7 500	7 500			
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other					1 381	2 185	2 185	1 880	1 966	2 049

Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project Information	
										Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Parent municipality:																
<i>List all capital projects grouped by Municipal Vote</i>																
		Lukhanji Community Lighting	165 121		Yes	Infrastructure - Electricity	Transmission & Reticulation			2 900	2 000	4 000	4 000	various wards	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Fencing of Grazing Camps	208 595		Yes	Community	Other			-	-	1 000	1 630	various wards	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		linge Sport - field	208 664		Yes	Community	Sportsfields & stadia			8 800	2 258	-	1, 2		New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Whitesea Cemetery	176 677		Yes	Community	Cemeteries			-	1 800	1 500		17	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Lessey ton Cemetery	216 879		Yes	Community	Cemeteries			1 000	1 800	500		27	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		linge Cemetery	216 880		Yes	Community	Cemeteries			1 000	1 800	500	1, 2		New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Community Hall in Ward 1	207 264		Yes	Community	Community halls			4 100	-	-		1	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Community Hall in Ward 7	203 247		Yes	Community	Community halls			4 760	-	-		7	New	
Vote 10 - ROADS TRANSPORT		Completion of Intermodal Tax rank	210 157		Yes	Community	Transportation			8 300	11 000	14 000	All wards		New	
Vote 10 - ROADS TRANSPORT		Upgrade of Rural Gravel Roads	167 601		Yes	Infrastructure - Road transport	Roads, Pavements & Bridges			5 751	8 000	11 000	All wards		renewal	
Vote 3 - PLANNING AND DEVELOPMENT		PMU Admin Fees - Lukhanji 2014/15	N/A		Yes	Other	Other			1 880	1 966	2 049	All wards		New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Community Hall	N/A		Yes	Community	Community halls			-	-	5 800		3	New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Shearing Shed	N/A		Yes	Community	Other				800				New	
Vote 5 - COMMUNITY AND SOCIAL SERVICES		Community Hall	215 412		Yes	Community	Community halls				4 900	-		17	New	
Vote 10 - ROADS TRANSPORT		Surfacing of Lukhanji Roads			No	Infrastructure - Road transport	Roads, Pavements & Bridges					12 500	10 000			
INEP		INEP			Yes	Infrastructure - Electricity	Transmission & Reticulation					3 000			renewal	
Parent Capital expenditure	1											53 091	49 324	50 979		

Lukhanji Adopted Draft Budget 201415

EC134 Lukhanji - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2014/15 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Present value
Capital expenditure	1							
Vote 1 - EXECUTIVE AND COUNCIL		1 880	1 966	2 049				
Vote 2 - FINANCE AND ADMINISTRATION		-	-	-				
Vote 3 - PLANNING AND DEVELOPMENT		1 880	1 966	2 049				
Vote 4 - HEALTH		-	-	-				
Vote 5 - COMMUNITY AND SOCIAL SERVICES		10 860	11 200	2 750				
Vote 6 - COMMUNITY SAFETY		-	-	-				
Vote 7 - SPORT AND RECREATION		6 920	8 880	9 131				
Vote 8 - WASTE WATER MANAGEMENT		-	-	-				
Vote 9 - WASTE MANAGEMENT		-	-	-				
Vote 10 - ROADS TRANSPORT		26 551	22 312	29 000				
Vote 11 - WATER		-	-	-				
Vote 12 - ELECTRICITY		5 000	3 000	6 000				
Vote 13 - OTHER		-	-	-				
Vote 14 - HOUSING		-	-	-				
Vote 15 - IPED		-	-	-				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		53 091	49 324	50 979	-	-	-	-



Lukhanji Municipality
BUDGET
APPENDIX A
RATES AND TARIFFS
2013/14 – 2015/16

Lukhanji Adopted Draft Budget 201415

Tariff Ref #	Sub #	Listing of Adopted Tariffs	2014/15	2014/15
		ALL TARIFFS ARE EXCLUSIVE OF VAT		
TECHNICAL SERVICES				
1		AVAILABILITY FEES		
		Monthly availability fee for electricity, water or sewerage point not connected to the reticulation network	R55.65	
			R42.00	
2		STORMWATER PIPES ACROSS FOOTPATHS : RESIDENTIAL BUILDINGS		
		That a stormwater pipe across a footpath be done by the Council at a labour only basis where the owner of the property will provide all material. The aforesaid to be to the discretion of the Director : Technical Services.		
3		PAVING OF SIDEWALKS : COMMERCIAL AND BUSINESS PREMISES		
		In the event that the owner/operator of a commercial or business concern wishes to improve his premises by means of paving the sidewalk adjacent to the premises, the owner/operator shall provide all material and the municipality shall provide labour only.		
4		SEWERAGE		
		Per point		
5		DOMESTIC WATER CONNECTION		
		Connection		
		Connection		
6		DEFECTIVE WATER METER		
		Testing of water meter on written request by consumer		132.56
		WATER TARIFFS		
		TYPE	NORMAL TARIFF	NORMAL TARIFF
	a	DOMESTIC/FLATS		
		0 KL TO 6 KL BASIC		50.49
		0 KL TO 6 KL PER KL		14.41
		7 KL TO 15 KL BASIC		50.49
		7 KL TO 15 KL PER KL		18.01
		16 KL TO 25 KL BASIC		50.49
		16 KL TO 25 KL PER KL		22.52
7	b	BUSINESS AND INDUSTRIAL		
		26 KL TO 40 KL BASIC		50.49
		26 KL TO 40 KL PER KL		28.14
		41 KL TO 500 KL BASIC		50.49
		41 KL TO 500 KL PER KL		42.22
		500 KL AND MORE BASIC		50.49
		500 KL AND MORE PER KL		84.43
	c	UNPURIFIED WATER		
	d	GOLF CLUB		

Lukhanji Adopted Draft Budget 201415

BUILDING PLAN AND PLAN PRINTING FEES			
	Building fees to be determined on the minimum value of alterations on existing buildings or the construction of new buildings be increased, as set out hereunder :		
8	Building under tile	2477.54	
	Building under iron	2477.54	
	Outbuildings	2477.54	
	Open buildings (verandahs etc.)	1333.15	
	Shell buildings	1946.63	
	Internal alterations	849.44	
	Underground tanks	6606.77	
	Porta pools	6606.77	
	Swimming pools	6606.77	
	Carports	9839.37	
	Scrutiny fee (Excluding Government Housing Projects)	412.92	
	Basic Charge	48.37	
	Fee - m ² x rate x 0.00275 + basic charge		
Plan printing fees :			
9	Paper A2	R17.52	
	Paper A1	R20.65	
	Paper A0	R33.75	
	Paper A3	R3.41	
	Paper A4	R1.00	
ROAD PATCHING			
10	To replace Kerbing - Zone 1	254.39 /m ²	
	To replace Kerbing - Zone 2	329.39 /m ²	
	Road patching on work done by WSSA and the Post Office b	434.65 /m ²	
	Road patching on work done by WSSA and the Post Office b	500.44 /m ²	

Lukhanji Adopted Draft Budget 201415

PLANT AND VEHICLES			
CAT	DESCRIPTION	2014/15	PRIVATE USE (VAT EXCL)
a	MOTOR CARS	R2.33/KM	R4.66/KM
b	1/2 TON LDVS	R2.33/KM	R4.66/KM
c	1 TON LDVS	R3.14/KM	R6.25/KM
d	2 - 3 TON TRUCKS	R6.25/KM	R12.50/KM
e	4 - 7 TON TRUCKS	R10.38/KM + R107.00/H	R20.76 R214.00/H
f	REFUSE TRUCKS	R11.70/KM	
g	TRAILERS	R17.96/H	R35.62/H
h	TRACTORS	R132.60/H	R265.20/H
i	FIRE BRIGADE VEHICLES F1	R6.28/KM	R12.83/KM +R288.00/H
	F2		
	F3		
	F4		
j	MOTOR CYCLES	R1.35/KM	R2.70/H
k	TRACTOR DRAWN MOTORS	R23.96/H	R47.92/H
l	WATER TRAILERS (TANKERS)	R18.35/H	R36.70/H
m	DUMPERS	R65.80/H	R131.60/H
n	TLB	R188.97/H	R377.96/H
o	COMPRESSORS	R215.50/H	R431.00/H
p	CONCRETE MIXERS	R80.63/H	R161.26/H
q	FRONT END LOADERS	R228.94/H	R457.88/H
r	WATER PUMPS AND GEN SETS	R25.70/H	R51.40/H
s	CHAIN SAWS	R40.37/H	R80.74/H
t	GRADERS	R367.44/H	R734.88/H
u	ROLLERS	R104.18/H	R208.36/H
v	SEWER JET CLEANING MACHINES	R169.03/H	R338.06/H
w	VIBRATORS AND COMPACTORS	R27.35/H	R54.70/H
x	LAWN MOWERS	R19.27/H	R38.54/H
y	TANAKA BRUSH CUTTERS	R19.27/H	R38.54/H
z	TAR CUTTER	R38.51/H	R77.02/H

11

Lukhanji Adopted Draft Budget 201415

ELECTRICITY CONNECTION FEES					
12	a	TYPE		R327.51	
		KVA Range		0 - 5	
		Type of Consumer		Sate Assisted	
		Type of Connection		From existing low voltage (lv) reticula consumers distribution board mounte of dwelling	
	b	TYPE		R4406.37	
		KVA Range			
		Type of Consumer			
		Type of Connection			
	c	TYPE		Actual Cost	(i)
		KVA Range			
		Type of Consumer			
		Type of Connection			
d	TYPE		Actual Cost	(i)	
	KVA Range				
	Type of Consumer				
	Type of Connection				
12	e	TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
	f	TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
	g	TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
h	TYPE		Actual Cost	(i)	
	KVA Range				

Lukhanji Adopted Draft Budget 201415

		Type of Consumer			
		Type of Connection			
i		TYPE		Actual Cost	(i)
		KVA Range			
		Type of Consumer			
		Type of Connection			
j		TYPE		Actual Cost	(i)
		KVA Range			
		Type of Consumer			
		Type of Connection			
k		TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
l		TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
m		TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
n		TYPE		Actual Cost	
		KVA Range			
		Type of Consumer			
		Type of Connection			
o		Enernet Ripple Relay		Free (ii)	

NOTES

- (i)** All material required to make the supply available is normally supplied by the Municipality. A customer could supply all material and carry out the entire work, but on the day of commissioning of the supply point, the installation gets handed over to the Municipality. The assets now belong to the Municipality who will be responsible for all maintenance and repairs in future. The customer only needs to pay the normal deposit fee.
- (ii)** A ripple relay is fitted in an electrical geyser in order for the Municipality to restrict its maximum demand drawn by switching the geyser on or off. Hence there is no benefit to the customer, therefore the Municipality is supplying the relay free of charge.

Lukhanji Adopted Draft Budget 201415

- (iii) No conventional metering will be allowed for any single phase domestic and or commercial supplies, except installations.
- (iv) Indigents will qualify in accordance with the Indigent Policy.
- (v) A 60/40 percent ratio for the collection of arrears on the purchase of pre-paid electricity by customers.

ATTENDANCE TO FAILURE OF SUPPLY COMPLAINTS	
Call-out during office hours : Rural	
Call-out during office hours : Town	R131.00
Call-out after office hours : Rural	
Call-out after office hours : Town	R154.82

FEE FOR DISCONNECTION FOR NON-PAYMENT	
Additional deposit	R178.64
Administration fee	R59.55
Paper Cut - Administration fee	R59.55

TESTING OF ELECTRICITY METERS	
Single Phase	R196.57
Three Phase	R315.60
MD meter (KVA/KWH combination meter)	R535.91

SPECIAL METER READINGS	
Town	R101.33
Rural	

ALTERATIONS AND ADDITIONS TO EXISTING SERVICES

FAILURE TO KEEP APPOINTMENTS FOR INSPECTION AND FAILURE TO SUBMITT COMMENCEMENT FORMS	
	R59.33
	R59.33

Lukhanji Adopted Draft Budget 201415

		EQUIPMENT USAGE FEES	
19		Pipe Bender	N/A
		Bending Brake (Folding Machine)	N/A
		Engraving of Labels	N/A
		Testing of Transformer oil	N/A
		Testing of pressure vessels, air compressor - general inspect	N/A
		Any other inspections	N/A
		Hydraulic Pumps	N/A
		Block and Tackle	N/A
		Labour (Minimum of 1 hour)	N/A

Lukhanji Adopted Draft Budget 201415

ELECTRICITY TARIFFS		
a	DOMESTIC QUEENSTOWN	
	SERVICE CHARGE	R127.14
	Block 1 (0-50KWh)	R1.39
	Block 2 (51-350KWh)	
	Block 3 (351-600KWh)	
	Block 4 (>600KWh)	
b	PREPAYMENT	
	Block 1 (0-50KWh)	R1.55
	Block 2 (51-350KWh)	
	Block 3 (351-600KWh)	
	Block 4 (>600KWh)	
c	SMALL USERS	
	(CONSUMPTION NOT EXCEEDING 80 KVA OR 20 000 KWH PER MONTH)	
	SERVICE CHARGE	R539.45
	KWH<=500	R1.63
	KWH>=500	R0.13
d	PREPAYMENT - BUSINESS	
	KWH (Inclusive of Vat)	R1.64
	NON DOMESTIC LARGE POWER USERS	
e	CONSUMPTION NOT EXCEEDING 40 (KVA)	
	SERVICE CHARGE	R1017.68
	KWH	R0.70
	KVA	R205.40
	MINIMUM KVA	R8136.00
f	TIME OF USE	
	(MINIMUM CONSUMPTION OF 100 000 KWH PER MONTH/ABOVE 80 KW-MAX)	
	LOW DEMAND	
	BASIC	R488.04
	PEAK 07:00 - 10:00; 18:00 - 20:00	R2.47
	STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00 SAT 07:00 - 12:00;	R1.08
	18:00 - 20:00	R0.56
	OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK	R0.95
	kvaRH (only applicable for KvaRh exceeding 30% of TOTAL k	
	HIGH DEMAND	
	BASIC	R488.04
	PEAK 07:00 - 10:00; 18:00 - 20:00	R2.51
	STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00	R1.11
	OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK	R0.57
	kvaRH (only applicable for KvaRh exceeding 30% of TOTAL k	R0.18
g	TIME OF USE	
	(MINIMUM CONSUMPTION OF 200 000 KWH PER MONTH/ABOVE 150 KVA)	
	LOW DEMAND	
	BASIC	R935.84
	DEMAND KW	R75.69
	PEAK 07:00 - 10:00; 18:00 - 20:00	R1.58
	STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00 SAT 07:00 - 12:00;	R0.92
	18:00 - 20:00	R0.51
	OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK	R0.12
	kvaRH (only applicable for KvaRh exceeding 30% of TOTAL k	
	HIGH DEMAND	
	BASIC	R935.84
	DEMAND KW	R80.91
	PEAK 07:00 - 10:00; 18:00 - 20:00	R1.64
	STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00	R0.92
	OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK	R0.57
	kvaRH (only applicable for KvaRh exceeding 30% of TOTAL k	R0.12
	All units include an additional 1.5 cent charge approved by the NER for upgrading	
	This tariff is not applicable to consumers receiving 50kw free electricity.	

20

Lukhanji Adopted Draft Budget 201415

Note :

The municipality increased its tariff only by 7.0% from 1 July 2013 to 30 June 2014 with no increase for indigents using 50 KW. The proposed tariff increase from 1 July 2014 to 30 June 2015 amounts to 7.0% and the following increases will be applicable to indigent consumers.

Registered indigents first 50KW	Free
51-100KW	7% Increase
In excess of 100 KW	7% Increase

Free
As per Nersa
As per Nersa

INFRASTRUCTURE DEVELOPMENT UNIT

21	PERSONNEL CHARGES		
	Senior Professional/Technical/Management staff	R638.09	
	Professional/Technical/Management staff	R371.63	
	Supervisory staff	R285.15	
	Clerical and administrative staff	R216.20	
22	DISBURSEMENTS CHARGES		
	Typing	R21.62	
	Duplication	R0.88	
	Duplication	R2.15	
	Binding and Documents	R8.72	
	Plan Plotting (Mono)	R3.51	
	Plan Plotting (Colour)	R6.20	
	Telephone Calls	R4.33	
	Faxes (Outgoing)	R0.46	
Faxes (Incoming)	R0.59		
23	TRANSPORT		
24	LABOUR (Skilled/Semi Silled)		
25	OUTSIDE DISBURSEMENTS		
26	BULK SERVICES CONTRIBUTION LEVY		
	For any rezoning, subdivision and departure application approvals, as calculated		
	Additional Vehicle Trips /day @	R1173.03	Rand/trip/day
	Additional Stormwater /HA*Runoff Factor @	R71125.12	Rand/HA*C
	Additional kl Sewerage /day @	R3161.65	Rand/kl/day
	Additional kl Water /day @	R4605.59	Rand/kl/day
	Additional Waste collection services /week @	R844.72	Rand/service/week

Lukhanji Adopted Draft Budget 201415

COMMUNITY SERVICES					
		REFUSE TARIFFS			
		DESCRIPTION	REMOVALS PER WEEK	2014/2015 CHARGE PER BIN	2014/2015 ADDITIONAL BINS
27		DOMESTIC	1	R 87.66	R 87.66
		BUSINESS/OTHER	2	R 136.60	R 102.50
		BUSINESS/OTHER	3	R 204.95	R 153.75
		BUSINESS/OTHER	4	R 273.28	R 197.77
		BUSINESS/OTHER	5	R 341.60	R 256.06
		BUSINESS/OTHER	6	R 409.86	R 268.49
		INDIGENTS	1	R 0.00	R 0.00
		OLD AGE HOMES	1	R 87.66	R 87.66
		BULK CONTAINER - SMALL		R 241.10	162.22
		BULK CONTAINER - LARGE		R 344.74	R 162.22
		4.5M CONTAINERS		R 423.87	R 240.00
		18M CONTAINERS		R 653.46	R 350.34
		770 LITRE CONTAINER		R 264.92	R 132.48
	28		REFUSE DISPOSAL SITE		
		Tip Site Ticket (Per Load)		R 81.00	
29		SALE OF PLANTS			
		Seedlings		R 0.45	
		Shrubs		R 27.00	
		Trees (In containers)		R 45.00	
		Trees (ex open grounds)		R 40.00	
		Hire of Large plants		R 25.00	
		Hire of Small plants		R 15.00	
		Potting soil bag (small)		R 10.00	
		Potting soil bag (large)		R 60.00	
		Potplants 7.5cm		R 20.00	
		Potplants 10cm		R 25.00	
		Potplants 12.5cm		R 25.00	
		Potplants 15cm		R 35.00	
		Potplants 20cm		R 50.00	
30		SEWAGE REMOVAL FEES			
		Sewage Pump		R 44.94	p/h
		Tractor		R 280.90	p/h
		Sewer Tractor		R 33.71	
		Driver		R 56.18	p/h
		Staff (1)		R 44.94	p/h

31	SWIMMING POOL FEES : VAT Inclusive		
	Entrance fee (Adults)		R 8.00
	Entrance fee (Children)		R 4.00

Lukhanji Adopted Draft Budget 201415

	Season Tickets		R 120.00
	BERRY & BONKOLO DAM USAGE FEES : VAT Inclusive		
32	Entrance fees : per vehicle with 5 people		R 30.00
	Entrance fees : additional per person		R 6.00
	Season Tickets		R 120.00
	GAME RESERVE ENTRANCE FEES : VAT Inclusive		
33	Entrance fees : per vehicle with 5 people		R 35.00
	Entrance fees : additional per person		R 6.00
	Season Tickets		R 120.00
	GAME RESERVE LAPA HIRE FEES		
34	Hire of Lapa		R 380.00
	Deposit of Lapa (refundable under conditions)		R 300.00
	Overtime		Actual Cost p/h
	Hire of Sunnyside during office hours		R 400.00
	Guided Vehicle Tour		R 120.00
	Caravan or Tent		R 120.00
	Electricity		R 60.00
	Only educational tours are free of charge.		
	CEMETERY CHARGES EXCLUDING VAT		
	CEMETRIES ; MLUNGISI, EZIBELENI, WHITTLESEA & Ilinge		
35	Adult Plot		R 175.00
	Casket Plot		R 210.00
	Baby Plot		R 120.00
	Digging of Baby Plot		R 160.00
	Digging of Adult Grave		R 260.00
	Digging of Casket Grave		R 310.00
	Closing of Grave		R 160.00
	Closing of Baby Grave		R 125.00
	CEMETRIES - NEW		
36	BERM SECTION		
	Adult Plot		R 240.00
	Digging of Adult Grave		R 270.00
	Digging of Casket Grave		R 320.00
	Closing of Grave		R 220.00
	Exhumation of Body		R 1 200.00
	Funerals on Saturday additional		
Funerals on Sunday and Public Holidays			

Lukhanji Adopted Draft Budget 201415

37	CEMETERY - MONUMENTAL SECTION		
	Digging of Adult Grave	R 480.00	
	Single Plot	R 420.00	
	Double Plot	R 840.00	
	Casket Grave	R 520.00	
	Extra Deep Grave	R 220.00	extra
	Outsize Casket Grave	R 280.00	extra
	Funerals on Saturday additional		
	Funerals on Sunday and Public Holidays		
	Closing of Grave	R 240.00	
	Wall of Remembrance	R 300.00	
	Ash Grave	R 140.00	
	Burial of Ashes in existing grave	R 140.00	
	Erection of monuments : Single Grave	R 180.00	
	Erection of monuments : Double Grave	R 360.00	
	Outsize Baby Grave		
Closing of Baby Grave			
38	CEMETERY - BABY SECTION		
	Digging of Baby Grave	R 220.00	
	Outsize Baby Grave	R 40.00	extra
	Closing of Baby Grave	R 125.00	
	Baby Plot	R 180.00	
39	EXHUMATION OF BODY		
	Exhumation	R 1 200.00	

Lukhanji Adopted Draft Budget 201415

LIBRARY FEES			
40	LIBRARIES FINES : VAT Inclusive		
	1. Books, CD's, Art prints		R'1.50
	2. Video's		R5.00
	3. Lost member pocket		R2.5.00
	3 Lost member card (PALS)		R10.00
	4. Visitors		R25.00
	5. Internet		
	6. Printing from Internet		
	7. Photocopies & Printing		R0.80
			R2.00
		R5.80	Black
		R12.00	Black
			Colour
			Colour
	8. Membership fees		R45.00
41	LIBRARY HALL HIRE FEES		
	Hall hire during office hours		R45.00
	After hours (plus caretakers overtime)		R58.00
	Cups & Saucers per 50 persons or part thereof)		R35.00
	Plates		R30.00
	Cleaning		R125.00
	Admin Costs		0.10
	Use of Kitchen		R85.00
	Urn		R35.00
Stove		R55.00	

POUND FEES			
42	RATE OF COMPENSATION		
	For animals delivered to the pouNd, whether one or more per kilometer or portion of a kilometer		
	For animals transported by vehicle, per kilometer or portion of a kilometer		
	Use of commonage for innitiation school		R 300.00
	Deposit of innitiation site		R 50.00
	Price of Lucern		Actual
43	TRESPASSING FEE		
	Horses, cattle, and pigs per head		R 70.00
	Goats & Sheep per head		R 50.00
44	POUND FEES		
	Horses, cattle, and pigs per head		R 80.00
	Goats & Sheep per head		R 50.00

Lukhanji Adopted Draft Budget 201415

45	SUSTENANCE FEES		
	Horses, cattle, and pigs per head		R 85.00
	Goats & Sheep per head		R 50.00
46	OTHER CHARGES		
	Dipping Fees - (Cattle)		R 50.00
	Dosing Fees - (Goats, Sheep per Head)		R 40.00
47	CALL OUTS		
	18H00 to 06H00 and over weekends per call out to impound (To be paid by owner of animals)		R 385.00
48	CLINICS		
	Patient Health Books - VAT Inclusive		R 0.00
49	THOBI KULA INDOOR SPORT CENTRE FEES		
	Actual Hire (per hall)		R 80.00
	Kitchen		R 50.00
	Stove		R 80.00
	Complete sound system		
	Urn		
	Administration fee		R 300.00
	Cleaning Fees (Per Day)		R 70.00
			R 85.00
	Recognised Charitable Organisation	On discretion of the Director	
	Educational Organisations	On discretion of the Director	
	Cultural Organisations	On discretion of the Director	
	Sporting Related Organisations	On discretion of the Director	
	Government Institutions	On discretion of the Director	
	Religious Organisations	On discretion of the Director	
	Funerals	On discretion of the Director	
	Congress (Non Political)	On discretion of the Director	
	Lecturers	On discretion of the Director	
	Workshops (Non political)	On discretion of the Director	
	Displays	On discretion of the Director	
	Repetitions / Rehearsels	On discretion of the Director	
	Political Parties		R 900
	Funtions where entrance fees are charged		R 3 500.00
	Dances / Discos		R 3 500.00
	Competitions / Contests of any nature		R 3 500.00
	Parties		R 1 800.00
	Graduation Ceremonies		R 1 800.00
	Weddings		R 2 500.00
	Use of Rugby Soccer Fields		R 80.00
Other forms of entertainment		R 1 700.00	

Lukhanji Adopted Draft Budget 201415

50	ENVIRONMENTAL HEALTH FEES		
	Business License Application fee		
	Private Kitchen Application fee		
	Keeping of animal Application fee		
		Condemnations fee	
FIRE BRIGADE FEES			
51	TURNOUT		
	Machines		R 300.00
	Each service vehicle used		R 300.00
	Veld fire units		R 150.00
	Hazchem trailer		R 250.00
52	TRAVELLING : KILOMETERS		
	Machines		R 15.00
	Veld fire units		R 8.00
	Each service vehicle		R 8.00
53	OPERATING		
	Operating of pump and equipment		R 90.00
	F4		
		Veld fire units	R 50.00
54	STANDBY		
	All vehicles per hour		R 60.00
	Service vehicles		R 60.00
	Fire extinguishers and foam		Foam plus 20%
55	TESTING OF EQUIPMENT AND INSTALLATION		
	Sprinkler system		
	Up to five installations per premises per installation		R 100.00
		Over five installations per premises per installation	R 15.00
56	Testing and Repairs : Hose and Couplings		
	Hose (All diameters)		
	Pressure testing per length		R 60.00
	Vulcanising per patch		R 80.00
	Big Suction		R 80.00
	Big Suction (all diameters)		R 80.00
	Wire bending each type		R 80.00
	Big Suction		R 70.00
	Truing couplings (all diameters)		
	Hose per pair		R 60.00
Suction per pair		R 70.00	
57	FIRE PERSONNEL FEES		
For each hour during which members of the Fire Brigade are engaged in :			

Lukhanji Adopted Draft Budget 201415

	Chief Fire Officer		R 95.00
	Each Officer		R 75.00
	Each Fireman		R 70.00
	FIRE STANDBY FEES		
58	Chief Fire Officer		R 95.00
	Each Officer		R 75.00
	Each Fireman		R 70.00
	FIRE CASUAL FEES		
59	Fire Fighting		R80.00/P/H
	For attendance of personnel or use of equipment and material :		
	BREATHING OF APPARATUS		
60	Compressed air type		R 100.00 per set plus R30.00 per cylinder
	FIRE - OTHER CHARGES		
	Recharging cylinders		R 100.00
	Oxygen resuscitation apparatus plus cost of recharging		
	Portable lighting equipment - 5kw unit per hour		R 100.00 p/h
	Smoke extrator - Whilst in operation		R 100.00 p/h
	Smoke extrator - Whilst standing per hour		R 40.00 p/h
	Portable foam apparatus		
	Generator or branch per hour		R 80.00 plus 20% Admin fee
	Medium expansion generator		R 80.00 plus 20% Admin fee
	Portable tank		R 80.00
61	Chemicals		
	Water		
	For each hour or part thereof during which water is supplied :		
	Large bore hose		R 80.00
	Small bore hose		R 70.00
	Servicing of Fire Extinguishers		
	Servicing and refilling of Extinguishers		
	Equipment and material		
	Floating pumps		
	Lights		

Lukhanji Adopted Draft Budget 201415

TRAFFIC FEES		
62	Search fees Lost ticket Licensing Section	
63	Serving of Summonses Non-personal serving Personal serving An extra is a non-personal summons is paid	
64	Impounding of vehicles Pound fees to:	
65	Control over functions held on a public road Sport and Races (a) Issuing of permit (b) Full time traffic assistance per person per hour (c) Tariff per km per vehicle The monies in (a - c) above will not be refunded if an event is cancelled for any reason. The monies in (a - c) must be paid in advance. These tariffs will not be applicable to the following : Local Schools, Welfare or non-profit making. Local sports clubs to pay R25.00 for a permit and actual overtime, where applicable.	
66	Funerals Per funeral (weekdays) Per funeral (weekends) Events (Fun Runs, Marathons)	
67	Parking meter fees DPS Accidental Report OAR	
FINANCIAL SERVICES		
68	VOTERS ROLL Per copy per ward	R 5 000.00
69	INFORMATION TO THE PUBLIC 1. Computer printout of names and addresses or portion thereof 2. Any valuation certificate or certificate of outstanding balance against a property excluding certificates in terms of Section 96 of Ordinance 20 of 1974	

Lukhanji Adopted Draft Budget 201415

70	PHOTOCOPIES FOR PRIVATE PURPOSE A4 Size per page (Black & White) A3 Size per page (Black & White)	R 1.50
		R 3.00
71	FACSIMILE TRANSMISSION International per A4 page National per A4 page Local per A4 page	R 15.00
		R 8.00
		R 2.50
72	INTEREST ON ALL OUTSTANDING FEES Interest will be levied in terms of the standard rates.	
1	ALLOCATION TO SPCA Allocation to SPCA R48000 - R150000	R12500 p/m
73	PROPERTY RATES Residential Businesses, Commercial, Industrial Educational Public Service Infrastructure Vacant Land	in the Rand
		R.000831
		R0.01038
		R0.00831
		R0.00209
		R0.03649
	INFRASTRUCTURE RATE (PHASE IN ON PREVIOUS NO VALUATION)	
74	CATEGORIES OF REBATES GRANTED Telkom Residential - Annual Payers Residential - Monthly Payers Government Municipal Commercial - Annual Payers Commercial - Monthly Payers Industrial - Annual Payers Industrial - Monthly Payers Businesses - Annual Payers Businesses - Monthly Payers Education Transnet Agricultural Institutional	As per policy
75	REFUSE BAGS Refuse Bags may be changed as per price increases to recover full costs.	

Lukhanji Adopted Draft Budget 201415

HUMAN SETTLEMENT & LAND AFFAIRS			
	CIVIC CENTER RENTALS		
76	CIVIC CENTRE : QUEENSTOWN	R115.29143	p/h
	CIVIC CENTRE : ASHLEY WYNGAARDT	R103.15549	p/h
	CIVIC CENTRE : MLUNGISI	R54.61173	p/h
	CIVIC CENTRE : EZIBELENI	R84.95158	p/h
	CIVIC CENTRE : SKWEYIYA	R91.01955	p/h
	CIVIC CENTRE : SADA & EKUPHUMLENI	R91.01955	p/h
	CIVIC CENTRE : KAMASTONE, MCEULA, LESSYTON	R66.74767	p/effent
	CIVIC CENTRE : ILINGE & TAMBO VILLAGE	R78.88361	p/effent
	(NOTE: All are Excluding the Overtime Costs of the Caretaker)		
	DEPOSITS		
77	Political Parties	R2427.188	
	Funtions where entrance fees are charged	R2427.188	
	Dances / Discos	R2427.188	
	Competitions / Contests of any nature	R2427.188	
	Parties	R2427.188	
	Graduation Ceremonies	R1213.594	
	Weddings	R2427.188	
	Other forms of entertainment	R2427.188	
		OTHER FACILITIY RENTALS	
78	Hire of other facilities in the Town, VAN and Ezibeleni Halls		
	Side Hall (Queenstown, Ezibeleni, Skweyiya, Sada & Ekuphumleni)	R52.58925	
	Kitchen - Queenstown	R122.70825	
	Kitchen (Ezibeleni, Skweyiya, Ekuphumleni Ashley Wyngaardt)	R64.27575	
	Administration fee		
	Samro (Civic Centres of Queenstown, Ashley Wyndgaardt & Skweyiya)	R24.27188	
	Sound system	R212.37895	
	Urn	R60.6797	
	Stove	R145.63128	
	Bainmarie	R78.88361	
	Crockery Deposit (Additional to rental of crockery)	R364.0782	
	Cups & Saucers	R0.847226	

Lukhanji Adopted Draft Budget 201415

	Milk Jugs	R0.732736	
	Sugar Bowls	R0.732736	
	Serving Dishes	R2.06082	
	Plates	R0.847226	
	Side Plates	R0.847226	
	Pudding Bowls	R0.847226	
	Knives, Forks & Spoons	R1.213594	
	Tea Pots	R2.06082	
	Piano	R60.6797	
	Grand Piano	R182.0391	
	Table Cloth Large	R30.33985	
	Table Cloth Medium	R20.631098	
	Table Cloth Small	R12.13594	
	Fridge Sidehall	R24.27188	
	Warming Tray	0	
	Cleaning levy per function	0	
	Monday to Friday 15H00	R115.29143	
	Friday 15H01 to Sunday, incl. Public Holidays	R145.63128	
Night work allowance per hour payable in terms of Bargaining Council resolution Nominal Rate of R10-00 per hour Any Shortfall or Surplus between R25-00 be waived against administration fees.			
LAND USE MATTERS			
79	Administration Costs	R910.1955	
	Rezoning fee	R970.8752	
	Advertisement Costs	R788.8361	
	Bed and Breakfast Applications	R970.8752	
	House Business	R9101955	
	Land Use Penalty	R6674.767	
	Subdivision	R910.1955	
	Lease of Containers	R242.7188	
	Encroachment	R606.797	
	Infrastructure impact cost	Assess on merit in line with Council's policy	
ADMINISTRATIVE MATTERS			
80	Copy of Title Deed	R24.27188	
	Deed searches per individual search	R24.27188	
	Photocopies A4 Size per page (Black & White)	R1.21354	
MUNICIPAL BUILDINGS : RENTALS			
81	Business Tariff:		
	Queenstown	R72.81564	p/m2
	Ilinge	R30.33985	p/m2

Lukhanji Adopted Draft Budget 201415

	Van		R36.40782	p/m2
	Other Villages		R24.27188	p/m2
	Whittlesea		R30.33985	p/m2
	Ezibeleni & Mlungisi		R30.33985	p/m2
	Residential Tariff :			
	Queenstown		R42.47579	p/m2
	Ilinge		R21.844692	p/m2
	Van		R24.27188	p/m2
	Other Villages		R12.13594	p/m2
	Whittlesea		R21.844692	p/m2
	Ezibeleni & Mlungisi		R21.844692	p/m2
	(Working on 80% of a suggested market related rental of R50-00 p/m2)			
	Whittlesea CBD			
	(Working on 80% of a suggested market related rental of R25-00 p/m2)			
	Ezibeleni & Mlungisi			
	(Working on 80% of a suggested market related rental of R10-00 p/m2)			
	Residential Tariff :			
	Queenstown & VAN			
	(Working on 80% of a suggested market related rental of R30-00 p/m2)			
	Whittlesea			
	(Working on 80% of a suggested market related rental of R7-50 p/m2)			
	Ezibeleni & Mlungisi			
	(Working on 80% of a suggested market related rental of R7-50 p/m2)			
	Municipal Flats & Houses:			
	Uitsig Flats		2730.5885	p/m
	Fairview Flats		3276.7038	p/m
	Municipal Houses @ 82 PA Street		3822.8211	p/m
	Municipal Houses @ 1 Horwood Square		4368.9384	p/m
	Municipal Houses @ 1 New Street		3549.76245	p/m
ADMINISTRATION AND HUMAN RESOURCES				
82	ACCESS TO INFORMATION			
	Request fee		R 47.50	
83	FEES FOR REPRODUCTION :			
	A4 Size per page (Black & White)		R 1.00	
	Computer readable form - Stiffy disc			
	Computer readable form - Compact disc		R 53.00	
	Transcription of visual images, A4 or part thereof		R 36.00	
	Copy of visual images		R 84.00	
	Transcription of an audio record, A4 or part thereof		R 21.00	
	Copy of audio record		R 53.00	
	Advertising		R 845.00	



Lukhanji Municipality
BUDGET
APPENDIX B
NEW AND REVISED POLICIES
2014/15 – 2016/17

Lukhanji Municipality

Write Off Policy



Lukhanji Adopted Draft Budget 201415

Write off Policy Lukhanji Municipality

1: Introduction

The Lukhanji Municipality is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to recover money owed to the Council. However, there will be situations where the debt recovery process fails to recover all or some of the debt. In such cases the debt needs to be recommended for write off. Writing off the debt allows the Council to **reclaim VAT** and ensures that the level of debtors is not overstated in the Council's financial statements.

2: Authorisation Levels

The recommended delegated levels for write off are as follows:

- | | |
|--|-------------------------------|
| • Revenue Manager | Account Balance up to R30,000 |
| • Chief Financial Officer | up to R50,000 |
| • Chief Financial Officer in consultation with the Finance Committee | R50,001+ |

3: Detail of Debt To Be Written Off

The following information needs to be provided for each debt to the officer / member who will authorize the write offs:

- Debtor's name
- Debtor's address
- Description of debt
- Period of debt and/or date(s) of invoice
- Amount to be written off
- Reason for the write off

Supporting documentation must be retained and available that shows:

- Evidence to support the write off
- Recovery history
- Details of tracing and enquires carried out

In considering a debt for write off the following conditions will apply:

- Each case will be considered on its merits;
- Each request will be supported by relevant documentation;
- Each case will receive authorization form the appropriate authorized officer and/or member in accordance with policy;
- Appropriate records of all authorized write offs will be maintained and reviewed periodically against live caseload.

Lukhanji Adopted Draft Budget 201415

4: Write Off Criteria

Each case needs to be considered on its own merits, but there are a number of reasons for a debt being passed for write off (appendix 1 and summarized below):

- **Not Cost Effective To Recover** – The amount outstanding is not cost effective to pursue (de minimis). Collection costs would outweigh the amount recovered.
- **Claimant Deceased** - The customer is deceased and there are insufficient funds in the estate with which to discharge the debt.
- **Claimant Absconded** - The customer is gone away and tracing proves unsuccessful
- **Bankruptcy** – The debtor is the subject of insolvency proceedings and so recovery action is not allowed
- **Ill Health** – Severe health considerations:
- **Undue Hardship** – Where the recovery of the debt will cause undue hardship:
- **All Avenues Exhausted** – Where the recovery process has been exhausted and there are no realistic prospects for recovery.
- **Child-headed household** where household headed by a child younger than 18 years old verified and approved by Ward Councilor.
- **Registered Destitute and Indigents** accounts in arrears to be written off in full including property rates once the required documentation is completed and approved by Indigent Steering Committee. Any property sold after the write off is granted the full amount to be recovered from sale. Any default on account after the write off the credit control and debt collection processes to follow without further notice.
- **Registered Destitute and Indigents** who submitted building plans after the write off is granted the full amount will be reversed.
- **Incentive for Domestic debtors on outstanding accounts in excess of 90 days:**
25% payment on account - 25% discount and arrangement for the balance.
50% payment on account – 50% discount.
This incentive is valid for a period of six months i.e. 1st July 2012– 31st December 2012.
Any property sold after incentive is granted, 50% of the amount to be recovered from sale.

Any cases that fall outside of these criteria should be submitted to the CFO for further consideration for approval.

Lukhanji Municipality

Arrangements Policy



Lukhanji Adopted Draft Budget 201415

Arrangements Policy Lukhanji Municipality

1: Introduction

The Lukhanji Municipality is committed to taking all reasonable steps to recover money owed to the Council. However, there are situations where the customer has legitimate problems paying accrued tariffs and fees. In such cases the customer needs to have a method by which arrangements may be made to pay off the debt.

This policy sets forth the policy framework that is to be used when entering into arrangement agreements with customers.

2: Principles to be applied:

- Council will only entertain up to a maximum of three arrangements per customer.
- All arrangements will be subject to a monthly review. Debtors who defaulted on three occasions in respect of arrangements made will be denied the privileged of making further arrangements and the full amount becomes payable.
- In the event of a material change to the personal circumstances of the applicant the customer may apply to the CFO for a review of the arrangement.
- Council will entertain no arrangements on accounts that have been handed over for legal action.
- Arrangements will be concluded with customers based on the classification of their account. For purposes of this policy the following classifications will apply:
 - Domestic indigent or destitute indigent customer
 - Domestic customer
 - Business customer

3: Arrangement Requirements for all Customers

The following requirements are relevant to all customers entering an arrangement regardless of their account classification:

Lukhanji Adopted Draft Budget 201415

- Customers with arrangements must have their credit electricity meters converted to prepayment electricity meters (exception given to large electrical users).
- **The customer must:**
 - Sign an acknowledgement of debt
 - Acknowledge that interest will be charged at the prescribed rate.
 - Acknowledge that if the arrangements being negotiated later are defaulted on, restrictions of water supply and disconnection of electricity or blocked from buying electricity on the Prepayment System will follow immediately, as will proceedings.
 - Acknowledge liability of all legal costs incurred.
- Where the customer who wants to enter into an arrangement agreement is not the owner of the property, written permission must be obtained from the owner before the Municipality may enter into such an agreement or sworn affidavit from the police indicating the information pertaining the period the tenant occupied the house.
- Should the tenant obtain permission from the owner but then defaults on the arrangements, the owner must be notified in writing of the default.
- Where the customer has been put under administration, written permission must be obtained from the Administrator and the owner of the property before any arrangements can be made.
- All arrangements will be made in writing according to section 57 of the Magistrates Act 1944 on the prescribed form.
- When making arrangements the following documents are required: copy of an ID and proof of income. (No arrangements will be made without these documents)

4: Domestic Indigent (or Destitute Indigent) Customers (with municipal electricity service) Arrangements

If a customer is classified as an indigent or destitute indigent and is a customer of the municipal electricity service (indigent as used here will refer to both classifications) as per the council's Indigent Policy the following criteria will apply to arrangements made:

- The indigent customer will be required to pay their current monthly account regularly each month. (This is the amount due after the indigent subsidy has been deducted.)

Lukhanji Adopted Draft Budget 201415

- The indigent or destitute indigent's arrear debt will be placed on the electricity prepaid system and 40% of each purchase will be allocated to the payment of arrears.
- If regular payment of the current monthly account is maintained then only the 40% of payment received for electricity purchases will be allocated to arrears.
- If regular payment of the current monthly account is not maintained then the monthly account will be collected first from the first electricity purchase each month before electricity can be purchased and thereafter 40% of payment received will be allocated to arrears.

5: Domestic Customer Arrangements

If a customer is classified as a domestic (non-indigent) customer or as an indigent customer that does not receive municipal electrical service, then the following criteria will apply to arrangements made:

- The domestic customer will be required to pay 10% of debt before arrangement can be made. The customers will be required to pay their current monthly accounts regular each month. In addition to this requirement the following arrangements may be made to eliminate the arrears debt:
- If the customers are in the income group that has a total household income of **less than R5,000 per month** that customer may make arrangements to pay their arrears over a period of **36 months, interest free** provided payments are made monthly by the due date.
- If the customers are in the income group that has a household income of **more than R5,000 per month** that customer may make arrangements to pay their arrears over a period of **24 months, interest free** provided payments are made monthly by the due date.
- If the customer has annual charges the annual charges will be converted to monthly charges.

6: Business Customer Arrangements

If a customer is classified as a business customer then the following criteria will apply to arrangements made:

- The customer must pay full balance or 40% of the capital arrears
- The balance of the capital arrears (60%) must be paid off over no more than a 6 month period.
- Failure to maintain the arrangement will result in full debt collection processes being implemented.

Lukhanji Adopted Draft Budget 201415

7. Collection Processes

- Disconnection / blocking of electricity supply
- Issuing of letter of demands
- Final notices and Summons
- Handover of accounts to the attorneys

7: Breach of Arrangements

In the event of breach of arrangements, all arrear arrangements installments plus the current monthly account must be paid before the arrangement can be reinstated. If the required payments are not made, debt collection action will be instituted immediately as per the Credit Control and Debt Collection Policy.



**CREDIT CONTROL
AND
DEBT COLLECTION
POLICY**

Lukhanji Adopted Draft Budget 201415

INDEX

PREAMBLE

DEFINITIONS

1. Principles
2. Duties and Functions
 - 2.1 Duties and Functions of Council
 - 2.2 Duties and Functions of the Executive Mayor
 - 2.3 Duties and Functions of the Municipal Manager
 - 2.4 Duties and Functions of Communities, Ratepayers and Residents
 - 2.5 Duties and Functions of Ward Councillors
3. Area of Application
4. Application for Services
5. Customer Service Agreements
6. Deposits and Guarantees
7. Accounts and Billing
8. Metering of Consumable Services
9. Valuation
10. Customer Assistance Programmes
 - 10.1 Water Leak Rebate
 - 10.2 Rates Rebate
 - 10.3 Arrangements for Settlement
 - 10.4 Payment of Rates by Instalments
 - 10.5 Indigent Assistance Scheme
 - 10.6 Free Basic Services
11. Government departments
12. Communication
13. Payment Facilities and Methods
14. Enquiries and Appeals
15. Debt Collection
16. Meter Readings
17. Theft and Fraud
18. Reporting and Performance Management

PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

Lukhanji Adopted Draft Budget 201415

<i>“Arrangement”</i>	A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed.
<i>“Arrears”</i>	Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.
<i>“Authorized Representative”</i>	Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;
<i>“billing”</i>	Refers to the process of charging for services provided by issuing Accounts;
<i>“CFO”</i>	The person appointed as the Chief Financial Officer of the Municipality in terms of the provisions contained in the MFMA, or his or her nominee.
<i>“Council”</i>	The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Lukhanji Municipality established by part 7 of provincial notice 80, dated 27 September 2000;
<i>“Credit Control”</i>	<p>Credit control encompasses all the functions relating to the management of the contract with and collection of monies owed by customers of municipal services including but not restricted to:</p> <ul style="list-style-type: none">• Signing of a valid service agreement, the payment of a service deposit and the verification of the customers creditworthiness.• Accurate meter readings at fixed intervals• Accurate and regular billing• Regular communication to customers• Provision of Indigent support• Maintain efficient and affordable service levels and standards within Councils financial constraints and capacity• Provide appropriate payment terms and options• Provide an effective and efficient enquiry system• Implement consistent credit control measures with the aim to enforce a culture of payment for services and a commitment to pay the current account and service any arrears monthly.• Furnish monthly reports to Council on the performance of revenue collection.
<i>“customer”</i>	Any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
<i>“debt collection”</i>	Entails all actions to ensure the effective collection of all monies due to the municipality;

Lukhanji Adopted Draft Budget 201415

<i>“defaulter”</i>	Any Person who is owing the Council arrear monies in respect of rates and / or service charges;
<i>“effective disconnection”</i>	Includes, inter alia, the physical removal of connections and/or equipment as a consequence of unauthorised reconnection (tampering and/or by-passing) of the disconnected service
<i>“engineer”</i>	The Director : Technical Services and/or his delegated official of Council;
<i>“equipment”</i>	A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;
<i>“financial year”</i>	Means a year ending 30 June
<i>“gender”</i>	Any reference to the one gender shall include reference to the other
<i>“Implementing Authority”</i>	Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Systems Act.
<i>“interest”</i>	A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;
<i>“municipal account”</i>	An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;
<i>“Municipality”</i>	Means the Lukhanji Municipality.
<i>“Municipal Manager”</i>	The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;
<i>“municipal services”</i>	

Lukhanji Adopted Draft Budget 201415

Those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, sundries and any other services for which service charges are levied;

“occupier” Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

“owner” –

- (a) The person in whom from time to time is vested the legal title to premises;
- (b) In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
- (c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;
- (d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;
- (e) In relation to-
 - i. A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or
 - ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;
- (f) Any legal person including but not limited to-
 - i. A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;
 - ii. Any department of State;
 - iii. Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;
 - iv. Any Embassy or other foreign entity;

“premises” Includes any piece of land, the external surface boundaries of which
Is delineated on-

Lukhanji Adopted Draft Budget 201415

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

“rates”

means a municipal rate on property envisaged in section 229(1)(a) of the constitution and the Property Rates Act (Act Number 6 of 2004).

Lukhanji Adopted Draft Budget 201415

“ratable property”

means a property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act

“service”

means a municipal service rendered by the municipality and includes the supply of electricity, water, sanitation and refuse removal

“Supervisory Authority”

Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act

“tampering”

means the unauthorised reconnection of a supply that has been disconnected for non-payment, the interference with the supply mains or bypassing of the metering equipment to obtain an unmetered service

1. PRINCIPLES

- 1.1 The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 1.2 All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- 1.3 A copy of the application form including conditions of services and a copy of the Lukhanji's Council credit control and debt collection policy must be handed to every new customer on date of application for services.
- 1.4 Billing is to be accurate, timeous and understandable.
- 1.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 1.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 1.7 Enforcement of payment must be prompt, consistent and effective.
- 1.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 1.9 Incentives and disincentives may be used in collection procedures.

Lukhanji Adopted Draft Budget 201415

- 1.10 Results will be regularly and efficiently reported by the Municipal Manager and the Executive Mayor.
- 1.11 Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 1.12 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

2. DUTIES AND FUNCTIONS

2.1. Duties and Functions of Council

- 2.1.1. To approve a budget consistent with the needs of communities, ratepayers and residents in line with the financial capability of Council.
- 2.1.2. To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

Lukhanji Adopted Draft Budget 201415

- 2.1.3. To facilitate sufficient funds to give access to basic services for the poor.¹
- 2.1.4. To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.²
- 2.1.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.³ (Debt collection target to be determined by Council annually.)
- 2.1.6. To approve a reporting framework for credit control and debt collection.
- 2.1.7. To consider and approve by-laws to give effect to the Council's policy.
- 2.1.8. To monitor the performance of the Executive Mayor (Supervising Authority) regarding credit control and debt collection.
- 2.1.9. To revise the budget should Council's targets for credit control and debt collection not be met;
- 2.1.10. To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.
- 2.1.11. To establish a Municipal Internal Legal Debt Collection Unit to attend to the Legal Process of Collection up to the hand over of debtors for the implementation of the Execution process. The utilisation of external role players to achieve this goal in the interim.
- 2.1.12. To ensure that a list of attorneys is compiled in terms of Council's Procurement Policy, who will be utilised as part of the Legal process of Council in legal action instituted in terms of Council's Policy for matters relating to debt collection.
- 2.1.13. To delegate the required authorities to monitor and execute the

¹ Preferably, the equitable share should be set-aside for this purpose.

² The bad debt provision should at least reflect the increase in debtors during the previous financial year.

³ A realistic target would be to improve on the previous year's result by 5% - 10%. The target should be reviewed every year until the turnover rate of debtors is between 45-56 days.

Lukhanji Adopted Draft Budget 201415

credit control and debt collection policy to the Executive Mayor and Municipal Manager and Service Provider respectively in compliance with the relevant Acts.

- 2.1.14. To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection.
Alternatively to appoint a Service Provider as debt collection agent (such service provider must be a registered debt collection agent in terms of legislation).
- 2.1.15. To assist the Municipal Manager in the execution of his duties, if and when required.
- 2.1.16. To provide funds for the training of staff.

2.2 DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR

- 2.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws¹.
- 2.2.2 To monitor the performance of the Municipal Manager in implementing the policy and by-laws².
- 2.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes³.
- 2.2.4 To report to Council.

2.3 DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- 2.3.1 To implement good customer care management systems.
- 2.3.2 To implement council's credit control and debt collection policy.
- 2.3.3 To install and maintain an appropriate accounting system as required by the MFMA and appropriate regulations.
- 2.3.4 To bill customers.

Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive Mayor must –a) Oversee and monitor -

¹ (i) The implementation and enforcement of the municipality's customer care, credit control and debt collection policy and any by-laws enacted in terms of section 98; and

² (ii) The performance of the municipal manager in implementing the policy and any by-laws.

³ (b) When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and

Lukhanji Adopted Draft Budget 201415

- 2.3.5 To demand payment on due dates.
- 2.3.6 To raise penalties for defaults.
- 2.3.7 To appropriate payments received.
- 2.3.8 To collect outstanding debt.
- 2.3.9 To provide different payment methods.
- 2.3.10 To determine credit control and debt collection measures.
- 2.3.11 To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 2.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- 2.3.13 To set performance targets for staff.
- 2.3.14 To submit the appointment of staff to Council to execute council's policy and by-laws in accordance with council's staff policy.
- 2.3.15 To delegate certain functions to the Directors of departments.
- 2.3.16 To determine control procedures.
- 2.3.17 To monitor contracts with service providers in connection with credit control and debt collection
- 2.3.18 To report to the Executive Mayor.

2.4 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

- 2.4.1 to fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 2.4.2 to pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- 2.4.3 to observe the mechanisms and processes of the municipality in exercising their rights.
- 2.4.4 To allow municipal officials access to their property to execute municipal functions
- 2.4.5 To comply with the by-laws and other legislation of the municipality.
- 2.4.6 to refrain from tampering with municipal services and property.

Lukhanji Adopted Draft Budget 201415

2.5 DUTIES AND FUNCTIONS OF WARD COUNCILLORS

- 2.5.1 to hold regular ward meetings wherein the credit control and debt collection policy and procedures of Council are addressed.
- 2.5.2 to adhere to and convey council policies to residents and ratepayers and in particular the credit control and debt collection policy and procedure.
- 2.5.3 To adhere to the Code of Conduct for Councillors.
- 2.5.4 Ward Committees will act in terms of roles and functions as approved by Council and assist in the dissemination and distribution of information relating to the cc and dc proc of Council.

Lukhanji Adopted Draft Budget 201415

3. AREA OF APPLICATION

This policy applies throughout the area of the Municipality of Lukhanji.

4. APPLICATION FOR SERVICES

- 4.1 Customers who require a service must enter into a written service agreement with the Municipality which service agreement shall incorporate documentary annexures as determined and required by the municipality.
- 4.2 The process must occur at least five days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.
- 4.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.
- 4.4 Customers who illegally consume services without this agreement will be subject to punitive action.
- 4.5 No consumer/client may be allowed to open a tenant account if the owner of the property is in arrears with services.
- 4.6 A customer/tenant must have a written letter of approval from the owner or estate agent who is acting on behalf of the owner permitting the Municipality to open a services account on the property with the relevant prescribed deposit.
- 4.7 If a tenant vacates the property where services are being provided without written notice to the Municipality then the owner of said property will be liable for any outstanding balance.

5. CUSTOMER SERVICE AGREEMENTS

- 5.1 Customer service agreements are those agreements that are entered into between the client and the Municipality for the supply of municipal services and shall include the documentary annexures as required.
- 5.2 The contents of the agreement includes this policy as well as:

An undertaking by clients:

- That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs on an attorney client basis, interest, any administrative levy

Lukhanji Adopted Draft Budget 201415

relating to disconnection and/or reconnection of services and personally liable as surety for legal entities;

- That any alleged non-receipt of an account does not stop the collection process;
- To agree that Council may conduct an ITC credit verification of his credit affairs.
- An additional/higher deposit may be required to be paid depending on the associated risk as determined by Council from time to time.
- That they will provide Council with all information and documentation required to assess credit worthiness of the customer.
- To furnish Council on application with all information relating to insolvency, sequestration, administration and or any other legal impediment relating to his status

6. DEPOSITS

6.1 The deposits are payable when new customers sign on and when existing customers move to a new supply address. Customers must pay a deposit equal to an amount as determined by Council annually. The municipality may increase or decrease deposits to suit the particular circumstances.

6.2 Before services can be provided, a service deposit is required to be paid by the customer to the Municipality.

Residential properties:

- The deposit is payable in cash for all clients.
- Only destitute indigents are exempted from paying the deposit.
- Indigent clients : R150.00
- Prepaid meter Domestic : R350.00
- Conventional electricity meter : R450.00
- Non Profit Organisation : R500.00
- Businesses : from R2500.00 to a maximum of R100.000
- Deposit that are paid will only be refunded at the closure of the account after settlement of all levies, service charges, sundry charges, rates & taxes due to the Municipality.
- Cash deposits retained on behalf of customers shall not earn interest.
- Any deposit held by or on behalf of a customer shall, on being claimed, be refunded within 60 days after the termination of the clients agreement after deducting any amount due by the client to the Municipality.
- Unclaimed deposits will be forfeited, after allocation to any arrears outstanding to the Municipality, 6 months after the final account has been processed.
- The Municipality may at any time when the deposit is found to be inadequate require a customer to increase the deposit, in which event the customer shall, within 30 days after being so required, deposit with the Municipality such additional sum.

Lukhanji Adopted Draft Budget 201415

- Deposits of new Business and Industrial clients will be determined based on the type of business being established and will be determined by the Revenue Manager or his/her delegate.
- Consumers deposits shall be applicable only to the account for which they have been allocated initially and may not be transferred by the Municipality between customer service agreements.
- Prior to the Municipality entering into a new agreement with a customer, the customer shall provide to the Municipality information pertaining to previous Municipal accounts to assist in assessment of his credit worthiness. The Municipality shall not enter into an agreement without compliance with this requirement and the Municipal Official shall conduct a verification search of previous Municipal accounts held. Any outstanding accounts should be paid in full.

6.3 Customers must pay a deposit.

- Residential properties as determined by Council's Tariff Policy annually.
- Non-SA Citizens -
All persons who are not SA Citizens and do not hold fixed property shall be required to pay triple the deposit as determined for residential properties.
- Non-Domestic -
As determined by Council's Tariff Policy annually.

6.4 The Municipality shall increase the required deposit of defaulting customers who are disconnected or should be disconnected in accordance with this policy, to a figure as determined by the Council's Tariff Policy.

6.5 The Municipality may apply the deposit towards any and all arrears arising on a service account and thereafter shall apply (6.4) here of.

7. ACCOUNTS AND BILLING

7.1 Customers will receive one consolidated bill for all Lukhanji municipal services to a property, which is situated within the boundaries of the municipality.

7.2 Accounts are produced in accordance with the meter reading cycles.

7.3 An account will be rendered each month in cycles of approximately 30 days.

7.4 The Municipality will undertake reasonable steps to have the accounts delivered to all customers. However non-receipt of an account does not

Lukhanji Adopted Draft Budget 201415

prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a copy of the account, before the due date.

- 7.5 Accounts must be paid on the due date as indicated on the account.
- Interest on arrears will accrue after due date if the account remains unpaid as at due date, irrespective of the reason for non-payment.
 - Indigents and destitute indigents are exempted from all interest charges
 - A levy on late payments as determined by Council's Tariff Policy will be raised if the account remains unpaid as at due date irrespective of the reason for non-payment.
- 7.6 Payments for accounts must be received by
- close of business on or before the due date at a Municipal pay-point.
 - In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account by close of business on or before the due date and/or Council notified accordingly.
- 7.7 Inter-Governmental Transfers
- The Accounting Officer must immediately inform the National Treasury of payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days (Section 64.3 of the MFMA)
- 7.8 Customers who have failed
- To pay the service charges levied by due date,
 - or to comply with the conditions of supply of services

Lukhanji Adopted Draft Budget 201415

shall receive no further notification of Councils intention to disconnect services as such notification is supplied on the services account w the debt collection process will be implemented.

8. METERING OF CONSUMABLE SERVICES

- 8.1 The municipality may introduce various metering equipment and customers may be required to convert to a system preferred by the municipality.
- 8.2 Customers who default (fail to pay by a due date) will be required by the municipality to convert to a prepaid metering system.
- 8.3 Prepayment metering will be installed for all new domestic electrical and where applicable, non-domestic electrical accounts.
- 8.4 Meters (credit) will generally be read monthly. Should circumstances prevent reading, the municipality is entitled to estimate a reading that is within reason comparable.
- 8.5 A customer is responsible to allow municipal officials access to their property to execute municipal functions and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.
- 8.6 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

9. VALUATION OF PROPERTIES

- 9.1 All properties within the boundaries of the Lukhanji Municipality are to be valued in terms of the legislation, applicable to the valuation of properties for the purpose of levying property rates.

Lukhanji Adopted Draft Budget 201415

10. CUSTOMER ASSISTANCE PROGRAMMES

These are programmes that the Municipality has designed to assist customers meet their obligations, such as:

- 10.1 Water leak rebates;
- 10.2 Rates rebates;
- 10.3 Arrangements for settlement;
- 10.4 Payment of rates by instalments;
- 10.5 Indigent Support Policy
- 10.6 Free basic services

10.1 **WATER LEAK REBATE**

Excess charges due to water leaks on the account will be recalculated in terms of the "Water Leak" tariff, provided that the following conditions are applied:

- That the leak be repaired within 48 hours of detection.
- That a letter from a registered plumber or, in the event that the leak was repaired by a private person, must reach the Municipality within ten (10) days of the leak having been repaired.

10.2 **RATES REBATE**

Council may grant rebates on rates in terms of Council's rates policy.

10.3 **ARRANGEMENTS FOR SETTLEMENT**

10.3.1 *Arrangements are permissible for debtors who experience*

difficulties in paying their accounts in accordance with council policy.

- 10.3.2 The terms applicable for the settlement of arrear debt will be as approved by the Council from time to time

10.4 **PAYMENT OF RATES BY INSTALMENTS**

- 10.4.1 Owners may pay the property rates:

Lukhanji Adopted Draft Budget 201415

- Annually in advance or
- by application in writing on the prescribed form, to pay in equal monthly instalments over a period of 12 months.
- A service charge will be levied for customers who elect for monthly instalments (or discount for annual payments) to cover the administrative costs associated with this activity as laid out in the tariff policy.

10.4.2 Interest shall accrue on all rates accounts if they are not paid by the due date as indicated on the account (except as specifically exempted by council policy).

10.4.3 Regular monthly instalment payments must be maintained. Failure to maintain monthly instalment payment for three (3) consecutive months shall result in the cancellation of the facility and all future instalments become payable.

11. GOVERNMENT DEPARTMENTS.

All governments departments are required to pay their accounts balances in full. Governments departments owing municipality over 60 day in arrears, services will be disconnected without any further notice. Furthermore, in terms of Section 64(3) of the Municipal Finance Management Act (Act.no56 of 2003) the Amount to which the department is in arrears will be reported to both National Treasury and Provincial Treasury.

12. COMMUNICATION

12.1 The municipality will where reasonably possible at its own cost make the Credit Control and Debt Collection policy brochure available to the community. Any amendments may be communicated in a newsletter.

12.2 Councillors must on a regular basis, address ward committees and their wards on the contents of the policy and any amendments thereto.

13. PAYMENT FACILITIES AND METHODS

13.1 Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his designate has the discretion to open and close offices as required.

Lukhanji Adopted Draft Budget 201415

- 13.2 The customer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the customer. In addition the customer must take into account the transfer time of the particular agent.
- 12.3 A range of payment methods is available and may be extended as required subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for customers.
- 12.4 The Chief Financial Officer shall allocate payments according to pre-determined priorities.
- 12.5 The customer is not allowed to selectively nominate any monies paid by him for specific services .The allocation of payments are automatically done according to priorities as determined by the CFO in line with Councils direction.
- 12.6 No allegation for the non-receipt of an account will be exempted from the responsibility to pay on or before the due date. The principle of “ Ignoram legume non excusat” prevails.
- 12.7 Officials and Councillors service accounts are to be deducted on a monthly basis from their salary / remuneration.
- 12.8 In terms of section (9) Schedule 2 of the Municipal Systems act and Municipal resolution dated 29 August 2003,Municipal officials and Councillors are not allowed to be indebted to the Municipality on their municipal service accounts.
- 12.9 The Municipality may enter into agreement with businesses and their employees for the business to deduct from and pay over to the Municipality the Municipal service account due and owing by the employee.

14. ENQUIRIES AND APPEALS

- 14.1 Any customer who has a query/dispute concerning his service account or on the application of the credit control and debt collection policy and procedure to himself must address a letter to the Chief Financial Officer or visit any Customer Care Office provided by the municipality to lodge the query/dispute.
- 14.2 A customer who has lodged a query/dispute is not relieved of

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the responsibility to maintain regular payment of the account.
An interim payment similar to the average account must be paid by the due date pending finalisation of the enquiry. Failure to make a payment will result in debt collection action been instituted against the customer.

14.3 The customer will receive a written response to a submitted written query within 10 working days of the query being lodged.

13.4 If a customer is not satisfied with the response received from the Customer Care Office or the CFO he may make a written submission to the Municipal manager, setting out the reasons for his dissatisfaction. The Municipal manager shall investigate the written submission and forward his findings to the client within 21 working days of receipt thereof. The Municipal Managers decision shall be final.

13.5 The testing of a water or electricity meter may be done on request of the customer upon payment of the prescribed fee, which will be published in Council's annual tariff schedule. The fee will be refundable to the customer on the following conditions:

If it is alleged in an appeal that a measuring device is inaccurate, the device must be subjected to a standard industry test to establish its accuracy, the customer must be informed of the possible cost implications including the estimated amount of such test, as set out in this section of the policy, prior to such test being undertaken.

If the outcome of any test shows that a measuring device is

- a) Within a prescribed range of accuracy, the customer will be liable for the costs of such test and any other amounts outstanding and the paid fee will be forfeited by the customer.
- b) Outside a prescribed range of accuracy, the Council will be liable for the costs of such test and the customer must be informed of the amount of any credit to which he, or it is entitled.

Lukhanji Adopted Draft Budget 201415

15. DEBT COLLECTION

The Chief Financial Officer is authorised to institute these mechanisms without exception and with the intention of proceeding until the debt is collected.

The following mechanisms are to be used to collect:

- 15.1 Disconnection / restriction of metered services for all overdue rates and service accounts.
- 15.2 Barring from buying prepayment services by debtors who are in arrears with all overdue rates and service accounts.
- 15.3 Allocating a portion of any payment for prepayment services to arrear debt.
- 15.4 Insisting that a prepayment meter be installed.
- 15.5 Withholding of rates clearance certificates under certain conditions. (Refer to section 118 of the Systems Act of 2000.)
- 15.6 Legal process, including proceeding(s/arrangements) in terms of section 57 of the Magistrates court act, an emoluments attachment order on the debtors salary, summons, the attachment and sale of moveable or immovable property, section 65 proceedings.
- 15.7 Withholding payments of grants-in-aid.
- 15.8 Any other method authorised by Council.

16. METER READINGS

Meters will be read on a monthly basis, or as determined as the most efficient timetable by the Chief Financial Officer. Deviation lists are to be verified every month to ensure the correctness of the billing process. Deviations of more than 25% of the norm reported on water or electricity consumption are to be investigated by an inspector before billing is rendered on the account

17. THEFT AND FRAUD

Lukhanji Adopted Draft Budget 201415

17.1 The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.

17.2 The Council may approve specific penalties for cases of vandalism and theft.
1st offence: R1050.00 for the disconnection at the pole and removal of the meter as well as an estimate lost of revenue.

2nd offence: R2100.00 for the double tamper for the disconnection at the pole and removal of the meter and entire service as well as an estimate of lost of revenue.

3rd offence: R5000.00 for the disconnection at the pole and removal of the meter as well as an estimate of the lost revenue and full outstanding debt should be paid.

17.3 Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

18. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of customers, debtors, services or service standards when applying the Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.



**PROVINCE OF THE EASTERN CAPE
LUKHANJI LOCAL MUNICIPALITY
GIFT,REWARDS AND FAVOURS POLICY**

Date of adoption:.....

Lukhanji Local Municipality

TABLE OF CONTENTS

	PAGE
1. Definitions	2-4
2. Objective	4
3. General Principles	4-5
4. Value of Rewards, Gifts and Favours	5
5. Register of Rewards, Gifts and Favours	6
6. Responsibility of Councillors and Staff Members	6
7. Authority of Accept Rewards, Gifts or Favours	6
8. Accountability	7
9. Enforcement	8
Part 4: Other matters	
Annexures:	
A. Declaration of Rewards, Gifts or Favours for Gift Register	8
1. Definitions	

Lukhanji Adopted Draft Budget 201415

In this policy and any bid documentation or directive issued in terms thereof, the singular includes the plural and vice versa, any one gender includes both genders and, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act has the same meaning as in this Act and -

“Accounting Officer” means the manager of the municipal administration and accounting officer of the Lukhanji Local Municipality appointed by the council in terms of section 54A of the Local Government: Municipal Systems Act No. 32 of 2000 and includes any employee of the Lukhanji Local Municipality who acts in his stead and, in the event of the Lukhanji Local Municipality being subject to an intervention in terms of section 139 of the Constitution or any other applicable law, includes the “Administrator” appointed as a consequence of such intervention or in terms of the conditions pertaining thereto;

“Chief Financial Officer” means the official of the Lukhanji Local Municipality designated as such in terms of section 80(2)(a) of the Municipal Finance Management Act;

“Codes of Good Practice” means the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act and contained in General Notice 12 of 9 February 2007;

“Contract” means the agreement that results from the acceptance of a bid by the Lukhanji Local Municipality in accordance with the supply chain management policy;

“Council” means the council of Lukhanji Local Municipality;

“Day” unless expressly otherwise provided in this policy, means a calendar day, provided that when any particular number of days is prescribed for the doing of any act, or for any other purpose, the same shall be reckoned exclusively of the first and inclusively of the last day, unless the last day happens to fall on a Sunday or on any public holiday, in which case the time shall be reckoned exclusively of the first day and exclusively also of every such Sunday or public holiday;

“Mayor” means the councillor elected by the council as Mayor in terms of section 48 of the Local Government: Municipal Structures Act No. 117 of 1998 read with section 58 of the Municipal Finance Management Act;

“Lukhanji Local Municipality” means the Lukhanji Local Municipality, a local municipality established in terms of section 12 of the Local Government: Municipal Structures Act No. 117 of 1998 and includes any employee entitled to or duly authorized to perform any function or duty in terms of this policy and/or is responsible for the implementation of this policy or any part thereof;

“Municipal Finance Management Act” means the Local Government: Municipal Finance Management Act No. 56 of 2003 and, unless otherwise stated in this policy, any reference to “the Act” shall mean a reference to this Act;

“Municipal Systems Act” means the Local Government: Municipal Systems Act No. 32 of 2000 and includes the regulations under this Act;

Lukhanji Adopted Draft Budget 201415

“**Other applicable legislation**” means any other legislation applicable to municipal supply chain management, including but not limited to -

- (d) the Local Government: Municipal Systems Act No. 32 of 2000 (Municipal Systems Act);
- (e) the Promotion of Administrative Justice Act No. 3 of 2000;
- (f) the Promotion of Access to Information Act No. 2 of 2000;
- (g) the Protected Disclosures Act No. 26 of 2000;
- (i) the Prevention and Combating of Corrupt Activities Act No. 12 of 2004;

"**Person**" includes an enterprise, partnership, trust, association, consortium, joint venture or a juristic person;

"**Rand value**" means the total estimated value of a contract in South African currency calculated at the time of bid invitations, and includes all applicable taxes and excise duties;

"**Treasury guidelines**" means any guidelines on supply chain management issued by the Minister of Finance in terms of section 168 of the Municipal Finance Management Act;

"**The Regulations**" means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

1. OBJECTIVE

To set out in clear terms the rules that apply to offers of a reward, gift or favours from persons having or proposing to have a contractual relationship with the municipality and the responsibilities of councillors and staff members in this regard. The Code of Conduct and Rewards, Gifts and Favours Policy is aimed at ensuring that councillors and staff members conduct themselves so that their good faith and integrity should not be questionable.

2. GENERAL PRINCIPLES

- (1) All employees are required to comply with the Code of Conduct for Municipal Staff Members as contained in item 8 Schedule 2 of the Systems Act, 32 of 2000 as well as the Municipal Supply Chain Management regulations.
- (2) A municipal code of the ethical standards must stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality –
 - c) may not accept any rewards, gift, favour hospitality or other benefit directly, including to any family member, partner or associate of that person;

Lukhanji Adopted Draft Budget 201415

d) notwithstanding sub-regulation (2)(c), must declare to the accounting officer details of any rewards, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

Schedule 1 and 2 of the Municipal Systems Act No. 32 of 2000 contains the code of conduct for councillors and municipal staff members respectively.

SCHEDULE 1 SECTION 9 STATES:

1. A councillor may not request, solicit or accept any reward, gift or favour for:
 - a) Voting or not voting in a particular manner on any matter before the municipal council or before a committee of which that councillor is a member;
 - b) Persuading the council or any committee in regard to the exercise of any power, function or duty;
 - c) Making a representation to the council or any committee of the council; or
 - d) Disclosing privileged or confidential information.

SCHEDULE 2 SECTION 8 STATES:

1. A staff member of the municipality may not request, solicit or accept any reward or gift in favour for:
 - a) Persuading the council of the municipality, or any structure or functionary of the council, with regard to the exercise of any power or the performance of any duty;
 - b) Making a representation to the council, or any structure or functionary of the council;
 - c) Disclosing any privileged or confidential information; or
 - d) Doing or not doing anything within that staff member's powers or duties.
2. As staff member must without delay report to superior official or to the speaker of the council any offer which, if accepted by the staff member, would constitute a breach of (1).

3. Value of Gifts, Rewards or Favours

Lukhanji Adopted Draft Budget 201415

Regulation 47 of the Municipal Supply Chain Manager Regulations reads as follows:

“47 Inducements, rewards, gifts and favours to municipalities, municipal entities, officials and other role players

1) No person who is a provider or prospective provider of goods or services to a municipality or municipality entity, or a recipient of goods disposed or to be disposed of by a municipality or municipal entity, may either directly or through a representative or intermediary promise or offer or grant –

a) Any inducement or reward to the municipality or municipal entity for or in connection with the award of a contract; or

b) Any reward, gift, favour or hospitality to –

Any official of the municipality or municipal entity; or

any other role player involved in the implementation of the supply chain management policy of the Lukhanji Local Municipality.

2) The accounting officer of a municipality or municipal entity must promptly report any alleged contravention of sub-regulation (1) to National Treasury for consideration whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury’s database of person prohibited from doing business with the public sector.

3) Sub-regulation

(1) does not apply to gifts less than R350 in value.”

2. Receipt of gifts in any of the following scenarios would prima facie be viewed as breach of Item 8 of Schedule 2 of the Systems Act: and item 47 of the Municipal Supply Chain Management regulations.

Tenders

Contracts

Provider and prospective providers as well as receivers and prospective receivers of goods in terms of actions that are clearly enacted to avoid and prevent corrupt practices.

3. For the sake of good corporate governance and to protect employees against inadvertent transgressions of Item 8 of Schedule 2 of the Systems Act or the provision of regulation 46 & 47 of the Municipal Supply Chain Regulations, it is Council’s policy that all employees are required to report any gift that they have received irrespective of the value.

4. The Municipal Manager (or his nominee) may decide whether an employee may retain a gift to the value of not more the R350 (as amended from time to time). The value of gift received from a single source in any calendar year may not exceed R350 from a service provider or prospective service provider based on the following:

Lukhanji Adopted Draft Budget 201415

4.1. Any gift as defined in terms of Item 8 of Schedule 2 of the System Act, 32 of 2000 may not be accepted by any staff member – No discretion permitted;

4.2. All staff include in terms of Section 46 of the Supply Chain Management Regulation may only receive a gift up to the limit of R 350 – No discretion permitted above R350;

4. Register of Rewards, Gifts and Favours

An electronic register will be kept and maintained in the office of the Municipal Manager and Internal Audit should review the register periodically. A gift declaration Form (ANNEXURE A) shall be completed by councillors and staff members who have received a rewards, gift or favour which exceeds the approved value. Each declaration submitted will be allocated a serial number by the municipal manager for reference purposes.

5. Responsibility of Councillors and Staff Members

It is the responsibility of councillors and staff members to declare all rewards, gifts and or favours which exceed the value determined by council.

6. Authority to Accept Rewards, Gifts or Favours

Staff Members

The responsibility of granting authority to staff members to accept rewards, gifts or favours rests with the Municipal Manager.

Councillors

The responsibility of granting authority to councillors to accept rewards, gifts or favours rests with the Executive Mayor.

7. Accountability

The Municipal Manager shall provide details of all rewards, gifts and favours received by councillors and staff members and authorized by the Executive Mayor or Municipal Manager to the Audit Committee and Mayoral Committee on a quarterly basis.

8. Enforcement

1) Sect 14 and 14A will apply to any breach of Item 8 of Schedule 2 of the Systems Act. Item 14 and 14A reads as follows:

Lukhanji Adopted Draft Budget 201415

Breach of this Code must be dealt with in terms of the disciplinary procedures of the municipality envisaged in section 67 (1) (h) of the Systems Act.”

“Item 14A. Disciplinary steps. –

- (1) A breach of this Code is a ground for dismissal
- 2) Such other disciplinary steps may include –
 - a) Suspension without pay for no longer than three months;
 - b) Demotion;
 - c) Transfer to another post;
 - d) Reduction in salary, allowance or other benefits; or
 - e) an appropriate fine.”

3). Employees must report gifts received by completing and submitting the attached form (annexure A) to his/her Section 57 Manager. The declaration of gifts received must contain a description of the gift, the value of the gift as well as the sources of the gift. Section 57 Managers must report gifts received in prescribed format (Annexure “A”) to the Municipal Manager (or his nominee.) The Municipal Manager must report gifts received to the Executive Mayor.

Each Section 57 Manager are required to keep a register of all gift received within his/her Directorate and that such be available for audit on an annual cycle.

4) The Section 57 Manager: Corporate Services is responsible to communicate this policy to employees on an annual basis.

5) The Section 57: Corporate Services is responsible to ensure that this policy is included in induction sessions for new appointees.

6) That this policy be implemented on the date of approval.

ANNEXURE A

LUKHANJI LOCAL MUNICIPALITY

DECLARATION OF REWARD, GIFT OR FAVOUR FOR GIFT REGISTER

Register Number: _____		Date: ____/____/____	
Details of Sponsor (Contributor)			

Lukhanji Adopted Draft Budget 201415

Company Name			
Name of Company			
Representative			
Service Provided			
Relationship			
Service Period			
Details of Recipient			
Name			
Branch / Department			
Staff Number			
Details of Reward, Gift or Favour Received			
No.	Description	Approx. Monetary Value	
Have any rewards gifts or favours been received from this company before? (Mark with "X")		Yes	No
If yes, please provide a description of this gift (s):			
Municipal Manager Approval (FOR OFFICE USE ONLY)			
The above gift is: (Mark with "X")			
	To be returned to supplier with a letter of thanks		
	To be enjoyed by the councillor or official, above		
	To be enjoyed by the branch / department under management supervision		
Comments			
Municipal Manager / Executive Mayor: _____			
(Signature)			
Date: ____/____/____			



**LUKHANJI LOCAL
MUNICIPALITY
ASSET DISPOSAL POLICY**

**SUPPLY CHAIN MANAGEMENT
UNIT**

INDEX
PAGE

Lukhanji Adopted Draft Budget 201415

1. INTRODUCTION	3
2. OBJECTIVE	3
3. SCOPE	4
4. DEFINITIONS	4
5. KINDS OF MOVABLE ASSETS MANAGED BY THE MUNICIPALITY	9
6. APPLICABLE LEGISLATION	9
7. SUPPLY CHAIN MANAGEMENT FRAMEWORK/GUIDE TO ACCOUNTING OFFICER	10
8. ROLE PLAYERS & FUNCTIONS	10
9. COMMON REASONS FOR DISPOSING OF ASSETS	15
10. DEPRECIATION ON DISPOSAL	15
11. PROCESS OF ASSET DISPOSAL	15
12. PREPARING GOODS FOR DISPOSAL	24
13. UPDATING ASSET REGISTER	25
14. ACCOUNTING TREATMENT AFTER DISPOSAL OF ASSETS	25
15. CONFLICT OF INTEREST	27
16. POST DISPOSAL REVIEW	28
17. COMPLIANCE WITH MFMA	28
18. MONITORING & EVALUATION	28
19. POLICY REVIEW	28

1. INTRODUCTION

Lukhanji Adopted Draft Budget 201415

The purpose of the Asset Disposal Policy is to provide a framework for the disposal of the municipality's assets that are not needed to provide the minimum level of basic municipal services and that are surplus to the municipality's requirements.

Section 14 of the Municipal Finance Management Act (Act No. 56, 2003) states:

"A municipality may not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of any capital asset needed to provide a minimum level of basic municipal services.

A municipality may transfer ownership or otherwise dispose of a capital asset, other than an asset mentioned above, only after the disposal committee meeting:

- Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

2. OBJECTIVE

The objectives of the Asset Disposal Policy are to:

- Ensure that only assets that do not provide the minimum level of basic municipal services are disposed of.
- Ensure that assets are not disposed when the disposal of the asset or the terms of the disposal of the asset could disadvantage the municipality or community financially or otherwise.
- Ensure that all disposals are, in terms of section 14 (5) of the Municipal Finance Management Act (Act No. 56, 2003), fair, equitable transparent, competitive and consistent with the Supply Chain Management Policy of the municipality.
- To unlock capital or a revenue income stream from the disposal of the assets;
- To ensure adequate management and control over the disposal process.
- To ensure proper reporting on the disposal process.
- To ensure that the Asset Register is properly updated after the disposal process.

Lukhanji Adopted Draft Budget 201415

- To promote Government/Province's broader social, economic and environmental policy objectives through disposal of assets.
- To assist organisations and institutions in serving the poor and economically deprived by availing redundant assets for social upliftment.

3. SCOPE

This policy will be applicable to all redundant, obsolete, unserviceable assets, namely vehicle, office furniture, office equipment, computer equipment, other machinery and equipment and inventory.

4. DEFINITIONS

The following terms apply to this policy:

- **TREASURY REGULATION**

Regulations issued by National Treasury for the Departments, Trading Entities, Constitutional Institution and Public Entities dated March 2005.

Treasury Regulation 16A3 stipulates the following:

16A3.1 That the Accounting Officer or Accounting Authority of an institution to which these regulations apply must develop and implement an effective and efficient supply chain management system in his or her institution for amongst others:

- a. The acquisition of goods and services; and
- b. The disposal and letting of state assets, including the disposal of goods no longer required.

16A3.2 A Supply Chain Management System referred to in paragraph 16A3.1 must -

- (a) be fair, equitable, transparent, competitive and cost effective;

(b) Be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act no. 5 of 2000 as amended by preferential procurement Regulations, 2011)

- (a) be consistent with the Broad Base Black Economic Empowerment Act, 2003 (Act no. 53 of 2003); and

- (b) provide for at least the following:-

- (i) demand management
- (ii) acquisition management

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- (iii) logistic management
- (iv) disposal management
- (v) risk management
- (vi) regular assessment of supply chain performance

16A7 Disposal and letting of state assets

16A7.1 Disposal of movable assets must be at a market related value or by way of price quotation, competitive bids or auction, whichever is most advantageous to the state. Unless determined otherwise by relevant treasury.

16A7.2 Notwithstanding the provisions of paragraph 16A7.1, The Accounting Officers and the Accounting Authorities may transfer movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

16A7.7 The Accounting Officer or the Accounting Authority must, when disposing of computer equipment, firstly approach any state institution involved in education and / or training to determine whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the Accounting Officer or Accounting Authority may transfer such equipment free of charge to the identified institution.

Treasury Regulation 10.1.1 and 10.1.2 state

10.1.1 The Accounting Officer of an Institution must take full responsibility and ensure that proper control systems exist for assets

10.1.2 The Accounting Officer must ensure that processes [whether manual or electronic] and procedures are in place for the effective, efficient, economical and transparent use of the Institution's assets.

- **DISPOSAL**

Means the elimination of a movable asset, which include obsolete, redundant and unserviceable assets, from the accounting records and Asset

Lukhanji Adopted Draft Budget 201415

Register of the Municipality by means of approved and authorised procedures.

- **ASSET**

Is a resource owned and controlled by the Municipality as a result of past events and from which current or future benefits are expected to flow to the Municipality.

- **ASSET REGISTER**

A departmental database of all movable and immovable assets with values.

- **REDUNDANT ASSETS**

Items that are new, serviceable, old, out dated as a result of new development / technology or repairable but are no longer required by the user. These items can still be used or distributed to other offices within the Municipality or to other Municipalities/Entities and other Departments within the Province.

- **OBSOLETE ASSETS**

Items that are too old and are of no further use by the Municipality and/or spares are not available anymore to repair such items, or items no longer in use elsewhere or items no longer suitable for the use they were originally purchased for.

- **UNSERVICEABLE ASSETS**

Items owing to normal wear and tear have become unfit for use and are no longer suitable for the use they were originally been purchased for or not safe to use or uneconomical to repair.

- **SERVICEABLE ASSETS**

Items that are still suitable for the purpose for which they were acquired for.

- **CIRCULATION**

Method of use to allow other Components/Directorates to acquire redundant assets within the Municipality.

- **COUNCIL**

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Council means the Municipal Council of the Lukhanji Local Municipality, its legal successors in title and its delegates.

The Council shall establish a Disposal Committee. The Chairman of the Disposal Committee must be a senior independent official in Supply Chain Management that is not in control of any assets.

- **CHAIRPERSON: DEPARTMENTAL DISPOSAL COMMITTEE.**

An official appointed in writing by the Accounting Officer or his/her delegate to act in the capacity as Chairperson of the Departmental Disposal Committee.

- **DEPARTMENTAL DISPOSAL COMMITTEE.**

Officials appointed in writing by the Accounting Officer or his/her delegate to act as members of the Departmental Disposal Committee.

- **CONFIRMING AUTHORITY.**

The Confirming Authority is vested with the Accounting Officer or his/her delegate to confirm the decisions taken by the Municipal Disposal Committee.

- **BUYER**

Individual who is buying during the selling processes of Government owned assets.

- **SELL BY QUOTATIONS/TENDER**

Method of selling other than an auction, whereby goods are sold on a quotation basis, adhering to SCM policy and regulations.

- **DISPOSAL CERTIFICATE (VA27)**

A certificate that has to be completed when items are disposed off. This certificate must be filled in manually and approved by the Accounting Officer.

- **ACQUISITION OF ASSETS**

It refers to the acquisition of movable assets by means of purchasing, leasing, transfers in and donations.

- **MARKET VALUE**

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Market value is defined as “the estimated amount for which an asset can be exchanged on the date of valuation between a willing buyer and willing seller.

- **FAIR VALUE**

The fair value of an asset is the amount obtainable from the sale of the asset in an arm’s length transaction between willing parties less the selling costs.

- **CARRING AMOUNT**

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

- **SUBSTANTIVE ASSET VALUE**

This is the value that can be ascertained for an asset within an open market at any given time.

- **DEPRECIATION**

A method of allocating the cost of a tangible asset over its useful life.

- **ACCUMULATED DEPRECIATION**

The cumulative depreciation of an asset up to a single point in its life. The depreciation of an asset during a single period is added to the previous period’s accumulated depreciation to get the current accumulated depreciation.

- **BASIC MUNICIPAL SERVICES**

Lukhanji Adopted Draft Budget 201415

Basic municipal service means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

5. KINDS OF MOVEABLE ASSETS MANAGED BY THE MUNICIPALITY

The Lukhanji Local Municipality, manages the following kinds of assets applicable to this policy:

- Vehicles
- Furniture
- Computer Equipment
- Office Equipment
- Inventory & Consumables
- Other Machinery & Equipment

6. APPLICABLE LEGISLATION

MUNICIPAL FINANCE MANAGEMENT ACT [Act 56 of 2003]

The act seeks to promote transparency in the management of State resources.

TREASURY REGULATIONS

Requires that disposal of movable assets must be at market-related value or by tender or auction, whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

The act seeks to promote meaningful participation of black people within the Economy.

Lukhanji Adopted Draft Budget 201415

7. SUPPLY CHAIN MANAGEMENT FRAMEWORK/ GUIDE TO ACCOUNTING OFFICERS: SUPPLY CHAIN MANAGEMENT

The framework seeks to regulate the management of acquisition, demand and disposal of assets.

ASSET MANAGEMENT GUIDELINES

Seeks to ensure that assets are dealt with from a Life Cycle perspective.

8. ROLEPLAYERS & THEIR FUNCTIONS

8.1 ASSET MANAGEMENT OFFICIALS

- Identification and forwarding of information on obsolete, redundant and unserviceable assets.
- Compiling, up keeping and updating of the database of the items to be disposed.
- Comparing the remaining useful life of an asset with the remaining current condition and assess whether the asset will remain in service until the estimated time.
- Ensuring proper management, control and safeguarding of assets.
- List the items to be disposed of, including values, current conditions and recommended disposal method.
- Compile a report on the potential impact on operations and budget for both disposing and keeping items.
- Completion of all relevant documents and condition reports before the disposal of items.
- Checking that goods to be disposed of do not contain material that is not intended for disposal.
- Ensure proper storage of all items that are to be disposed of.
- Manage collection of items to be disposed of in Components/Directorates/Offices to a central point.

Lukhanji Adopted Draft Budget 201415

- Compile a report regarding the replacement of the assets where considered necessary.
- Report on a monthly basis of any obsolete, redundant and unserviceable/un-economical to maintain assets that need to be disposed of or have been disposed, to the Manager: Logistics Management and Disposals. Disposal report must be reconciled with the Asset Register.
- Liaise with the loss control section/Asset Management Office to have an update on assets lost which affects the disposal process.

8.2 MUNICIPAL DISPOSAL COMMITTEE

8.2.1 APPOINTMENT & COMPOSITION OF THE DISPOSAL COMMITTEE

- All members of the Disposal Committee inclusive of the Chairperson must be appointed in writing by the Accounting Officer or his/her delegate.
- The Municipality Disposal Committee shall consist of at least not less than 5 members and the Chairperson,
- Term of Office for the Municipal Disposal Committee will be determined the council
- Members should have knowledge regarding various aspects of asset and asset management e.g. stocktaking, disposal, movement of items, history of equipment etc.
- The code of conduct for the Municipality disposal committee members shall be in accordance with the code of conduct and regulations and policy applicable to Supply Chain Management.

8.2.2 FUNCTIONS OF THE MUNICIPAL DISPOSAL COMMITTEE:

- Objectively evaluate at all times the assets submitted for disposals and weigh disposal alternatives as per disposal procedure.
- Ensure assets to be disposed of are beyond reasonable doubt obsolete, redundant, un-repairable and unserviceable. In cases of unserviceable assets exceeding a book value of R5 000, certificate or quotation of un-

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serviceability/ un-economical to maintain must be attached to such assets.

- Ensure that assets which are to be disposed off and could represent a danger/threat to human beings are destroyed immediately. Recommendations with regard to the handling thereof, are to be clearly described.
- In the event of disposal of Information Technology Equipment and Furniture an approval will be sought from the Accounting Officer for redistribution of such assets.
- No individual member of the disposal committee shall decide in isolation regarding the disposal of movable assets. Each member of the Disposal Committee shall satisfy him/herself that he/she concurs with the relevant recommendation. Should members not concur with the recommendation they are not to counter sign but are to submit their objection, per memo, to the Accounting Officer or his/her delegate.
- Have knowledge of all stores and equipment.
- Be available on a regular basis to attend the Municipality Disposal Committee meetings.
- Be willing to travel and sometimes sleep out.
- Be sure of any needs that exist within the Municipality for possible transfer of assets.
- Confirm in writing their availability to the Chairperson of the Committee.

8.2.3 CHAIRPERSON OF THE DISPOSAL COMMITTEE & HIS FUNCTIONS BEFORE AND AFTER THE DISPOSAL PROCESS.

- The Chairperson of the Municipal Disposal Committee shall be a middle Manager by Rank.

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- The Chairperson of the Municipal Committee shall appoint his/her deputy who will act as Chairperson in his/her absence.
- The Chairperson may, at any time, as per need, co-opt an additional member who possesses specialized knowledge in the relevant field for the evaluation of specialized stores and equipment. { Ad-hoc }
- Chairperson shall ensure that all the necessary forms i.e. Store's Disposal form, Issue voucher form and Disposal Certificates of the assets to be disposed have been submitted and are in order.
- Chairperson shall evaluate and register the Disposal Certificates in the Disposal Register.
- In consultation with the relevant Office determine the date on which the disposal meeting will take place.
- Invite in writing any stakeholders i.e. Municipal Manager/ his /her delegate, Asset Managers on assets to be disposed of.
- Determine if the Municipal Disposal Committee forms a quorum.
- After the process of recommending by the Disposal Committee has been completed, the Chairperson must sign the disposal certificate.
- To ensure that the Disposal Certificates together with all relevant documentation are submitted to the Confirming Authority.
- The Chairperson on receipt of the approved/confirmed Disposal Certificate must ensure that the listed assets are dealt with as per recommended and confirmed.
- All finalized Disposal Certificates must be filed accordingly indicating "Disposal Certificates: Financial Year".
- The original confirmed certificates as recommended and approved must be forwarded to the Office who is custodians of assets disposed of.

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8.2.4 MUNICIPAL DISPOSAL COMMITTEE MEETINGS

- Municipal Disposal Committee will meet quarterly to evaluate assets earmarked for disposals. Special meetings will be called as and when necessary.
- The quorum for the Municipal Disposal Committee meeting will be ordinarily four members plus the Chairperson or his/her delegate.
- Detailed records of the activities of the Disposal Committee must be kept at all times. These records should consists of at least, but not limited to:
 - Minutes
 - Attendance Records and
 - Reasons for the recommendations/no-recommendations
- Members of the Disposal Committee, co-opted officials and any other stakeholders should be informed in writing of the date and time of the disposal meeting a week before such by the Chairperson of the Departmental Disposal Committee.

8.3 CONFIRMING AUTHORITY

- Is the person vested with powers to approve the disposal of assets recommended by the Disposal Committee.
- The powers are vested with the Accounting Officer or his/her delegate.

8.3.1 DUTIES OF THE CONFIRMING AUTHORITY

- The Confirming Authority is responsible for evaluating and approving the recommendations of the Disposal Committee.
- If the confirming authority is not satisfied with the recommendation of the Disposal Committee for any other reason whatsoever, the documentation must be referred back to the Chairperson for necessary adjustments or reconsiderations.

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NB: The Confirming Authority may not re-delegate his/her functions as delegated by the Accounting Officer.

- Confirming Authority must see to it that the chairperson of the Disposal Committee have signed the Disposal Certificates before he/she approves the certificates.

9. COMMON REASONS FOR DISPOSING OF ASSETS.

- When assets are Redundant.
- When assets are Obsolete i.e. technologically or operationally inefficient
- When assets are unserviceable
- Surplus to current or foreseeable needs
- Part of an asset replacement program.
- When an asset is lost/stolen.
- When assets are transferred to another department/institution.

10. DEPRECIATION ON DISPOSAL

- Depreciation is not calculated for the month in which an asset is disposed.

11. PROCESS OF ASSET DISPOSAL

The typical disposal process comprise of the following:

ASSESS THE CONDITION OF ASSETS
DECIDE WHICH ASSETS ARE TO BE DISPOSED
ESTIMATE THE MARKET/ NET REALISABLE VALUE OF THE ASSET TO BE DISPOSED
FACTORS TO CONSIDER IN DISPOSAL
SELECT THE APPROPRIATE DISPOSAL METHOD
OBTAIN APPROVAL FOR THE DISPOSAL

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PROCESS
PREPARE FOR DISPOSAL
ESTABLISH CONDITIONS OF DISPOSAL
EFFECT THE DISPOSAL
RECORD THE DISPOSAL PROCEDINGS
EVALUATE THE DISPOSAL PROCESS

11.1

Assessment of Assets

Assessment of assets must be done before any disposal process takes place. The Disposal Section in the Supply Chain Management Unit shall be accountable for its decision to dispose of assets and shall document the decision to, and the reasons for, the disposing of movable assets.

Asset Management Officials are responsible for identifying assets to be disposed off. These assets can be identified during spot-checks, stocktaking and normal monitoring. Asset Inventory Holders can also identify assets to be disposed off. Once these assets have been identified by the Asset Inventory Holders or Asset Management Officials must be informed in writing in order to arrange for the Disposal Committee meeting to dispose of the identified assets.

A list of all assets eligible or awaiting disposal must be compiled by Asset Management Units and the prescribed form must be filled in before the Disposal meeting.

The list and the prescribed forms will be presented to the Disposal Committee for verification and validation during the disposal meeting.

11.2 Estimate Value of the Asset

Treasury Regulation 10.2 stipulates that the disposal of assets should be at

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market-related value (or auction or tender/bid in the case of movable assets) unless the relevant Treasury approves otherwise.

It is therefore necessary that a valuation be conducted on any asset prior to disposal to ensure compliance with the above Regulation, and to request Accounting Officer's approval should it not be deemed possible or advantageous to the state to dispose of the asset at market-related value.

11.3 Methods of disposal

Treasury Regulation Par 16A7.1 provides that the disposal of any movable assets should be at market related value or by way of price quotations, competitive bids or auction whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

Notwithstanding the provisions of [Par 16A7.1] of Treasury Regulations, the Accounting Officers may transfer movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

NB: It is important that the Municipality obtains the best possible return for the goods it sells, and the disposal must achieve best value for money. The decision to dispose assets should not only be made with the principle aim of generating funds but should also be aimed at improving service delivery.

11.3.1 Different methods to which assets can be disposed off:

- Transfer to another Institution, Entity or Department free of charge.
- Selling per price quotation, competitive bid or auction.
- Transfer to another Institution free of charge [Approval of the Accounting Officer is needed.]
- Sale by Tender/Auction
- Sales of items to staff.
- Donation to charities or community, Non Profit Organizations
- Writing Off the value of goods [recycling/scrapping or destruction]

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NB. Innovative disposal methods can be considered subject to compliance with relevant legislation and general Municipal procurement policies.

11.3.1.2 Disposal by means of selling per price quotation, competitive bid or auction or by means of an auction to all registered buyers.

The public Bid/Auction process will be conducted in line with the Municipal Supply Chain Management Policy taking all the relevant applicable prescripts of SCM into account i.e. PPPFA, BBBEE etc.

For assets with a value of less than R200 000, an advertisement inviting the public shall be placed in local boards and wherever possible. No advertisement shall be placed in local newspapers as this won't be cost effective.

For assets with a value of more than R200 000, an advertisement inviting the public shall be placed in local boards, website and local newspapers which are widely read in that specific area where the auction/sell by price quotation is to be held.

The closing date and time of the auction/sell by tender as well as the evaluation criteria to be used shall be clearly indicated in the advert.

All assets irrespective of the value shall be grouped together or individually in lots consisting of similar types of items or in manageable lots in order to afford prospective buyers to purchase one or more lots as they desire.

The lot number shall be clearly marked e.g. 'Lot Number'

Selling by means of price quotations.

Assets with a value of less than R2 000

- May be disposed of by inviting at least one quotation but not limited to.
- Shall be sold to the highest bidder.
- Items shall be grouped together or individually as a lot.
- The lot number shall be clearly marked e.g. 'Lot Number'
- Shall be sold in accordance with the conditions of sale.

Lukhanji Adopted Draft Budget 201415

Assets with a value exceeding R2 000 but not exceeding R30 000.

- May disposed of by inviting three quotations.
- Should it not be possible to obtain three quotations, the reasons shall be recorded and the quotations received recorded.
- Shall be sold to the highest bidder
- Shall be sold in accordance with the conditions of sale

Assets with a value exceeding R30 000 but not exceeding R200 000.

- May be disposed of by inviting three quotations.
- Should it not be possible to obtain three quotations, the reasons shall be recorded and the quotations received recorded.
- The goods shall be sold to the bidder who possesses valid tax clearance certificate.
- PPPFA and its Regulations, and other applicable prescripts will be applied.
- Shall be sold in accordance with the conditions of sale.

Selling by Public Auction

- Assets with a value lower than R200 000, the municipal officials shall conduct the auction.
- Assets with a value of more than R200 00, an auctioneer shall be appointed to conduct the auction.
- The acceptable bid will be indicated by the fall of the hammer of the person conducting the auction.
- Assets can be withdrawn during the auction if the desired prices are not achieved.

Lukhanji Adopted Draft Budget 201415

- For assets with a value of more than R30 000, PPPFA, and its Regulations and relevant applicable SCM Policy shall be applied and the goods will also be sold to the bidder who possesses valid tax clearance certificate.
- Goods shall be sold in accordance with the conditions of sale.

Competitive bids

- Competitive bids shall be invited for all disposal of assets with a value exceeding R200 000.
- The Supply Chain Management processes shall be followed in this regard.
- Shall be sold in accordance with the conditions of sale.

Conditions of Sale

The Municipality shall, at any time, have the right to stop the quotation process, or to withdraw a lot, or lots, or part of a lot, without providing reasons.

The highest bidder shall be the buyer and the principles of PPPFA shall be applied. Should any dispute arise between two or more bidders/offers or between the municipality and one or more buyers, the lot or lots shall be put up again and re-quoted or the municipality may reserve the right to determine the buyer.

The officer who attends the auction or selling process on behalf of the municipality shall have the right, if necessary, to stop the process or to withdraw any lot or lots if satisfactory prices are not obtained.

Payment will be accepted by the municipal cashiers by means of cash or bank guaranteed cheques made out to the Lukhanji Local Municipality only, marked as non-transferrable within a day after the conclusion of the sale, and no exceptions will be allowed.

Lukhanji Adopted Draft Budget 201415

The municipality reserves the right to demand payment from a buyer once the offer has been accepted.

Goods are sold "VOETSTOOTS" and no claims will be considered by the municipality by virtue of incorrect description, quantity, inferior quality, condition, or any other ground whatsoever. No guarantees, warranties or any undertaking will be given by the municipality in this regard. Prospective buyers are therefore advised to inspect the lots or goods before an offer is made.

As soon as an offer has been accepted and the buyer has been informed, ownership and risk shall pass to the buyer and no complaints will be considered thereafter.

Receipts shall only be issued to buyers after all monies have been paid or cheques been cleared by the banks. Only after this procedure the goods may be removed by the buyers. If a buyer fails to pay for goods bought by him, these items remain the property of the Lukhanji Local Municipality and shall be sold at the next occasion.

The release of any goods purchased will only be given by the Municipality Representative upon submission of the Municipality's sale receipt, in duplicate. The duplicate delivery note signed by the buyer or his representative, will be retained by the Municipality as proof of delivery.

All goods must be removed by the buyer in Total before / within seven working days of the date of the sale at his/her own risk and cost. If for a reason acceptable to the municipality he/she cannot remove the goods within the prescribed time, seven working days, extension must be sought from the Lukhanji Local Municipality.

If the buyer fails to take possession of the goods within the time specified herein, the municipality has the right to, without further communication, confiscate and dispose of the goods as it may seem fit, without any reimbursement to the buyer.

Lukhanji Adopted Draft Budget 201415

The buyers may attend either personally or be represented to supervise the loading of their lot or lots, but it must be distinctly understood that no complaints will be entertained after each lot has been knocked down.

The municipality is under no obligation to provide assistance with the loading or removal of the goods purchased.

Buyers, their representatives, workmen, vehicles and equipment, will be allowed on the municipal premises at their own risk only and the municipality assumes no responsibility for their safety or for the safety of their property.

11.3.1.4 Disposal by means of donation

The municipality may also consider donating assets to communities, charity organizations or nongovernmental organization when such organizations approach the municipality with request for redundant furniture, equipment etc

It is important to ensure that if such a method is decided upon; all organizations should be treated equitably without any form of preference.

A check shall be made to ensure that the community group/charity organisation etc is not a disguised business operation.

A check shall be made to ensure that the community group or charity organization is not a profit and that the intended use of the asset is non-commercial and non-profit.

It will be the responsibility of the charitable organization to remove assets donated from the municipality premises at no cost to the municipality.

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All assets donated to the community or charitable organization must be removed in total within a week of the assets being donated. If for a reason acceptable to the municipality, the assets cannot be removed; further extension must be sought from the Lukhanji Local Municipality.

If the community or, charitable organization or NGO fails to take possession of the goods within the time specified herein, the Municipality has the right to, without further communication, confiscate and dispose of the goods as it may seem fit.

The Municipality is under no obligation to provide assistance with the loading or removal of the goods donated.

The representatives and workmen of the community, charitable organization or NGO, their vehicles and equipment, will be allowed on the Municipality premises at their own risk only and the Municipality assumes no responsibility for their safety or for the safety of their property.

Goods will be donated as "VOETSTOOTS" and no claims will be considered by the Municipality by virtue of incorrect description, quantity, inferior quality, condition, or any other ground whatsoever. No guarantees will be given in this regard.

11.3.1.5 Disposal by means of Writing-Offs, Scrapping or Destruction

The value of an asset may be written off and the asset recycled, scrapped or destroyed if it is deemed:

- To have no value
 - To be unserviceable or beyond economic repair
 - That the disposal cost is higher than the likely return.
 - Assets stolen or lost.
- Where a movable asset is reflected in the asset register but

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the item is physically missing due to a loss or theft, this shall be reported to the Loss Control Officer.

- The Loss Control Officer/Asset Management Office or End -User shall report all thefts to the South African Police Service in an attempt to recover such assets.
- The Loss Control Officer/Asset Management Office shall record the lost/stolen asset in the Loss Control Register together with the SAPS case number, where applicable.
- The Loss Control Officer/Asset Management Office must submit a report recommending the write off of the asset concerned to the Disposal Committee for consideration. The Disposal Committee shall recommend the write off of the asset to the Accounting Officer or his/her delegate for approval, both in the Asset Register and the accounting records.
- The details of the assets so written off shall be reported in writing to the Snr Manager: Logistic, Records and Asset Management together with the cost and net book value of those assets.
- If those assets lost or stolen were insured the insurance company shall be notified and that asset removed from the schedule of items insured.

When assets are written off, the carrying value amount or book value of the assets will be removed from the Asset Register.

12. PREPARING GOODS FOR DISPOSAL

- The Municipality should check that goods to be disposed off do not contain material that is not intended for disposal. Neglecting to check may result in legal Liability and embarrassment to the municipality.

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Examples of materials that should be removed before disposal include;

- Confidential documents
- Stationery-particularly printed & could be misused.
- Software-unauthorized transfer could breach licence agreements.
- Classified information contained in hard or floppy disks etc
- Environmentally sensitive or hazardous store and Municipality Logos etc from clothing and equipment.
- Records, Files papers or whiteboards containing information which, if disclosed, could breach privacy, and or cause embarrassment or problems for the disposing municipality.

13. UPDATING THE ASSET REGISTER

- The Asset Register should be updated accordingly after every disposal process.
- All assets should be marked as recommended and confirmed/approved by the Confirming Authority in the Asset Register e.g. transfer/auctioned/scrapped/sold etc.
- Disposed Assets should be clearly identified in the Asset Register.
- In the Asset Register the cost price must be shown.
- When an asset is transferred between entities, the asset should be removed from transferring entity's asset register and recorded in the accepting entity's asset register.

14. THE ACCOUNTING TREATMENT AFTER DISPOSAL OF ASSETS

The following seeks to address the accounting treatment after disposal of a movable asset:

14.1 Assets no longer in use

- A movable asset shall be written down to a value of one (1) rand if the asset is permanently withdrawn from use and no future economic benefits or service potential is expected from it.

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- The asset shall remain at the value of one rand until the asset is disposal through one of the reasons identified.

14.2 Assets beyond economical repair

- Necessary maintenance to keep the asset in good working condition, which is significant (or 'major') and which is not carried out when required, may reduce the useful life of the asset, lower its disposal value at the end of its life, and or impair its functionality and reduce its output on a long term or permanent basis.
- Under these circumstances, on review of such assets where the indication is that the carrying amount is permanently affected, an impairment loss needs to be recognised.
- An impairment loss is the amount by which the carrying amount of an asset exceeds the total economic benefits or service potential that the municipality expects to recover from the continued use and ultimate disposal of the asset.

14.3 Asset Transfers between Municipality and Entities

- If an asset is transferred to another department that asset will be removed from the records of the municipality at the carrying value.
- Both the cost and accumulated depreciation shall be reversed out of the Asset Register.
- Where the asset is transferred at 'no value' or 'donated' to the receiving municipality, this treatment does not differ.
- If an asset is transferred to a Public Entity that asset will be removed from the records at the carrying value. Both the cost and accumulated depreciation shall be reversed out of the Asset Register.

14.4 Asset Disposal

- Not all assets are retained throughout their life and when they are

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sold or disposed of, gains or losses are inevitable. Gains or losses arising from the retirement or disposal of an asset should be determined as the difference between the estimated net disposal proceeds and the carrying amount (net book value) of the asset given up.

- For the purposes of disclosure in the financial statements, the gain or loss should be included in the statement of financial performance as an item of revenue or expense, as appropriate. If gains or losses on disposal of assets are significant enough, they shall be separately identified.
- The disposal of the asset will require the removal of the carrying amount or book value of the asset, which is the net result of two accounts, namely the Cost and Accumulated Depreciation accounts.
- The revenue arising from the disposal of assets must be surrendered to the relevant Revenue Fund.
- A loss on disposal of a movable asset is recorded as expenditure for the fiscal year as it represents insufficient depreciation over the useful life of the asset or an over estimation of residual value of the asset

14.5 Assets Written Off

- The disposal of the asset will require the removal of the carrying amount or book value of the asset in the asset register.
- For the purposes of disclosure in the financial statements, the loss should be included in the statement of financial performance as an expense. If the losses are significant enough, they shall be separately identified.

15. CONFLICT OF INTEREST

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- Staff involved in disposal need to understand their responsibilities to disclose actual or perceived conflict of interest that may arise in the performance of their duties.
- In situation of conflict of such interest such an Official [s] should rescue himself/herself from the proceedings.

16. POST DISPOSAL REVIEW

It is imperative to ensure that the disposal of the municipality assets is not an end in itself.

Reviewal processes should therefore be undertaken to establish or identify causes where assets are routinely not meeting the service life expectations or their estimated proceeds on disposal and also to establish whether the disposal process has resulted in the desired effects.

This review should also establish whether disposal process did not affect service delivery.

17. COMPLIANCE WITH MFMA

All transactions relating to disposal of moveable assets shall comply with MFMA.

18. MONITORING AND EVALUATION

The Office of the Chief Financial Officer shall evaluate the report of the Disposal Committee, which shall be prepared after each disposal. This report's recommendations shall be assessed and implemented where deemed in the best interests of the municipality. This shall take place no later than three months from the submission of the report by the Disposal Committee.

19. POLICY REVIEW

Lukhanji Adopted Draft Budget 201415

This policy shall be assessed every two (2) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organisational changes required by law and regulations.

Appendix A

Assets applicable to this Policy

1) Furniture and fittings shall include but are not limited to:

- a) Desks
- b) Tables
- c) Chairs
- d) Cupboards
- e) Filing Cabinets

Where furniture forms part of a set or suite of furniture, this shall be sold as a set or suite. Should the municipality be unable to dispose of the furniture as a set or suite, it may then dispose of the items individually.

2) Information Technology (IT) equipment shall include but is not limited to:

- a) Desktop computers
- b) Notebooks
- c) Laptops
- d) Computer monitors
- e) Computer spares
- f) Hard drives
- g) Mouse
- h) Keyboards
- i) Computer speakers

3) Office equipment and kitchen appliances shall include but are not limited to:

- a) Facsimile machines

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- b) Fridges
- c) Microwaves
- d) Video recorders
- e) Television sets
- f) DSTV/MNET Decoders
- g) Shredders
- h) Air Conditioners
- i) Kettles
- j) Urns
- k) Coffee Machines
- l) Toasters
- m) DVD/CD Players
- n) DVD/CD Recorders
- o) Dictaphones
- p) Pinter

Lukhanji Adopted Draft Budget 201415

Preparations, Recommendation and approval of policy

Prepared By: Asset Management Officer

DATE:

Comments:.....

.....

.....

Recommended / Not Recommended

MANAGER: SUPPLY CHAIN MANAGEMENT UNIT

DATE:

Comments:.....

.....

.....

Recommended / Not Recommended

CHIEF FINANCIAL OFFICER

DATE:

Lukhanji Adopted Draft Budget 201415

Comments:.....

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Approved / Not Approved

ACCOUNTING OFFICER

DATE:

LUKHANJI LOCAL MUNICIPALITY



LULHANJI LOCAL MUNICIPALITY

FIXED ASSET POLICY AND PROCEDURES

JUNE 2012

**SUPPLY CHAIN MANAGEMENT
UNIT**

Table of contents

1. POLICY	204
2. OBJECTIVE OF THE ASSET MANAGEMENT POLICY AND PROCEDURES	205
3. REGULATORY FRAMEWORKS	8
4. ROLES OF DEPARTMENTAL OFFICIALS	208
4.1 Chief Financial Officer	208
4.2 Asset Manager.....	208
4.3 All Directorates.....	208
4.4 Human Resource Directorate	210
5. DEFINITION OF AN ASSET	211
5.1 Tangible Capital Assets	211
5.2 Intangible capital Assets	211
5.3 Leased Assets:	212
5.4 Transferred Assets.....	212
5.5 Donated Assets	212
5.6 Heritage Assets	212
5.7 Biological Assets.....	213
5.8 Useful life of an Asset.....	17
6. FIXED ASSET REGISTER.....	214

Lukhanji Adopted Draft Budget 201415

6.1	Format of the Asset Register	214
6.2	CLASSIFICATION OF ASSETS	215
6.2.1	Land and Buildings	215
6.2.2	Infrastructure Assets.....	215
6.2.3	Plant and Machinery	216
6.2.4	Motor Vehicles	216
6.2.5	Computer Equipment and Software	216
6.2.6	Furniture and Equipment	216
7.	ACQUISITION OF ASSETS	217
7.1	Planning Process For Asset Acquisition.....	217
7.2	Acquisitions	218 <u>3</u>
7.3	Operation and Maintenance Phase	219
7.4	Disposal Phase	219
7.5	Accounting and Reporting	219
7.6	Documentation	220
8.	ACQUISITION OF IT RELATED EQUIPMENT	221
9.	BARCODING/MARKING OF ASSETS	222
10.	SAFEGUARDING OF ASSETS	223
11.	VERIFICATION OF ASSETS.....	224
12.	MOVEMENT OF ASSETS	<u>31</u>
13.	LOSS AND MISUSE OF ASSETS	226

Lukhanji Adopted Draft Budget 201415

14.	CAPITALISATION CRITERIA	227
15.	MAINTENANCE OF FIXED ASSETS	228
16.	DEPRECIATION OF FIXED ASSETS	229
17.	ASSET IMPAIRMENT.....	231
19.	ASSET RECONCILIATIONS.....	232
20.	DISPOSAL OF FIXED ASSETS	233
21.	INSURANCE OF FIXED ASSETS	234
22.	POLICY REVIEW	235
23.	APPENDIX	ERROR! BOOKMARK NOT DEFINED.
23.1	Annexure A : Fixed Asset Useful Lives	236 <u>6</u>
23.2	Annexure B : Assets Transfer Form	236 <u>9</u>
23.3	Annexure C : Asset Acquisition/Addition Form	236 <u>50</u>
23.4	Annexure D : Asset Disposal Form.....	<u>51</u>
23.4	Annexure E : Asset Eremoval Form	<u>52</u>
23.4	Annexure F : Asset Acceptance Form	<u>53</u>
24.	PREPARATIONS, RECOMMENDATION AND APPROVAL OF POLICY	198 <u>4</u>

Lukhanji Adopted Draft Budget 201415

1. Policy

- a. This policy is intended to define and provide a framework for the Asset Management of the Lukhanji Local Municipality within the guiding principles of the Municipal Finance Management Act (MFMA), Treasury Regulations, National Treasury Guidelines, Practice Notes, Generally Recognised Accounting Practices (GRAP), Asset Management Framework, Accounting Standards and to promote good financial management practices relating to Fixed Assets
- b. In order to produce a comprehensive and complete Fixed Asset Register that is compliant to the National Treasury guidelines on Fixed Assets Registers and promotes good financial management practices. Asset Identification System shall be operated in conjunction with its computerised Asset Register.
- c. The policy is issued in terms of Section 63 (1) (a) and (2) (a) of the MFMA (Act No.56 of 2003).

Lukhanji Adopted Draft Budget 201415

2. Objective of the Asset management policy and procedures

The objective of the asset management policy is to prescribe the accounting and administrative policies relating to property, plant and equipment of the Lukhanji Local Municipality. It is also to enable the department to meet its service delivery objectives economically, effectively and efficiently by achieving the best match of assets with service delivery objectives

The objectives include the following:

- To safeguard the assets of the Lukhanji Local Municipality and to ensure the effective use of the existing resources.
- To emphasize a culture of accountability over the Lukhanji Local Municipality's assets.
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation.
- To provide a formal set of procedures that can be implemented to ensure that the asset management of the Lukhanji Local Municipality is in compliance with the Municipal Finance Management Act (MFMA) and other relevant legislation
- To ensure and facilitate efficient asset management of Lukhanji Local Municipality's Fixed assets
- To establish controls that will ensure proper management of risks.
- To ensure compliance with the Accounting policies of the Lukhanji Local Municipality and the MFMA
- To ensure that full records of the financial affairs of the Assets of the Municipality are kept with any prescribed norms and standards.
- The optimal usage of all assets

Lukhanji Adopted Draft Budget 201415

3. REGULATORY REQUIREMENTS

Lukhanji Local Municipality is required to comply with the MFMA, MSA, and circulars, memorandum and guidelines (practice notes) issued by National Treasury.

The MFMA Circular No. 18 prescribes the following minimum standards to be complied with by high capacity municipalities.

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash Flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors
- GAMAP 4: The effects of changes in the foreign exchange rates
- GAMAP 6: Consolidated financial statements and accounting for controlled entities
- GAMAP 7: Accounting for investments in associates
- GAMAP 8: Financial reporting of interests in joint ventures
- GAMAP 9: Revenue
- GAMAP 12: Inventories
- GAMAP 17: Property, Plant and Equipment
- GAMAP 19: Provisions, contingent liabilities and contingent assets

GRAP 1, GRAP 3, GAMAP 12, GAMAP 17 and GAMAP 19 relate directly to the Asset Management Policy.

National Treasury issued "Additional guidance to facilitate the finalisation of the MFMA audit process for the year ending 30 June 2006" on 4 October 2006. The guidance is summarised as follows:

- The 2005/2006 financial statements should be prepared in compliance with the standards mentioned above (MFMA Circular No. 18).
- "Additional Standards of GRAP have not been prescribed by the Minister of Finance, despite the Accounting Standards Board (ASB) having approved such standards, and 'early' application of these standards by public sector entities is not encouraged."

Lukhanji Adopted Draft Budget 201415

- In addition to the effective Standards of GRAP and GAMAP, municipalities may only seek guidance in determining the appropriate accounting policies and disclosures from SA GAAP where material transactions, balances and/or events fall outside the scope of the effective Standards of GRAP and GAMAP (e.g. Biological Assets/Investment Property).

At the time of drafting the Asset Management Policy, GRAP 17 (PPE) has been approved by the ASB but has not been prescribed by the Minister of Finance and therefore, based on the above, early adoption is not appropriate. The policy has therefore been prepared based on the requirements of GAMAP 17.

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4. Roles of municipal officials

4.1 Chief Financial Officer

The Chief Financial Officer shall ensure that a complete, accurate and up to- date computerized asset register is maintained.

4.2 Asset MANAGEMENT Manager

The Asset Management Manager shall:-

- ensure that an accurate Asset Register is maintained, verified and balanced monthly/ regularly
- ensure that assets are physically verified quarterly and at least annually
- ensure that the asset verification report shall:
 - Reflect a complete list of all assets found during the verification
 - Reflect whether appropriate records have been maintained reflecting what assets should have been found during verification
 - Reflect the comprising process between the Asset Register and the verification lists and indicate any discrepancies found between the assets found during verification and the recorded assets in the Asset Register
 - Reasons for variances should be established, recorded and investigated and corrective measure should then be taken.
 - Compilation of redundant /unserviceable, and obsolete assets/tems.
 - Reflect the damaged, lost assets identified during the verification process and reconcile against the Loss Control Register
- Shall ensure acquired assets are received in good order, bar -coded, captured in the Asset Register and allocated to the users
- Shall ensure that the Asset Register is reconciled monthly with the eVenus Financial System , counter checked and signed off by Asset Management Manager and SCM Manager before submission to the and reviewed by the Senior Manager/Chief Financial Officer
- Shall ensure acquired assets are clearly marked / bar -coded in the Asset Register

4.3 RESPONSIBILITY OF All Directorates

All Directorates shall:

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- Ensure that employees adhere to the approved Asset Management Policies and Procedures
- Ensure that employees take full responsibility and accountability of all assets allocated and signed for by them.
- Ensure that assets are properly maintained in accordance with their respective Asset Maintenance Practise Notes.
- Ensure that assets and/or inventory items of the department are kept within and are not used for private gain
- Be accountable and responsible for all assets in their Jurisdiction
- Ensure that the Asset Management Office is notified of any changes to the condition of the assets under its control before changes for improvement can take place
- Ensure that Asset Movement or Transfer Forms are completed and approved before the asset is moved or transferred.
- Ensure that all obsolete, unused and redundant assets are reported to the Asset Management Office,
- Lost, damaged or broken assets are to be reported to the Loss Control Officer/ Asset Management office.
- Ensure that the correct budget allocations are being used before authorizing any requisitions.
- Directorates to identify officials to be appointed as Asset Controllers to report on Asset Management activities the condition of assets allocated, daily to ensure that:-
 - ✓ Employees in their Directorates adhere to the approved Asset Management Policies and Procedures
 - ✓ Assets are properly maintained in accordance with their respective asset maintenance policy
 - ✓ Ensure that assets and/or inventory items of the department are not used for private gain
 - ✓ Be accountable and responsible for all assets allocated to his/her Directorate
 - ✓ The Supply Chain Management Unit/Asset Management Office is notified of any changes in the status of the assets under the directorate's control before changes take place
 - ✓ Asset movement forms are filled in whenever the assets/furniture are moved from one location to another

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- ✓ All obsolete and broken inventory and asset items are reported to the asset managers without delay
- ✓ The correct cost allocations are being used before authorizing any requisitions.
- ✓ Each Directorate appoint asset controllers to report to the Supply Chain Management Unit regarding the condition of assets allocated to them every quarter.

4.4 *RESPONSIBILITY OF THE Human Resource Directorate*

- Shall ensure that every Liability or **Debt Route Form** is counter signed by the Asset Management Office/ Loss Control Officer before processing the termination of service or transfer.
- Shall ensure that no monies are paid out on terminations of service without receiving the relevant Debt Route Form signed off by the relevant directorate
- Shall ensure that every Debt Route Form is counter signed by the Supply Chain Management Unit (Asset Management Office) before processing the termination of service.
- The Human Resource Directorate shall obtain a register from Supply Chain Management Directorate of all personnel who were in possession of personal assets for use e.g. Cellular phone, Laptop, Digital Camera, Portable printer and Data projector etc.

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5. definition of an asset

An asset is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity over a period extending beyond one financial year

5.1 Tangible Capital Assets

Tangible capital assets are non-monetary assets having physical substance that :

- a. Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;
- b. Have useful economic lives extending beyond an accounting period(financial year);
- c. Are used on a continuing basis; and
- d. Are not for resale in the ordinary course of operations

Tangible assets are split between :

i. Movable Assets

Movable assets are further classified as :

- Major assets where the assets has a cost of R5 000.00 or more
- Minor assets where the assets has a cost of less than R5 000.00

ii. Immovable assets

- Immovable assets are always major assets. All immovable assets owned by the department must be accounted for by the department. Ownership implies that the department has legal title either by way of an acquisition or transfer of ownership through the GIAMA processes.

5.2 Intangible capital Assets

Intangible capital assets are identifiable non-monetary assets without physical substance, eg software, patents and copyrights, databases, licencing agreements airport landing rights, Import/export licences

Intangible assets are either purchased or created by the department. Before and item can be recognised as an intangible asset, the all the following characteristics must be responded to positively present:-

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- i. Does the department control the item and can the department expect to derive future economic benefits or service potential from its use?
- ii. Does it lack physical substance?
- iii. Is the item identifiable?
- iv. Is the item non-monetary?

5.3 Leased Assets:

An asset held under an operational lease, if it meets the criteria of a fixed Tangible asset, shall be so recognised, as the department has control over such an asset even though the Lukhanji Local Municipality does not own the asset.

5.4 Assets Transferred From Another Department Assets

An asset that is transferred from another department is deemed to be controlled by the receiving department to which it is transferred and should be recorded at fair value.

5.5 Donated Assets

An asset that is donated, given or bequeathed to the department is deemed to be controlled by that the receiving department unless any restrictions exist that prevents the department having control of it and should be recorded at fair value.

5.6 Heritage Assets

An asset is classified as a "heritage asset" because of its cultural, environmental or historical significance.

Characteristics of heritage assets, include the following ;

- a. Their value in cultural, environmental and historical terms is unlikely to be fully reflected in a financial value based purely on a market price
- b. Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale
- c. They are often irreplaceable and their value may increase over time even if their physical condition deteriorates, and
- d. It may be difficult to estimate their useful lives, which in some cases could be several hundred years

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5.7 Biological Assets

Biological assets are living animals and plants.

5.8 USEFUL LIFE OF AN ASSET

The period over which it is expected that an asset will be used by the department before it becomes uneconomical to sustain.

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6. Fixed Asset register

An Asset Register (AR) is a database consisting of all assets of the department and it provides the details of the Fixed all Asset figures disclosed in the annual financial statements. It stores information on each asset and all assets owned and controlled by the entity. All assets must be recorded in the AR at cost, regardless of the funding source.

All scrapped assets and assets disposed off must be removed from the AR.

An adequate asset register is integral to effective asset management. It is the basis of an asset management information system and should contain relevant data beyond that required for financial reporting.

6.1 Format of the Asset Register

The AR shall be maintained in the format determined by the Accounting Officer, which format shall comply with the requirements of Generally Recognized Accounting Practice (GRAP) and asset management guideline issued by National Treasury

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the AR shall reflect at least the following minimum requirements from National Treasury information:

- Acquisition (Dates, Suppliers, Payment Reference, Order Number, cost price)
- Accounting (Valuation Amount, Depreciation, Carrying Value)
- Identification (Asset category, Model, Description, Serial no, Barcode)
- Accountability Information (Directorate, Location, End-user/contact person, Room No)
- Performance (Condition, Warranty/Guarantee, Useful Life)
- Disposal (Dates, Amounts, Profit/Loss, Method of disposal, Remarks)
- Transfers (Transfer In, Transfer Out)
- the date on which the asset was acquired or brought into use
- a brief but meaningful description of each asset
- Supplier from which the asset has been acquired
- the location of the asset
- the directorates within which the assets will be used
- where applicable, the serial number and registration number of the asset

Lukhanji Adopted Draft Budget 201415

- Condition of an asset
- the original cost, or the re valued amount or a reasonable value if no costs are available or at R1 where no value can be obtained
- accumulated depreciation to date
- the carrying value of the asset
- the method and rate of depreciation

6.2 CLASSIFICATION OF ASSETS

Assets are recorded according to a particular classification in the asset register. Assets vary considerably in their size and nature, and it is useful to classify them into groupings for management control and financial treatment.

Management control would refer to land and buildings, furniture and fittings etc.

Financial treatment refers to classifying assets as either capital or current assets.

It is very important to classify and group all capital assets to ensure control, efficiency and adherence to management and reporting policies.

In compliance with the requirements of GRAP, the Accounting Officer shall ensure that all assets are classified under the following headings:

6.2.1 Land and Buildings

Land & Buildings are major tangible assets that are essential to the delivery of services. They are a long term commitment that places significant ongoing demands on financial resources well into the future.

6.2.2 Infrastructure Assets

Infrastructure assets are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

Infrastructure can be considered as a single asset or more usefully as a collection of different assets. Each individual asset shall be measured at its own cost and own lifespan, which will influence the depreciation of such an asset

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6.2.3 Plant and Machinery

Plant and Machinery are tangible assets that are held by an organization for use in the production or supply of goods and services, for rental to others or for administrative purposes and are expected to be in use for more than one year.

6.2.4 Motor Vehicles

Motor Vehicles consists of all motorized transport used for the conveyance of people and objects, Provincial vehicles are classified into two categories :-

- Yellow Fleet

The Yellow Fleet is for the construction of roads for the Provincial Government. The Yellow fleet forms part of the AR.

- Subsidized Vehicles

Subsidized vehicles also do not form part of the department's AR.

6.2.5 Computer Equipment and Software

Computer Equipment assets are computers and any other computer related equipment. Software is a program that enables the computer to perform certain functions.

6.2.6 Furniture and Equipment

Furniture comprises of desks, chairs, tables, filing cabinets etc.

Equipment comprises of fax machines, photocopiers, binding machines etc.

All the above are used for administrative purposes.

NB: It is recommended as a guideline that all assets under R5000.00 are classified, recorded and reported as minor assets purchased and should be written off/depreciated in the fiscal year of acquisition and in the following year will be recorded as R1.

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7. acquisition of assets

The acquisition of Assets must adhere to the Supply Chain Management Procedure Manual and Delegations of the Municipality. This Acquisition Process should include the following:

- PLANNING PROCESS FOR ASSET ACQUISITION
- ACQUISITIONS
- OPERATION AND MAINTENANCE PHASE

7.1 Planning Process For Asset Acquisition

- Managers must align activities in the Strategic Plan and the budgetary allocations with the asset requirements of the Directorate/office and develop an Asset Acquisition Plan. The Asset Acquisition Plan must be informed by the future service or economic benefits to be derived directly or indirectly from the asset in support of service delivery.
- A cost-benefit analysis must be conducted when determining whether a major asset should be leased, purchased, transferred from another entity or obtained through a Public Private Partnership (PPP).
- The various strategies for the acquisition of assets must comply with the Supply Chain Management Policy.
- The Asset Acquisition Plan must detail all assets that will be purchased and/or leased in a particular financial year with expenditure projections for each month of that year.
- The relevant Program Manager is required to approve the Asset Acquisition prior to the commencement of any purchases of assets.

Planning Phase Considerations

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- Identifying the need for Assets based on service delivery
- Identifying and evaluating options including non asset solutions to service delivery based on total cost of ownership over the useful life of the Asset
- Considering the useful life of an asset based on history and experience with similar assets, and
- Consolidating information about the financial impact on the budget process

7.2 *Acquisitions*

- The acquisition must adhere to the Supply Chain Management Policy and delegation of authority of the Municipality.
(Acquisition procedure, forms, authorities etc to be detailed)
- The descriptions utilised for the asset that is being acquired must be consistent with the Standardized Asset Descriptions Lists of the Municipality.
- Asset descriptions can only be utilised after approval by the Chief Financial Officer.
- The receiving official (SCMU/Asset Management Office) must verify quality, quantity and price of the asset before signing delivery note.
- All acquisitions must be recorded in the Asset Register by the responsible officer.
- The Asset Register must be reviewed and signed by the Chief Financial Officer.(frequency, quarterly, annually).
- The reconciliation of the orders placed against orders received, eVenus Financial System report and physical verification must be performed monthly.

Acquisition Phase Considerations:

- Intervals for updating of Acquisition Plan
- Authorization of the Procurement of an Asset
- Receipting of an asset as well as the allocation to a User

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- The marking and bar coding of an asset and update of AR, and
- Replacement schedule for existing Assets (Informed by Disposal process) To go to procedure Manual

7.3 Operation and Maintenance Phase

- Intervals for updating of the operation and maintenance plan.
- Maintenance selection per category of Asset, preventative/ corrective
- Identifying method of maintenance, in house or outsource
- Standards for operation
- Condition monitoring and performance measures
- Safeguard of Assets per Category
- Physical verification intervals
- Authorization for maintenance and monitoring of movement of Asset being maintained
- Authorization for and physical transfer of assets between divisions and users and update of Asset Register
- Identification of obsolete/absolute or surplus assets
- Identification of theft and losses and treatment , and
- Update of AR for adjustments.

7.4 Disposal Phase

- Intervals for updating of the Disposal Plan
- Disposal options and evaluation for different categories
- Authorization for disposals
- Process of actual disposal, and
- Updating of AR
- Reference to Disposal Policy

7.5 Accounting and Reporting

- Frequency of reconciliation of AR with financial reports
- Updating Asset Register and or financial reports with errors identifying during the reconciling process
- Clearance of reconciling items, and:

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- Reporting in the Annual Financial Statement

7.6 *Documentation*

- Standard documentation to be used
- Identify minimum information required on documentation
- Safeguarding of documentation and,
- Archiving of documentation

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8. Acquisition of IT related equipment

Methods of purchasing are of particular importance in the case of computer equipment and software. The pace at which technology is changing results in an almost continuous need to upgrade and replace computer equipment and software in order to keep up to date. All IT related items are purchased via procurement agency (SITA) procedures in terms of Section 7(3) of the SITA Amendment Act.

- The user requesting the IT equipment should forward a request for acquisition on a memorandum detailing the nature of the request from the relevant program manager.
- On receipt of the computer equipment and the software, the purchase requisition must be compared to the supplier invoice /delivery note and signed by the SCMU and IT official as proof of inspection to ensure that the description and value of the goods ordered are correct. A date on which the asset was acquired or brought into use
- A brief but meaningful description of each asset
- Supplier from which the asset has been acquired
- The location of the asset
- The directorates within which the assets will be used
- Where applicable, the serial number of the asset
- Condition of an asset
- The original cost, or the re valued amount or a reasonable value if no costs are available
- Accumulated depreciation to date
- The carrying value of the asset
- The method and rate of depreciation

The Asset Register must be reconciled and updated monthly

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9. Barcoding/marketing of assets

Newly acquired assets must be bar-coded/ marked on the date of delivery or within 2 working days of receipt of the asset by the Asset Management Office.

All bar-coded/ marked assets and locations must be recorded in the asset register.

No assets must at any stage be found standing in the transit area or in the passages.

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10. safeguarding of assets

- The Accounting Officer should ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage, and misuse. To be managed effectively, assets must be protected against theft or fraudulent use and other hazards such as fire. Assets must therefore be adequately protected to minimize financial loss to the municipality.
- Every head of directorate shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the directorate in question.
- In exercising this responsibility, every head of directorate shall adhere to the asset management policies and procedures with regard to the control of or safekeeping of the municipality's fixed assets.
- The responsibility for the safeguarding of assets vests with each official to whom assets have been allocated. Items not in use are to be stored in a central location with a designated official given responsibility for its security.
- All assets used by employees shall be returned upon termination of employment, the day the employee leaves the municipality.

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11. verification Stocktaking of assets

All assets shall be physically verified and confirmed at least once annually month/ (or quarterly). Any variances identified after the physical verification of assets must be followed up and communicated to the Asset Manager, responsible Officer and Head of the Supply Chain Management Unit

The Asset manager must approve all corrective measures that will address the identified variances.

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12. movement of assets

- No asset will be transferred or moved without the proper approval by the delegated officials. Asset Manager
- An Asset transfer or movement form (ANNEXURE B or D) must be completed and be forwarded to the Asset Section for updating the Asset Register before the movement.
- The Supply Chain Management (Asset Management) must keep and control of all the movement forms and soft copies of these.

Asset Transfer/Movement :

- No asset will be transferred or moved without the proper approval by the delegated officials.
- An Asset transfer or movement form must be completed and be forwarded to the Asset Section for updating the Fixed Asset Register before the movement.

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13. loss and misuse of assets

All losses, damages and misuse of assets should be reported to Loss Control Management and Asset Management Office.

- The safeguarding of assets is the responsibility of the individual in custody of that asset
- Should a loss or damage to the asset occur, such incident loss or damage should be reported to the police within 24 hours of discovery.
- A written detailed report should then be submitted to the Loss Control Officer and as well as disposal committee together with the police case number.
- All cases of loss, damage or theft should be properly investigated by obtaining all particulars and statements relating to such loss.
- Should it be established that the loss or damage occurred as a result of negligence or misuse by an individual responsible for that asset, the cost of replacing the asset should be recovered from that official. If the asset was insured, the individual should be liable for the payment of excess resulting from the claim of that asset.

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14. capitalisation criteria

All assets with a value of R5000.00 or less will be classified as minor assets and will be bar coded/ marked and be classified as current expenditure depreciated in full in the year of acquisition. As some of these assets could be classified as highly desirable assets, it is necessary that all minor assets are classified, recorded and reported as minor assets.

All assets with a value of more than R5000 shall be purchased against the capital budget and be recorded in the major asset register.

Only expenses incurred in the enhancement/ upgrading of an asset or in the material extension of the useful operating life of an asset shall be capitalized.

Expenses incurred in the maintenance or reinstatement of an asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned. Expenses which are reasonably ancillary to the bringing into operation of an asset may be capitalized as part of such an asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, and installation, assembly and communication costs.

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

Capital Expenditure	Maintenance
<ul style="list-style-type: none">• Acquiring a new asset• Replacing an existing asset• Enhancing an existing asset so that its use is expanded• Further developing an existing asset so that its original useful life is extended	<ul style="list-style-type: none">• Restoring an asset so that it can continue to be used for its intended purpose• Maintaining an asset so that it can be used for the period for which it was initially intended.

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15. maintenance of fixed assets

All government assets shall be serviced and maintained in accordance with the policy and specifications prescribed by the manufactures concerned to ensure effective utilisation.

The objective of operational and maintenance plan is to endure assets remain appropriate to Directorate requirements, are effectively utilized, maintained in the necessary conditions to support program delivery at the lowest possible long term cost.

Managers as well as Asset managers are responsible for physical condition, use, functionality and financial performance of the assets they consume in delivering programs such as

- Setting the required condition of the asset relative to its service delivery.
- Inspecting the asset in comparing its condition with the requirements
- Forecasting the future condition of the asset

Immovable assets are evaluated every five years subject to the feasibility thereof.

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16. depreciation of fixed assets

Depreciation may be defined as the monetary quantification of the extent to which an asset is used or consumed in the provision of economic benefits or the delivery of services. The actual implementation of depreciation is subject to the procurement to be made by Provincial and National Treasury as a move towards the accrual system. Until such time assets are recorded at cost and not depreciated. Where the cost of the asset is unknown, a R1 (one rand) value is made as per the Provincial and National Treasury guidelines. All assets are initially recorded at cost in the appropriate asset register (minor or major). "Cost", for the purpose of initial recognition, refers to:

- the original invoice price; or
- a fair value equivalent; or
- R1.

A straight line method of depreciation must be applied to the various categories of assets held by the Municipality. This is where a percentage is applied to the cost or fair value of the asset and the value of the calculation is the depreciation of the asset for that year. All current assets (under R5000.00) are depreciated in full in that financial year and those above R5000.00 will follow the normal depreciation rate should be used to allocate the depreciable amount of an asset over its useful life.

e.g Annual Depreciation = Cost Price/Useful Life refer to Annexure A

For items purchased during the year the number of months of the item has been in use is considered

- Depreciation rate - the depreciation rate is simply the representation of the useful life as percentage
 - 3 year useful life = depreciation rate of 33.33% (100/3) and
 - 4 year useful life = depreciation rate of 25%(100/4)
- Depreciation of existing assets- Assets where the cost price or valuation and acquisition date is known must be recorded in the asset register. The depreciation for the asset from the date of acquisition to the date of recording must be calculated and entered in the asset register as accumulated depreciation.
- Depreciation on additions- Depreciation on addition is calculated from the beginning of the month of acquisition. This is the proposed and approved policy for depreciation on additions for government.
- Depreciation on disposal- Depreciation is not calculated for the month in which an asset is disposed of. There will therefore be no depreciation charge for the month of

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disposal. Depreciation is calculated from the date acquired until the month before the asset is disposed of. There will therefore be no depreciation charge for the month of disposal.

Lukhanji Adopted Draft Budget 201415

17. Asset impairment

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

The recoverable amount is defined as:

The amount the Municipality expects to recover from the future use of an asset, including its residual value on disposal. For assets providing economic benefits, the recoverable amount is the net present value of future ownership.

For assets providing future service delivery, the recoverable amount is the remaining portion of its useful life, service capacity or quality of service that is not intended to be restored by normal maintenance programs.

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18. asset reconciliations

Reconciliation should be done monthly/ (Quarterly) between the asset register and asset control accounts in the eVenus Financial System, Loss Control Register and assets on the floor general ledger during this process Asset Management should to ensure that all assets, additions and disposals have been accounted for in the eVenus general ledger report and the asset register.

The person responsible for the update and management of the asset register must prepare the reconciliation and must sign and date it for control purposes. A senior official must review the reconciliation and must sign and date it as proof of review. All reconciling items must be followed up and cleared immediately. Reconciling the asset register to the eVenus general ledger report involves comparing the balances of the asset control accounts on the eVenus general ledger report to the balances on the asset register.

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19. disposal of fixed assets

Decisions to dispose of an asset require thorough examination and economic appraisal. Like acquisition decisions, they must be taken within an integrated planning framework that takes account of service delivery needs, corporate objectives, financial and budgetary constraints and the Municipality's overall resource allocation objectives.

- The Asset disposal plan is to terminate a control of a particular asset inline with Asset guidelines but may generate the need for a replacement to support the continuity delivery of services.
- Reasons for disposal actions are as followed: surplus, underperforming, unserviceable and obsolete.
- The disposal method strategy includes sale by auction, quotation, tender, PPP contract, trade- in, write off, transfer to other government entities, and letting.
- Once an asset has been identified for disposal, the Asset Manager will then notify the **Board of Survey Committee** for rechecking and recommendation with the disposal strategy will be forwarded to the Accounting Officer for an approval.
- Database of redundant items is maintained and a copy is forwarded to Supply Chain Management Component.

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20. insurance of fixed assets

Section 12.1.1 of the Treasury Regulations reads thus: "Subject to the provisions of this regulation, or any other legislation or agreement, the State will bear its costs in respect of own damages and accident risks and be responsible for all claims and losses in respect of State property, where these arise from State activities by an official who is liable in law and who is or was employed by an institution."

The municipality shall ensure that all IT related equipment is insured at fair value eg Laptop, Data projectors and video cameras.

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21. Policy Review

This policy shall be assessed every two (2) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect substantial organisational changes or any change required by law and regulations.

Lukhanji Adopted Draft Budget 201415

22. Annexure

22.1 Annexure A : Fixed Asset Useful Lives

22.2 Annexure B : Assets Transfer Form

22.3 Annexure C : Asset Addition Form

22.4 Annexure D : Asset Disposal Form

22.5 Annexure E: ASSET REMOVAL FORM

22.6 Annexure F: ASSET ACCEPTANCE FORM

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23. Preparations, Recommendation and approval of policy

Prepared By: Asset Management Officer
DATE:

Comments:.....
.....
.....
.....

Recommended / Not Recommended

SUPPLY CHAIN MANAGEMENT UNIT
DATE:

MANAGER:

Comments:.....
.....
.....
.....

Recommended / Not Recommended

CHIEF FINANCIAL OFFICER
DATE:

Comments:.....
.....
.....
.....

Approved / Not Approved

ACCOUNTING OFFICER
DATE:

Lukhanji Adopted Draft Budget 201415

LUKHANJI LOCAL MUNICIPALITY

ANNEXURE A : FIXED ASSET USEFUL LIVES

	USEFUL LIFE IN YEARS	
	MIN	MAX
Property, Plant and Equipment		
Land- Developed and undeveloped	N/A	
Buildings	25	30
Other Machinery and Equipment		
• Audiovisual equipment	5	10
• Building air conditioning systems	10	15
• Cellular phones(over R5000)	0	2
• Power distribution equipment	5	7
• Elevator systems	15	20
• Fire Fighting equipment	3	5
• Kitchen appliances	5	10
• Radio equipment	5	7
• Photographic equipment	5	7
• Security equipment(fixed or movable)	3	5
• Telecommunication equipment	3	5
Furniture and Office Equipment		
• Advertising Boards	3	5
• Air Conditioners	3	5
• Cutlery and Crockery	5	10
• Domestic furniture	10	15
• Linen and soft furnishing	5	10
• Office equipment (including fax machines)	5	7
• Office furniture	5	7
• Paintings, sculptures & ornaments	5	10
Computer Equipment		

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- Computer hardware 3 5
- Computer Software 2 5

Vehicles

- Trailers and accessories 4 5 7 10

ANNEXURE B



TRANSFER FORM

Original End-User				New End-User (Transferee)			
Room no.	Barcode	Description	Serial no.	Room no.	Barcode	Description	Serial no.

Lukhanji Adopted Draft Budget 201415

I,.....employee no,.....hereby take accountability of all departmental assets, of which I'm signing for, the responsibility is hence vested on me to safeguard, manage take stock verification and ensure that these assets are clearly marked and that I sign the Inventory List. It is my responsibility to report new, lost, damaged and transfers of assets between employees to loss control officer/ asset management unit (SCMU) on all cases. This declaration may be used against me for any transgressions made and committed in terms of the, Municipal Finance Management Act and other state regulatory policies.

Original End-User

Signature:.....

Date:.....

New End-User

Signature:.....

Date:.....

Lukhanji Adopted Draft Budget 201415

ANNEXURE C



ASSET ADDITION/ACQUISITION FORM

Notes: This form MUST be completed and signed by all before any procurement of assets can take place. The Loss Control Unique No. must be obtained before a replacement of lost asset can be authorised.

1.	Name and Surname [Applicant]				Location:			
2.	Directorate				Room No:			
3.	Sub: Directorate							
4.	Description of Asset/s required:	Replacement [e.g Loss]	Loss Control Unique No.	Old Bar-code No. [if replacement]	New Y/N	Qty	Budget Item to be used [to be completed by Asset Management]	
Signature [Assets owner]:		Date:		Signature [Head of Office]:				
Need verified by: [Asset Official]		Date Verified:		Signature: [Asset Manager]		Date Approved:		

ANNEXURE D



Lukhanji Adopted Draft Budget 201415

ASSET DISPOSAL FORM

INSTRUCTIONS: This form is to be used where an asset has been identified as surplus to requirement, and is to be disposed of via sale, trade-in, scrapping, or donation

to an outside organisation. **NOTE:** Asset Disposal Form should be used for all Internal Transfers (including where an asset is loaned to an outside organisation)

Section A – Staff Details

Department	Unit	Last Name

Section B – Asset Details

Asset Number	Serial Number	Asset Description	Asset Location	Asset Owner Name	Date of Disposal	Reason for Disposal	Sales date

Section C – Disposal Approval

Name of Person Approving	Position	Signature

Asset Control Use Only

Name of Person Approving	Position	Signature

ANNEXURE E



ASSET REMOVAL FORM

DATE REQUESTED:	
DATE REMOVED:	
DEPARTMENTASSET BARCODE:	
FLOOR NUMBER/ ROOM NUMBER:	
ASSET DESCRIPTION:	
CLASSIFICATION OF ASSET:	
REASON FOR REMOVAL:	
RETURN DATE:	
DATE RETURNED:	
REQUESTED BY:	
NAME AND SURNAME:	
POSITION:	
SIGNATURE:	
DATE:	
AUTHORISED BY:	
NAME AND SURNAME:	
POSITION:	
SIGNATURE:	
DATE:	

ANNEXURE F



Lukhanji Adopted Draft Budget 201415

Lukhanji Adopted 2014/15 Budget Report

INDEX

1. DEFINITIONS AND ABBREVIATIONS 248
2. PURPOSE OF THE TARIFF POLICY 252
3. SCOPE OF APPLICATION 252
4. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE 252
5. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE 254
 - 5.1 Financial Factors 254
 - 5.2 Socio-economic factors 255
 - 5.3 Minimum service levels 256
 - 5.4 Multi year budgets 256
 - 5.5 Credit Control 256
 - 5.6 Package of services 256
 - 5.7 Principles in terms of the Local Government: Municipal Systems Act 257
 - 5.8 Historical and future user patterns 257
 - 5.9 User groups 258
 - 5.10 Implementation of GAMAP/GRAP 258
6. FREE BASIC SERVICES 259
7. PROPOSED TARIFF STRUCTURES FOR VARIOUS SERVICES 259
 - 7.1 Electricity 260
 - 7.2 Water 260
 - 7.3 Refuse Removal 260
 - 7.4 Sewerage 262

Lukhanji Adopted 2014/15 Budget Report

- 7.5 Property Rates 262**
- 8. INDIGENT PRINCIPLES 262**
- 9. ELECTRICITY TARIFF POLICY 265**
- 10. WATER TARIFF POLICY 268**
- 11. REFUSE TARIFF POLICY 269**
- 12. SEWERAGE TARIFF POLICY 269**
- 13. PROPERTY RATES POLICY 270**

Lukhanji Adopted 2014/15 Budget Report

TARIFF AND FREE BASIC SERVICES POLICY

1. DEFINITIONS AND ABBREVIATIONS

“**Accounting officer**” means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

“**Annual budget**” shall mean the budget approved by the municipal Council for any particular financial year, and shall include any adjustments to such budget.

“**Basic municipal services**” shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

“**By-law**” shall mean legislation passed by the Council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

“**Consumer price index**” shall mean the CPIX as determined and gazetted from time to time by the South Bureau of Statistics.

“**Chief financial officer**” means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act.

“**Councillor**” shall mean a member of the Council of the municipality.

“**Domestic consumer or user**” of municipal services shall mean the person or household which municipal services are rendered in respect of “residential property” as defined below.

“**Financial year**” shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

“**Integrated development plan**” shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

“**Local community**” or “**community**”, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

“**Month**” means one of twelve months of a calendar year.

“**Municipality**” or “**municipal area**” shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

“**the municipality**” means Lukhanji Local Municipality.

Lukhanji Adopted 2014/15 Budget Report

“Municipal Council” or **“Council”** shall mean the municipal Council of Lukhanji Local Municipality as referred to in Section 157(1) of the Constitution.

Lukhanji Adopted 2014/15 Budget Report

“Municipal entity” shall mean (a) a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation, and which operates under the ownership control of one or more municipalities; or (b) a service utility.

“Municipal manager” shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

“Multiple purposes” in relation to a property, shall mean the use of a property for more than one purpose.

“Municipal service” has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

“Municipal tariff” shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

“Occupier” in relation to a property, shall mean a person in actual occupation of the property, whether or not that person has a right to occupy the property.

“Owner” (a) in relation to a property referred to in paragraph (a) of the definition of “property”, shall mean 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”, shall mean 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”, shall mean a person in whose name the right is registered or to whom it was granted in terms of legislation; and (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, shall mean 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 the Property Rates Act 2004 be regarded by the municipality as the owner of a property in the following cases:-

- (i) a trustee, in the case of a property in a trust, but 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 municipality and is leased by it; and

Lukhanji Adopted 2014/15 Budget Report

- (viii) a buyer, in the case of a property sold by the municipality and of which possession was given to the buyer pending registration of ownership in the name of such buyer.

Lukhanji Adopted 2014/15 Budget Report

“**Rate**” shall mean a municipal rate on property as envisaged in Section 229(1)(a) of the Constitution.

“**Rateable property**” shall mean property on which the municipality may in terms of Section 2 of the Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

“**Ratepayer**” shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

“**Rebate**” in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Property Rates Act 2004 on the amount of the rate payable on the property.

“**Residential property**” shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Property Rates Act 2004 as residential.

“**Tariff**” means a tariff for services which the Municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

2. *PURPOSE OF THE TARIFF POLICY*

The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying of tariffs by the Lukhanji Local Municipality.

The Municipality should perform the procedures set out in this manual to ensure the effective planning and management of tariffs. In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region and of the impact which its own tariffs may have on local economic development.

3. *SCOPE OF APPLICATION*

This policy applies to all tariffs charged within the defined boundaries of Lukhanji Local Municipality.

4. *BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE*

- (a) Service tariffs imposed by the local municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).

Lukhanji Adopted 2014/15 Budget Report

- (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- (c) Tariffs for the four major services rendered by the municipality, namely:-
- Electricity;
 - Water - delivered on an agency basis;
 - Sewerage (waste water) - delivered on an agency basis; and
 - Refuse Removal (solid waste).
- shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- (d) The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- (e) The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.
- (f) In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- (g) The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.
- (h) The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.
- (i) The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- (j) In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.
- (k) In addition, the municipality shall levy monthly availability (where the services are available but not connected)/ or basic charges for the services concerned and these

Lukhanji Adopted 2014/15 Budget Report

charges shall be fixed for each type of property as determined in accordance with its appropriate policies. Availability charges are also applicable to sewer services.

Generally, consumers of water and electricity shall therefore pay two charges:

- An availability charge which is levied because of the availability of the service concerned or a basic charge which is unrelated to the volume of consumption and is levied because of fixed costs such as salary of staff related to the provision of the service, capital costs and insurance of infra structure; and
 - A consumption charge directly related to the consumption of the service in question.
- (l) In considering the costing of its water, electricity and sewerage services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services.
- (m) In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- (n) The municipality's tariffs for electricity services will be determined to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

5. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE

5.1 Financial Factors

The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service. If a service is rendered at a loss, cross subsidisation of such loss by another service will be necessary. This will place a burden on the tariff structure of the other service.

In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

- (a) Cost of bulk purchases in the case of water and electricity.
- (b) Distribution costs.

Lukhanji Adopted 2014/15 Budget Report

- (c) Distribution losses in the case of electricity and water.
- (d) Depreciation expenses.
- (e) Maintenance of infrastructure and other fixed assets.
- (f) The cost of approved indigent relief measures.
- (g) Administration and service costs, including:-
 - (i) service charges levied by other departments such as finance, human resources and legal services;
 - (ii) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
 - (iii) adequate contributions to the provisions for bad debts and obsolescence of stock; and
 - (iv) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- (h) The intended surplus to be generated for the financial year. Such surplus to be applied:-
 - (i) as an appropriation to capital reserves; and/or
 - (ii) generally in relief of rates and general services.

5.2 Socio-economic factors

Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered.

Users can be divided into the following categories:-

- Users who are unable to make any contribution towards the consumption of services and who are fully subsidised;
- Users who are able to afford a partial contribution and who are partially subsidised only; and
- Users who can afford the cost of the services in total.

It is important to identify these categories and to plan the tariff structures accordingly. Subsidies currently derived from two sources namely:-

- Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained

Lukhanji Adopted 2014/15 Budget Report

from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.

- Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

To make provision for subsidisation the tariff structure can be compiled as follow:-

- Totally free services (within limits and guide lines);
- Lower tariffs for users who qualify in terms of particular guide lines, for example to recover the operational costs of the service only; and
- Full tariff payable with a subsidy that is transferable from sources mentioned above.

5.3 *Minimum service levels*

It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.

5.4 *Multi year budgets*

It is required in terms of legislation and guidelines from National Treasury that all Municipalities compile multi year budgets as from 2005/2006. Such a change also necessitates that proposed tariffs would form part of this process. An increase in tariffs should not simply be implemented annually without considering the affordability thereof by the user. The effect of resolutions that impact on the financial situation of the Council must be observable over a longer period in respect of tariffs and sensible planning of cost structures must be done to keep tariffs within affordable levels.

5.5 *Credit Control*

It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually. However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

5.6 *Package of services*

The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

Lukhanji Adopted 2014/15 Budget Report

5.7 Principles in terms of the Local Government: Municipal Systems Act

Section 74 of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, contains clear guidelines regarding the compilation of and principles for a tariff policy. An extract reads as follow:

- "74. (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 and with any other applicable legislation.*
- (2) *A tariff policy must reflect at least the following principles, namely that-*
- (a) Users of municipal services should be treated equally 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 costs;*
 - (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 subsidisation 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 charges;*
 - (e) Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation 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 subsidisation of tariffs for poor households and other categories of users should be fully disclosed.*
- (3) *A tariff policy may differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination."*

5.8 Historical and future user patterns

It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

Lukhanji Adopted 2014/15 Budget Report

5.9 User groups

Users are traditionally divided into user groups as set out below:-

- Households;
- Businesses;
- Industries/Bulk consumers;
- Schools and hostels;
- Institutions that are directly subsidised for example retirement homes, etcetera.

A continuous effort should be made to group together those users who have more or less the same access to a specific service.

5.10 Implementation of GAMAP/GRAP

Under Fund Accounting all payments that a municipality has to make from current revenue are included in the operating budget. These “expenditures” are categorised into the following six expenditure categories:-

- Salaries and allowances;
- General expenditure;
- Maintenance and renewals;
- Capital charges comprising of interest and redemption of loans;
- Contributions to funds and reserves; and
- Contributions to finance fixed assets.

To ensure that a municipality has sufficient cash to finance this expenditure a municipality merely has to generate the required revenue to cover the expenditure aspect of the budget. An analysis of the relative importance of the expenditure categories form part of the analysis of the finances of municipalities as it is considered to be a good indicator of the sustainability of the financial position of a municipality. Over the years some norms were developed to bench-mark the budgets of municipalities.

The statutory requirement that municipalities must adhere to Generally Recognised Accounting Practice (GRAP) and to Generally Accepted Municipal Accounting Practice (GAMAP) on a phased basis with effect from 1 July 2005 has an important impact on the way municipalities budget for operating expenditure and current revenue. The key changes and the effect thereof are highlighted below.

- The redemption of loans, contributions to funds and reserves and the financing of fixed assets from current revenue do not meet the definition of “expenditure” and can no longer be expensed by being included in the operating budget.
- The consumption of property, plant and equipment in service delivery must now be expensed by including a depreciation charge as part of the operating expenditure.
- If depreciation charges are included in the costing of services to determine the different tariffs, cash will be generated to finance the loan redemption, contributions to funds and to finance fixed assets from surplus cash flows.
- In so far as the cash generated by the depreciation charges is insufficient to satisfy the above-mentioned cash requirements, the municipality will have to budget for a

Lukhanji Adopted 2014/15 Budget Report

surplus on the operating budget that will yield the required amount of cash when collected.

- Under Fund Accounting expenditure and revenue are made directly against funds, reserves and provisions and do not form part of the operating budget. With GAMAP and GRAP all revenue and expenditure form part of the operating budget/revenue statement.
- Once municipalities have met the conditions of conditional capital grants it must be recognised as operating revenue. It will thus form part of the operating surplus as the capital expenditure does not form part of the operating budget. An amount equal to the grant is then moved from accumulated surplus/deficit to a Government Grants Reserve that will be used to off-set the annual depreciation charge on the grant funded asset.

6. *FREE BASIC SERVICES*

Free basic municipal services refers to those municipal services necessary to ensure an acceptable and reasonable quality of life, and which service, if not provided, could endanger public health or safety or the environment.

In terms of the South African Constitution all consumers should have access to basic services. Currently, the free basic services provided by Lukhanji Municipality to domestic consumers are as follow:-

- The first 10 kl of water is provided, free of charge, to registered indigent consumers only.
- The first 50 kWh of electricity is provided, free of charge, to registered indigent consumers only.
- Sanitation and Refuse Removal Services for registered indigents are subsidised as set out in paragraph 8 below.

7. *PROPOSED TARIFF STRUCTURES FOR VARIOUS SERVICES*

It is essential that a compromise be reached between the following needs with the determination of a tariff structure:-

- The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
- The need to ensure equality and fairness between user groups;
- The need for a practically implementable tariff;
- The need to use appropriate metering and provisioning technology;
- The need for an understandable tariff; and
- The user's ability to pay.

Taking into consideration the abovementioned points the tariff structure of the following services are discussed:-

- Electricity.
- Water.
- Refuse Removal.

Lukhanji Adopted 2014/15 Budget Report

- Sewerage.
- Property Rates.

7.1 Electricity

To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community, has to be taken into consideration. This cost structure consists of various components. The principle of basic levies as well as a kilowatt per hour tariff for electricity is determined by the cost structure.

The following tariff structures were basically used for the determination of tariffs:-

- Single-leg energy consumption for users with pre-paid meters.
- Two-leg tariff consisting of a basic charge and consumption.
- Three-leg tariff consisting of a basic charge, consumption and KVA usage.
- Three-leg tariff consisting of a basic charge, consumption based on the time of use and KVA usage.

Free basic electricity is provided to all registered indigents.

The Electricity Tariff Policy is set out in paragraph 9.

7.2 Water

To calculate the tariff for water services, the actual cost incurred in the supply of water to the community has to be taken into consideration. This cost structure consists of various components. The principle of basic levies as well as a kilolitre tariff for water consumption is determined by the cost structure.

In principle, the amount that users pay for water services should generally be in proportion to their use of water services. Tariffs must be set at levels that facilitate the sustainability of the service.

Lukhanji Local Municipality utilises a stepped tariff structure to incorporate the national drive to promote water conservation.

Free basic water is provided to all domestic consumers and an additional amount to registered indigents.

The Water Tariff Policy is set out in paragraph 10.

7.3 Refuse Removal

Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

The tariff levied by Lukhanji Local Municipality is based on the category of user and number of removals.

The cost of refuse removal services is subsidised for all registered indigents.

Lukhanji Adopted 2014/15 Budget Report

The Refuse Removal Tariff Policy is set out in paragraph 11.

Lukhanji Adopted 2014/15 Budget Report

7.4 Sewerage

Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

The tariff levied by Lukhanji Local Municipality is based on the type and category of user.

The cost of sewerage is subsidised for all registered indigents.

The Sewerage Tariff Policy is set out in paragraph 12.

7.5 Property Rates

In applying its rates policy, the Council shall adhere to all the requirements of the Property Rates Act 2004, including any regulations promulgated in terms of that Act.

The municipality shall prepare a new valuation roll every 3 (three) years and supplementary valuation rolls every 6 (six) months. All assessment rates are based on the latest valuation roll.

The cost of assessment rates is subsidised for all registered indigents.

The Assessment Rates Policy is set out in paragraph 13.

8. INDIGENT PRINCIPLES

8.1 Objective

Because of the high level of unemployment and subsequent poverty in the municipal area, there are households which are unable to pay for basic municipal services. The determination of free basic services and/or subsidies for all registered indigents will be guided by the following principles:-

- Access to basic services must be provided to all, including the Indigent, in terms of the South African Constitution.
- A true reflection of the indigent is vitally important.
- The consumption of metered services by indigent households must be lowered to increase affordability of service charges.
- Tariffs for rates and services must be made more affordable for the indigent.

8.2 Registration Criteria

All indigent households must be registered as such. The registration procedures will be determined by the Council from time to time.

The Council differentiates between the following categories of indigents:-

Lukhanji Adopted 2014/15 Budget Report

- Destitute indigent: If the total household income is not more than an amount as determined by the Council from time to time.
- Indigent: If the total household income is more than the amount determined for a destitute indigent and less than an amount as determined by the Council from time to time.

8.3 Subsidies and Service Levels applicable to Indigent Consumers

The subsidies and service levels adopted for each service is set out below.

8.3.1 Electricity

- All registered indigents will be transferred to a prepaid electricity meter.
- All registered indigents will receive 50 units of electricity per month free of charge.
- Unused free electricity units will not be carried over to the next month.
- Any meter tampering will result in the subsidisation to be withdrawn.
- Should the indigent have any municipal arrears, the auxiliary payment system must be activated for the gradual payment of the arrears as a percentage of purchases over and above the free monthly supply.

8.3.2 Water

- All domestic consumers will receive 6 kilolitres of water per month free of charge.
- In addition to the above, registered indigents may receive a further 4 kilolitres per month subject to funding being available.
- Indigents registered as destitute indigents will automatically receive 10 kilolitres of water per month free of charge.

8.3.3 Sewerage

- All registered destitute indigents shall be fully subsidised for sewerage levies.
- All registered indigents shall be subsidised for sewerage levies as determined and provided for by the Council in the annual budget from time to time.

8.3.4 Refuse Removal

- All registered destitute indigents shall be fully subsidised for refuse removal.
- All registered indigents shall be subsidised for refuse removal as determined and provided for by the Council in the annual budget from time to time.

8.3.5 Property Rates

All registered destitute indigents shall be subsidised as follow:-

- A destitute indigent who owns and resides in a property shall be exempted from property rates.

All registered indigents shall be subsidised as follow:-

Lukhanji Adopted 2014/15 Budget Report

- An indigent who owns and resides in a property which value does not exceed the exemption amount as provided for in the Property Rates Act shall be exempted from property rates.

Lukhanji Adopted 2014/15 Budget Report

- An indigent who owns and resides in a property which value exceeds the exemption amount as provided for in the Property Rates Act as designated from time to time, shall be subsidised for property rates as determined and provided for by the Council in the annual budget.

8.4 Arrears

When a person applies for registration as an indigent and his account is in arrears, he/she may make an arrangement to pay the arrear debt, which amount will be determined by the Council, where after interest on the arrear debt may be waived.

The Council shall have the right to recover any arrear balance accrued by an indigent after deduction of the indigent subsidy.

8.5 Budgeting

The Council must annually budget for the total indigent subsidy to be granted as such. Such amounts must be reflected as a cost against the applicable service.

8.6 Appeal process

Any indigent household application which has been declined, may appeal against such decision. The process for appeal will be determined by the Council from time to time.

8.7 Offences

Any applicant, who misuses the indigent support provisions of the Council, provides incorrect information to the Municipality and/or tampers with the supply of services or municipal installations shall be subject to forfeiture of indigent status, criminal prosecution and any other measures, as determined by the Council from time to time.

9. ELECTRICITY TARIFF POLICY

9.1 Domestic Users

9.1.1 Conventional Users

Domestic consumers are billed as follow:-

- An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use;
- A basic charge is payable on all properties that are connected to the electricity network, regardless on whether the electricity is used; and
- A fixed tariff per unit based on the number of kWh consumed.

Lukhanji Adopted 2014/15 Budget Report

9.1.2 Pre-paid users

Pre-paid users are charged at a fixed tariff per unit based on the number of kWh purchased. Should the consumer have any municipal arrears, the auxiliary payment system must be activated for the gradual payment of the arrears as a percentage of purchases. In the event of indigent consumers it will be determined as a percentage of purchases over and above the free monthly supply.

9.2 Business Users

9.2.1 Small users (Commercial / Industrial / Business)

This includes all business installations not exceeding 80KVA or consumption not exceeding 20 000 kWh per month.

These consumers are billed as follow:-

- A basic charge is payable on all installations; and
- A fixed tariff per unit based on the number of kWh consumed.

9.2.2 Pre-paid users

Pre-paid users are charged at a fixed tariff per unit based on the number of kWh purchased. Should the consumer have any municipal arrears, the auxiliary payment system must be activated for the gradual payment of the arrears as a percentage of purchases.

9.2.3 Non Domestic Large Power users

This includes all non domestic installations with consumption not exceeding 40 KVA.

These consumers are billed as follow:-

- A basic charge is payable on all installations;
- A fixed tariff per unit based on the number of kWh consumed;
- A fixed tariff is payable per KVA installed; with a minimum KVA charge.

9.2.4 Time of Use

This includes all non domestic consumers registered as such. The tariff is determined by the size of installation, electricity consumption and time of usage, as set out below.

Minimum consumption of 100 000 KWH / Installation 80-150 KW

Low demand

The following fees are payable:-

Lukhanji Adopted 2014/15 Budget Report

- A basic charge;
- A tariff for consumption per kWh is determined by the time of consumption, currently determined as follow:-
 - Peak time: 7h00-10h00 & 18h00-20h00
 - Standard time: 6h00-7h00; 10h00-18h00; 20h00-22h00;
Sat 7h00-12h00; 18h00-20h00
 - Off peak: 22h00-6h00 & Sunday

High demand

The following fees are payable:-

- A basic charge;
- A tariff for consumption per kWh is determined by the time of consumption, currently determined as follow:-
 - Peak time: 7h00-10h00 & 18h00-20h00
 - Standard time: 6h00-7h00; 10h00-18h00; 20h00-22h00;
Sat 7h00-12h00; 18h00-20h00
 - Off peak: 22h00-6h00 & Sunday

Minimum consumption of 200 000 KWH / Installation above 150 KW

Low demand

The following fees are payable:-

- A basic charge;
- A tariff for consumption per kWh is determined by the time of consumption, currently determined as follow:-
 - Peak time: 7h00-10h00 & 18h00-20h00
 - Standard time: 6h00-7h00; 10h00-18h00; 20h00-22h00;
Sat 7h00-12h00; 18h00-20h00
 - Off peak: 22h00-6h00 & Sunday

High demand

The following fees are payable:-

- A basic charge;
- A tariff for consumption per kWh is determined by the time of consumption, currently determined as follow:-
 - Peak time: 7h00-10h00 & 18h00-20h00
 - Standard time: 6h00-7h00; 10h00-18h00; 20h00-22h00;
Sat 7h00-12h00; 18h00-20h00
 - Off peak: 22h00-6h00 & Sunday

Lukhanji Adopted 2014/15 Budget Report

9.3 Sundry tariffs

All other services offered by the Council are charged at a tariff as determined by the Council from time to time.

10. WATER TARIFF POLICY

10.1 Domestic users

Domestic consumers are billed as follow:-

- An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.
- Users are billed for consumption based on the amount of water used. All domestic users pay a basic charge as well as an amount per kilolitre. Both the basic charge and the consumption are determined by the amount of water used. The following categories are used:-
 - 0 kl – 20 kl;
 - 21 kl – 50 kl; and
 - 51 kl and more.

10.2 Business / Industrial users

Business and/or industrial consumers are billed as follow:-

- An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.
- Users are billed for consumption based on the amount of water used. All users pay a basic charge as well as an amount per kilolitre. Both the basic charge and the consumption are determined by the amount of water used. The following categories are used:-
 - 0 kl – 100 kl;
 - 101 kl – 500 kl; and
 - 501 kl and more.

10.3 Unpurified water

Unpurified water is available at a rate as determined by the Council from time to time.

10.4 Golf Club

The Golf Club is billed per kilolitre used, at a rate as determined by the Council from time to time.

Lukhanji Adopted 2014/15 Budget Report

10.5 Sundry tariffs

All other services offered by the Council are charged at a tariff as determined by the Council from time to time.

11. REFUSE TARIFF POLICY

The fees for refuse removal are determined by the category of consumer and the number of removals per week. These tariffs also make provision for additional bins at an additional fee.

The Council has determined the following categories:-

- Domestic consumers - 1 Removal per week
- Business / other consumers - 2 Removals per week
- Business / other consumers - 3 Removals per week
- Business / other consumers - 4 Removals per week
- Business / other consumers - 5 Removals per week
- Business / other consumers - 6 Removals per week
- Indigent consumers - 1 Removal per week
- Old age homes - 1 Removal per week
- Bulk container (small)
- Bulk container (large)
- 4.5m Containers
- 18m Containers

12. SEWERAGE TARIFF POLICY

Consumers are billed as follow:-

- An availability charge is payable on all properties where a connection to the sewer network is possible, but not in use.
- The Council charges an annual fee per sewerage point, whereas a point is defined as:
 - A singular connection to the sewerage network in the case of domestic consumers;
 - Every water closet or urinal in the case of business or industrial consumers.
- The tariff for Vacuum Tanks in all areas except Whittlesea is calculated at an hourly tariff for equipment and manpower at a rate determined by the Council from time to time.
- In the case of Whittlesea, the fee for Vacuum Tanks is calculated at an hourly tariff for manpower as well as total kilometres travelled by the suction tank.

Lukhanji Adopted 2014/15 Budget Report

13. PROPERTY RATES POLICY

Property rates are currently determined by the value of the unimproved property. The amount payable is determined by the Council from time to time, with certain rebates applicable.

The rebates applied, are as follow:-

▪ Telkom	-	0%
▪ Residential	-	15%
▪ Government	-	20%
▪ Municipal	-	0%
▪ Business / Commercial / Industrial	-	5%
▪ Education	-	20%
▪ Transnet	-	0%
▪ Agriculture	-	15%
▪ Institutional	-	5%

Lukhanji Adopted 2014/15 Budget Report

LUKHANJI LOCAL MUNICIPALITY



VIREMENT POLICY (TRANSFER OF FUNDS)

Lukhanji Adopted 2014/15 Budget Report

PREAMBLE

WHEREAS the Municipal Finance Management Act (MFMA) aims to enable managers to manage, but to make them more accountable by introducing regular and consistent reporting requirements. The challenge facing all the role-players is to improve the efficiency and effectiveness of the municipality through the best use of management information.

WHEREAS this policy assists management in complying with the MFMA and ensures that financial information is correctly recorded in the financial system.

Lukhanji Adopted 2014/15 Budget Report

INDEX

	Page
1. Definitions	4
2. Legislative Framework	6
3. Objectives of the Policy	7
4. Application of the Policy	7
5. Budget Regulations	8
6. Virement Process	10
7. Accountability	12
8. Compliance and Enforcement	12
9. Effective Date	12
10. Policy Adoption	1

1. DEFINITIONS

Act

“ - means the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003)

Accounting Officer (MFMA)

“- (a) in relation to a municipality, means the municipal official referred to in section 60; or...”

Approved Budget (MFMA)

“ - means an annual budget -

(a) approved by a municipal council; or

(b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;”

Chief Financial Officer

Lukhanji Adopted 2014/15 Budget Report

“means the officer of the Lukhanji Local Municipality designated by the Municipal manager to be administratively in charge of the budgetary and treasury functions.”

Financial year/Budget year

The 12 month period between 1 July and 30 June.

Vote (MFMA)

(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 which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”

In the case of the Lukhanji Local Municipality the definition of Vote is defined in terms of National Treasury GFS functions.

GFS – Government Finance Statistics.

In order to facilitate comparisons, GFS functions provide a reasonably high level grouping of related service delivery activities for Local Government.

Refer definitions as prescribed by National Treasury in terms of MFMA Circular no. 12 – Definition of a “vote” in MFMA.

Operating Cost Centres

is defined as the various expenditure departments that the Local Municipality Municipality has been distributed into and against which expenditure is allocated in the financial system.

Line item

is defined as various items which reflect the budget/costs of the municipality in terms of its activities

Virement

Lukhanji Adopted 2014/15 Budget Report

The process of transferring an approved budgetary provision from one operating cost centre to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the approved budget.

Overspending (MFMA)

“(a) in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;”

Unauthorised expenditure (MFMA)

“in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA”

Any other word or expression to which a meaning has been assigned in the Municipal Finance Management Act, Act No 56 of 2003, and the Local Government Municipal Systems Act, Act No. 32 of 2000, unless inconsistent with the context shall, wherever such word or expression appears in the policy, bear the same meaning as that assigned to it in the said legislation.

2. LEGISLATIVE FRAMEWORK

2.1 Section 81(1)(d) of the Act states inter alia that “The chief financial officer of a municipality -... must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79;”

Lukhanji Adopted 2014/15 Budget Report

2.2 Section 78(1)(b) of the Act states inter alia that “Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure - ... (b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;”

2.3 National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to report their annual, monthly, mid-year and adjustments Budgets.

The objectives of the budget formats reforms in terms of these regulations are:

- To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Act;
- To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- To improve Council’s ability to deliver basic services to all by addressing issues of financial sustainability;
- To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

2.4 MFMA Circular No 51 (Dms 633560) issued on 19 February 2010 states that each municipality must put in place a Council approved Virement Policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

Lukhanji Adopted 2014/15 Budget Report

3. OBJECTIVES OF THIS POLICY

3.1. To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

3.2 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The Municipality's virement policy and its underlying administrative process within the system of delegations is one of these controls.

3.2 It is the responsibility of each Head of Department to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilised effectively and efficiently.

3.3 This policy aims to provide guidelines to management in the use of virement as a mechanism in their day-to-day management of their budgets. In addition it specifically aims to empower Head of Departments with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.

4. APPLICATION OF THE POLICY

4.1 This policy applies only to transfers between line items within votes of the Municipality's budget.

4.2 Section 28(2) (d) read together with section 69 of the MFMA provides that "*An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.*" Transfers between votes may therefore be authorised only by the Council of the Municipality.

4.3 For ease of reference, the definition of "vote" as contained in Section 1 of the MFMA is set out hereunder:

"vote means –

Lukhanji Adopted 2014/15 Budget Report

(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.”

4.4 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the Council through an adjustment budget.

5. BUDGET REGULATIONS

The Act regulates as follows regarding the incurring of expenditure against budgetary provisions.

5.1 Section 15 of the Act – Appropriation of funds for expenditure

“A municipality may, except where otherwise provided in this Act, incur expenditure only -

(a) in terms of an approved budget; and

(b) within the limits of the amounts appropriated for the different votes in an approved budget.”

5.2 Section 28 of the Act – Municipal Adjustments Budget

“A municipality may, revise an approved annual budget through an adjustments budget.

5.3 Unauthorised Expenditure

As defined and includes -

(a) overspending of the total amount appropriated in the municipality's approved budget;

Lukhanji Adopted 2014/15 Budget Report

- (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 a 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;”
- 5.4 Section 71 (1)(g)(iii) states inter alia *“(1) 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:...(g) when necessary, an explanation of- ... (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....”*
- 5.5 Section 72 (3)(a) states inter alia *“The accounting officer of a municipality must assess the performance during the first half of the financial year, taking into account:- ... (3)(a) make recommendations as to whether an adjustments budget is necessary and (b) recommend revised projections for revenue and expenditure ...”*
- 5.6 MFMA Circular No 51 guides Municipalities on what principles should be incorporated into the municipal virement policies:
- 5.6.1 Virements should not be permitted in relation to the revenue side of the budget;
 - 5.6.2 Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
 - 5.6.3 Virements from the capital budget to the operating budget should not be permitted;
 - 5.6.4 Virements towards personnel expenditure should not be permitted;

Lukhanji Adopted 2014/15 Budget Report

- 5.6.5 Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;
- 5.6.6 Virements should not result in adding 'new' projects to the Capital Budget;
- 5.6.7 Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and There should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes, and in the event that this limit is exceeded Council approval be obtained prior to virement.

6. VIREMENT PROCESS

- 6.1 The virement process represents the major mechanism to align and take corrective (financial / budgetary) action within a vote during a financial year.
- 6.2 In order for a "vote" to transfer funds from one cost centre to another cost centre, a saving has to be identified within the monetary limitations of the approved "giving" cost centre or capital project allocations on the respective budgets.
- 6.3 Sufficient, (non-committed) budgetary provision should be available within the "giving" vote's cost centre concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost centre or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
- 6.4 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget as set out in terms of Act Section 28 and the Municipal Budget and Reporting Regulations.
- 6.5 In terms of Section 17 of the Act a municipality's budget is divided into an operating and capital budget and consequently no Virements are permitted between Operating and Capital Budgets.

Lukhanji Adopted 2014/15 Budget Report

6.6 Virements are not permissible across, or between, votes unless adopted via an Adjustment budgets as set out in terms of Act Section 28 and the Municipal Budget and Reporting Regulations.

6.7 Virements across votes will only be allowed at year-end at the discretion of the Chief Financial Officer in order to ensure accurate reporting in financial statements. These virements will be submitted to Council for approval.

6.8 Virements are not allowed to utilise special purpose budgetary allocations, adopted by Council as such and to which specific Council recommendations apply (e.g. budget strategy for growth in repairs and maintenance provisions) and which result from specific resolutions adopted when adopting the budget, as virement sources.

6.9 Sound motivations should be provided for all virements.

6.10 Specific virement limitations:

6.10.1 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.

6.10.2 No virements are permitted to and from Grants and Subsidies Paid, except if supported by Council decision for such transfer and as per the approved Grants-in-Aid Policy.

6.10.3 Virements towards personnel expenditure including Councillors remuneration is not be permitted unless adopted via an Adjustment Budget.

6.10.4 No virements are permitted to and from the following expenditure items:

- Bulk Purchases
- Debt Impairment
- Interest Charges and Depreciation
- Employee Related costs
- Indigent Relief and Revenue Forgone
- Insurance
- Departmental Charges

Lukhanji Adopted 2014/15 Budget Report

6.10.5 No virements are permitted to the following expenditure item:

- Entertainment

6.11. No virements will be approved on any Revenue element. Revenue provisions' amendments are to be adopted via an adjustments budget.

6.12 As Council approves a detailed Capital Budget by individual project no virement are permitted between capital projects unless Council approval is obtained.

6.13 No virements of which the affect will be to add "new" projects onto the Capital Budget, will be allowed unless Council approval is obtained.

6.14 Virements may not cause an increase to individual projects' total project cost unless Council approval is obtained.

6.15 Virements must be between projects of similar funding sources.

6.16 Implementation of the project from which funds are viremented may not be prejudiced (i.e. must not hinder completion of the project).

6.17 Motivations for virements should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

6.18 Any capital budget amendments as approved by Council to be incorporated adjustments budget as set out in terms of Act Section 28 and the Municipal Budget and Reporting Regulations.

7. ACCOUNTABILITY

1. Approval of virement lies with the Chief Financial Officer or such other senior delegated officials in Financial Services Department.

7.2 Virements approved and processed will be reported for information to Council on a quarterly basis.

Lukhanji Adopted 2014/15 Budget Report

8. COMPLIANCE AND ENFORCEMENT

- a) Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken.
- b) It will be the responsibility of the Municipal Manager to enforce compliance with this policy.

9. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

10. POLICY ADOPTION

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:.....

Approval Date:.....

lukhanji local municipality



DRAFT: IT ASSET MANAGEMENT POLICY

Lukhanji Adopted 2014/15 Budget Report

GLOSSARY

Agency - The IT Department that manage, develop, purchase, and use IT resources in the Municipality

Data - An arrangement of numbers, characters, and/or images that represent concepts symbolically.

Electronic Information - Any information stored in a format that enables it to be read, processed, manipulated, or transmitted by an IT system

IT System - An interconnected set of IT resources and data under the same direct management control.

Information Technology (IT) - Telecommunications, automated data processing, databases, the Internet, management information systems, and related information, equipment, goods, and services.

Security - The protection afforded to IT systems and data in order to preserve their availability, integrity, and confidentiality.

Security Audit – An independent review and examination of an IT system's policy, records, and activities. The purpose of the IT security audit is to assess the adequacy of IT system controls and compliance with established IT security policy and procedures.

Least Privilege - The minimum level of data, functions, and capabilities necessary to perform a user's duties.

Risk - The possibility of loss or injury based on the likelihood that an event will occur and the amount of harm that could result.

Risk Assessment (RA) - The process of identifying and evaluating risks so as to assess their potential impact.

Risk Mitigation - The continuous process of minimizing risk by applying security measures commensurate with sensitivity and risk.

Sensitivity - A measurement of adverse effect on Municipality interests, the conduct of agency programs, or the privacy to which individuals are entitled that compromise of IT systems and data with respect to confidentiality, integrity, and/or availability could cause. IT systems and data are sensitive in direct proportion to the materiality of the adverse effect caused by their compromise.

Sensitivity Classification - The process of determining whether and to what degree IT systems and data are sensitive.

Separation of Duties - Assignment of responsibilities such that no one individual or function has control of an entire process. It is a technique for maintaining and monitoring accountability and responsibility for IT systems and data.

Threat - Any circumstance or event (human, physical, or environmental) with the potential to cause harm to an IT system in the form of destruction, disclosure, adverse modification of data and/or denial of service by exploiting vulnerability.

Lukhanji Adopted 2014/15 Budget Report

Vulnerability - A condition or weakness in security procedures, technical controls, or operational processes that exposes the system to loss or harm.

1. PURPOSE

It is the purpose of this policy to establish ethical guidelines for the use of the Municipality IT assets and computing facilities.

(IT assets include component hardware and software and these entail servers, workstations, switches, routers, hubs, bridges, printers, fax machines and photocopiers, cell phones, 3G cards, storage media, e-mail, Internet, modems, firewalls, operating systems, applications software, business applications, municipal data and information)

2. SCOPE

The scope of this IT Asset Management Policy is for broad municipal usage and it applies to all municipal employees as well as non-municipal hardware/software contractors, vendors, suppliers, and any stakeholders that bring themselves into contact with the Municipality Information Technology (IT) infrastructure. IT is offered as guidance to all management, IT procurement staff and all stakeholders in the Municipality that manage, develop, purchase and use Information Technology (IT) resources in the Municipality.

3. PRINCIPLES

The Municipality encourages the use of IT Assets to make work processes more efficient and effective. The municipal IT assets, infrastructure and equipment remain the property of the Municipality at all times. The Municipality provides these facilities in order to improve the productivity of employees in the course of executing their job functions. The municipal IT facilities are intended to be for business purposes only and not for private/personal work. The access to and use of Municipality IT assets is a privilege and not a right. Every employee has a responsibility to take great care in the handling and safekeeping of assets.

4. DEFINITION OF IT ASSET MANAGEMENT

IT Asset Management is an important business practice that involves maintaining an accurate inventory (often called an IT Asset Register), licensing information, maintenance, and protection of hardware and software assets utilized by the Municipality.

Understanding what IT Assets are deployed in the Municipality will help optimize the use of IT assets throughout the Municipality. The IT department is responsible, for the development of the IT Asset Management controls procedures.

The IT Asset Management Policy document therefore provides guidance on the steps that can be taken to protect IT systems, infrastructure and data by managing the IT Assets utilized by the Municipality in a planned, organized and secure fashion.

5. GOALS/OBJECTIVES OF IT ASSET MANAGEMENT

- i. Uncover savings through process improvement and support for strategic decision-making;
- ii. Gain control of the inventory;
- iii. Increase accountability to ensure compliance;
- iv. Enhance performance of assets (resource utilization) and the life cycle management;

Lukhanji Adopted 2014/15 Budget Report

- v. Risk reduction through standardization, proper documentation and loss detection

5.1 IT HARDWARE ASSET CONTROL

The policy requires the IT Unit (agency) to control and collect information about IT Assets. Any IT hardware asset that has value to the Municipality that requires ongoing maintenance and support, or creates potential risk in terms of financial loss, data loss or exposure must be documented and controlled to meet the municipal IT security requirements.

The IT Manager has full responsibility to address the following areas related to IT hardware:-

- a) IT Hardware Asset Removal Control;
- b) IT Movement (Office to office and/or person to person);
- c) Personal IT Hardware Asset;
- d) Data Removal from IT Hardware Assets;
- e) Inventory of municipal or municipal leased IT Hardware Asset
- f) Hardware asset management entails the management of physical components and networks from acquisition through disposal.

5.1.1 REQUEST AND APPROVAL

- i. A user in need of an IT asset will fill in a request form which will be approved/disapproved by the Head of Department (HOD).
- ii. Once approved, the request form will be forwarded to the IT Unit for user requirements analysis.
- iii. Once user requirements have been established, the IT Unit will draw specifications and do Request For Quotation to prescribed IT suppliers.

5.1.2 PROCUREMENT

- i. The IT Unit shall have full responsibility over the acquisition of IT Assets.
- ii. A Request For Quotation (RFQ) will be sent to at least 3 prescribed IT suppliers.
- iii. The one with the lowest price will be awarded the tender, provided they have a good service delivery record, and an unquestionable post-sales service with the Municipality.
- iv. All IT assets will be delivered to the IT Unit for signing of delivery notes, tagging and capturing of all the necessary information as required for the IT Asset register.
- v. The IT Manager will do a report to the Finance Department on the received IT assets for insurance purposes.

Lukhanji Adopted 2014/15 Budget Report

5.1.3 DELIVERY

- i. The IT Unit will then deliver the IT Asset to the intended user.
- ii. Upon receipt of the IT asset, the user shall sign a New User Access form in acknowledgement of receipt of the asset.
- iii. Upon termination of service/contract, the IT Unit shall do an IT Asset Verification to insure that the outgoing user has returned all the IT assets that were allocated to them during their term of service – failure of which necessary steps will be taken to recover the IT asset(s).

6. REPAIR, SERVICE AND MAINTENANCE OF IT ASSETS

- i. A user shall report a faulty IT asset to the IT Unit through prescribed means.
- ii. An IT Asset Movement form shall be completed upon collection of IT asset for repairs, service or maintenance upon which liability shall be transferred from the user to the particular IT technician in charge of the IT asset.
- iii. The IT technician in charge shall decide in consultation with their supervisor if the repairs can be done internally or outsourced to a prescribed service provider.
- iv. The IT Department and/or service providers should address labelling IT hardware assets. Labelled assets assist when troubleshooting problems, tracking and identifying inventory, and recovering lost or stolen IT hardware assets.
- v. Information in the label/sticker shall include the following:-
 - a) Device ID
 - b) Type
 - c) Location
 - d) Serial number
 - e) Model number
 - f) For support call:
- vi. Upon delivery of the IT asset to the user, the user shall sign an acceptance form to acknowledge receipt of the repaired asset.
- vii. Where the asset is broken beyond repair, the IT Unit will recommend for a replacement.

7. IT ASSET HARDWARE REMOVAL CONTROL

- i. An IT Asset Movement Form shall be completed by the user and signed by the Head of Department before the IT Unit can transfer an IT asset from one location to another and/or from user to user.
- ii. The IT asset management form shall be submitted to the IT Unit immediately after approval so that change is dynamical noted in the IT Asset Register.

Lukhanji Adopted 2014/15 Budget Report

8 PERSONAL IT HARDWARE ASSETS

- i. Should be allowed into the premises provided security personnel have recorded the item, taken its serial number which they will cross-check when leaving.
- ii. Personal IT assets will ONLY be allowed access into municipal premises if there is an identifiable business need.
- iii. Once allowed, they should never be connected to any data storage area or network.
- iv. This condition should not apply to an approved IT service provider offering IT services under a contract.

9. DATA REMOVAL FROM IT HARDWARE ASSETS

- i. All electronic storage media shall have all municipal data properly removed prior to surplus, transfer, trade –in, disposal or replacement.
- ii. The primary methods for removal of data shall include overwriting, degaussing and/or physical destruction.

10. INVENTORY OF IT HARDWARE ASSETS (IT ASSET REGISTER)

The IT Manager needs to have a correct and dynamically updated IT Asset Register at all times. It is important for the Municipality to ascertain what IT hardware assets they have and where those assets are located. The following information shall be captured against each asset for purpose of tracking it.

- a) Specific information pertinent to the particular hardware asset
- b) Physical location
- c) Tag/Barcode which serves as the unique identifies of the asset
- d) Support contact and information

The following information shall be captured in the IT Asset Register:

- a) Asset Type
- b) Device ID/Barcode
- c) MAC Address
- d) Serial Number
- e) Operating System (O/S) level
- f) CPV, Memory, Disk
- g) Support Vendor
- h) Supplies
- i) Model number
- j) Date of Purchase
- k) Warranty

Lukhanji Adopted 2014/15 Budget Report

l) Location/Department

m) Office Number

10.1 IT SOFTWARE ASSET CONTROL

The IT Policy requires agencies to “control and collect information about IT Assets” as well as “protect against use of computers software in violation of applicable laws”.

This section of the policy requires agencies to comply with software licensing requirements, and document software license management practices. Each agency and/or their service provider should address distribution, purchase, audit, and removal of the license used in day-to-day business. Properly tracking licenses facilitates efficient use of resources and redress the probability of violating licensing agreements and laws.

Agencies need to address the following areas related to IT software:

- a) Software use practices
- b) Software License Management Practices
- c) Software Asset Inventory

10.2 SOFTWARE USE

- i. Only properly acquired, approval and licensed software shall be loaded on IT systems. Renewing of licenses to be done in time so that the Municipality continues to get updates and relevant support information concerning software products.
- ii. It is the IT Manager’s responsibility to carry out periodic checks to ensure that software is used in accordance with license agreements.
- iii. Installation of unlicensed, non-approval software by technical staff and/or employees is prohibited in the strictest of terms.

10.3 SOFTWARE ASSET PRACTICES

- i. The IT Manager should periodically assess whether software is used in accordance with license agreements.
- ii. The IT Manager should determine whether software is optimally deployed to eliminate waste.
- iii. The IT Manager should update information to support software asset management functions, such as application maintenance cost analysis and upgrade budgeting.
- iv. The IT Manager should endeavour to eliminate variation in software versions and supporting software updates.

10.4 SOFTWARE ASSET INVENTORY

The IT Department shall keep an inventory of the licensed software used to support the municipal mission and automated solutions. Maintaining a complete licensed software asset inventory provides a tool to assess compliance with license agreements and whether the resources are being used efficiently and effectively. Information in this inventory should include product information, the business functions of the software, the users of the software and the cost associated with the license.

Lukhanji Adopted 2014/15 Budget Report

11. DISPOSAL OF IT ASSETS

- i. The IT Manager and the SED: Corporate Services shall recommend obsolete IT equipment for retirement/disposal to the Municipal Manager.
- ii. The Municipal Manager will approve accordingly and the obsolete equipment will then be transferred to the Stores Department for disposal.

12. COMPLIANCE

Management in conjunction with the IT staff of the Municipality may deem it necessary to inspect/audit or do an IT asset evaluation exercise for alleged violation of this policy. Violations will be noted and reported. The Municipality retains the right to randomly monitor and inspect all IT assets, regardless of whether they are business or personal. Whenever an IT technician/administrator is on-site at a branch or any satellite location, he or she should inspect at random, compliance levels at the individual desktop level.

The inspection/monitoring of IT assets on the municipal IT infrastructure are not a “witch-hunting” exercise. It is necessary for the support and maintenance of this valuable infrastructure.

Users should report inappropriate usage, handling or any IT Asset Management policy violations to the IT Department immediately.

Note: Any Employee who abuses the privilege of Municipality-facilitated access to IT assets will be subject to corrective action. Any action (on IT facilities, computer equipment, business applications, e-mail or the Internet) that may expose the Municipality to risks of unauthorized access to data, disclosure of information, illegal liability, or potential system failure is prohibited and may result in disciplinary action up to and including termination of employment and/or criminal prosecution. If necessary, the Municipality also reserves the right to advise appropriate legal officials of any illegal violations.

Employees that violate this policy will be disciplined and may be dismissed/terminated for serious or multiple

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DRAFT:

IT INFORMATION SECURITY MANAGEMENT POLICY

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INFORMATION SECURITY MANAGEMENT POLICY

1 INTRODUCTION

Abstract: *The main goal of a corporate information security policy is to protect data by defining procedures, guidelines and practices for configuring and managing information security in the corporate environment. It is imperative that the policy defines the organisation's philosophy and requirements for securing information assets. It is also important that the policy outlines how it will apply to corporate employees, processes and environments.*

Consequences for failed compliance must also be addressed. A successful information security policy provides several benefits to corporations. Enforceable policies ensure that vulnerabilities are identified and addressed—protecting business continuity and fortifying the Information Technology infrastructure. When employees throughout an organisation follow a security policy, ensuring that information is safely shared within the organisation as well as with external entities, partners and vendors, this mitigates corporate risk. Also, the heightened security awareness once the security policy is in place increases the likelihood of individual compliance.

1.1 What is information security?

Information, although generally intangible, is an asset like any other business asset and has a value to an organisation which consequently needs to be suitably protected; also, there are confidentiality and privacy issues (possibly legislated) that need to be considered. Information security is necessary to protect information from a wide range of potential threats in order to ensure business continuity, minimize business damage and maximize return on the considerable investment required to gather, maintain and process information.

Information exists in many forms. It can be printed or written on paper, stored electronically and transmitted by various means. Whatever form the information takes, it needs to be appropriately protected.

Information security is categorized as the preservation of

- (a) Confidentiality: ensuring that information is accessible only to those authorised to have access;
- (b) Integrity: safeguarding the accuracy and completeness of information and processing methods; *and*
- (c) Availability: ensuring that authorised users have access to information and associated assets when required.

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1.2 Why is information security needed?

Information and the supporting processes, systems and networks are important business assets. Confidentiality, integrity and availability of information may be essential to maintain cash flow, legal compliance and – of special significance in the Municipal context - service delivery.

Increasingly, organisations and their information systems and networks are faced with security threats from a wide range of sources, including computer-assisted fraud, sabotage, vandalism and natural disasters. Sources of damage such as computer viruses, “hacking” and denial of service attacks have become more common, more ambitious and increasingly sophisticated – to the extent that the Municipality must spend in excess of R250,000 p.a. on protective software simply to contain the risk.

Dependence on information systems and services means organisations are more vulnerable to security threats. The interconnection of public and private networks and sharing of information resources increases the difficulty of achieving access control.

Many older information systems were not designed to be secure (in part because at the time, the perceived threat was minimal). The security that can be achieved through technical means is limited, and must be supported by appropriate management and procedures. Identifying which controls should be in place requires careful planning and attention to detail. Information security management needs, as a minimum, participation by all employees in the organisation. It may also require participation from suppliers, customers and other stakeholders. Not surprisingly, information security controls are considerably cheaper and more effective if incorporated at the requirements specification and design stage.

1.3 Establishing security requirements

Identification of organisational security requirements is essential. There are three main sources:

- (d) Risk assessment: threats to assets are identified, vulnerability to and likelihood of occurrence is evaluated and potential impact is estimated.
- (e) Regulatory environment: the legal, statutory, regulatory and contractual requirements that the organisation must satisfy; *and*
- (f) Operations: the particular set of principles, objectives and requirements for information processing that the organisation has developed to support its business processes.

Lukhanji Adopted 2014/15 Budget Report

1.4 Assessing security risks

Security requirements must be identified through a process of methodical assessment of security risks. Expenditure on controls needs to be balanced against the business harm likely to result from security failures. Risk assessment techniques may need to be applied to the organisation as a whole, or to only parts thereof, as well as to individual information systems, specific system components or services where this is practicable, realistic and helpful.

Risk assessment is the systematic consideration of:

- (g) The business harm likely to result from a security failure, taking into account the potential consequences of a loss of confidentiality, integrity or availability of the information and other assets;
- (h) The realistic likelihood of such a failure occurring in the light of prevailing threats and vulnerabilities, and the controls currently implemented.

The results of such an assessment will determine the appropriate management action - and priorities - for managing information security risks, and for implementing controls selected to protect against these risks.

Periodic reviews of security risks and implemented controls are essential to:

- (i) Take account of changes to business requirements and priorities;
- (j) Consider new threats and vulnerabilities;
- (k) Confirm that controls remain effective and appropriate.

Assessment of risk is therefore not a singular event but a regular cycle that needs to be implemented and managed.

1.5 Selecting controls

Having identified the relevant security requirements, it is necessary to select and implement appropriate controls to ensure risks are reduced to known and acceptable levels.

Controls will, of necessity, be selected based on the cost of implementation in relation to the risks being reduced and the potential losses if a security breach occurs. Non-monetary factors, such as inability to deliver a service or the loss of reputation must also be taken into account.

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1.6 Information security starting point

Common best practice for information security management dictates the following essential controls:

(l) Controls essential to the organisation from a legislative viewpoint:

- (i) Data protection and privacy of personal information;
- (ii) Safeguarding of organisational records;
- (iii) Intellectual property rights.

(m) Controls for information security:

- (i) Information Security Management Policy document;
- (ii) Allocation of information security responsibilities;
- (iii) Information security education and training;
- (iv) Reporting procedures for security incidents;
- (v) Business continuity management.

These controls are generic and apply to most organisations and in most environments. While all controls are important, the relevance of any particular control must be determined in the light of the specific risks the Municipality faces, which must be determined through the process of risk assessment.

1.7 Critical success factors

There are many factors that contribute to the success – or otherwise – of the implementation of an information security management policy in an organisation. Among these are:

- (a) Security policy, objectives and activities that reflect business objectives;
- (b) An approach to implementing security that is consistent with the organisational culture;
- (c) Visible support and commitment from management;
- (d) A good understanding of the security requirements, risk assessment and risk management;
- (e) Effective marketing of security to all managers and employees;
- (f) Distribution of guidance on information policy and standards to all employees and contractors;

Lukhanji Adopted 2014/15 Budget Report

- (g) Providing appropriate training and education;
- (h) A comprehensive and balanced system of measurement which is used to evaluate performance in information security management and feedback suggestions for improvement.

2 SCOPE

The scope of this document is the definition of an Information Security Management Policy for the LUKHANJI Municipality insofar as it affects all aspects of information technology and use thereof, and related areas. Once accepted by the relevant management structures, this policy will determine how security issues are to be addressed, and provide the necessary regulatory infrastructure to facilitate implementation, maintenance and enforcement.

The scope of this policy applies to ALL users of computing facilities provided by the Municipality, including but not necessarily limited to councillors, officials, contractors, consultants, temporary staff, and where necessary students undergoing experiential training and authorised guests.

This policy covers **Acceptable Use**, **Personal Use** and **Prohibited Use** of the Municipality's facilities, encompassing (but not restricted to):

- (a) network infrastructure, including (but not exclusively) the physical infrastructure whether cable or wireless, together with network servers, firewall, connections, switches and routers;
- (b) network services, including (but not exclusively) internet access, web services, e-mail , wireless, messaging, telephony and facsimile services;
- (c) computing hardware, both fixed and portable, including (but not exclusively) personal computers, workstations, laptops, Personal Digital Assistants (PDAs), servers, printers, scanners, disc drives, monitors, keyboards, tablets and pointing devices; *and*
- (d) Software, including (but not exclusively) applications and information systems.

Lukhanji Adopted 2014/15 Budget Report

3 TERMS AND DEFINITIONS

For the purposes of this document, the following definitions apply.

3.1 Information security

Information security is concerned with the preservation of confidentiality, integrity and availability of information.

- (a) Confidentiality: ensuring that information is accessible only to those authorised to do so.
- (b) Integrity: safeguarding of the accuracy and completeness of information and processing methods.
- (c) Availability: ensuring that authorised users have access to information and associated assets when required.

3.2 The Municipality

In the context of this document, 'the Municipality' shall mean the **Lukhanji Local Municipality**.

3.3 Designated Authority

The term 'Designated Authority' as used in this policy means the **IT Manager** or his / her authorised delegate(s), who as an official of the Municipality is responsible for enforcing sanctions where necessary to safeguard the computing facilities of the Municipality through the prevention and detection of misuse of ICT facilities.

3.4 Management

For the purposes of this document, the term 'management' encompasses the Municipal Manager, Directors, Managers, and Supervisors, as further clarified by the context in which the term appears.

3.5 Risk assessment

The assessment of threats to, impacts on and vulnerabilities of information and information processing facilities and the likelihood of their occurrence.

Lukhanji Adopted 2014/15 Budget Report

3.6 *Risk management*

The process of identifying, controlling and minimizing or eliminating security risks that may affect information systems, at an acceptable cost.

Lukhanji Adopted 2014/15 Budget Report

4 SECURITY POLICY

4.1 INFORMATION SECURITY POLICY

Objective: *To provide management direction and support for information security.*

Management must set a clear policy direction; demonstrate support for, and commitment to, information security through the issuing and maintenance of a consistent information security policy throughout the organisation, including the enforcement thereof through appropriate disciplinary procedures and actions.

This document formalises the Municipality's policy on information security and the management thereof. In particular, Management:

- (i) affirms its support for and commitment to information security;
- (j) will ensure the policy is maintained in accordance with prevailing requirements;
- (k) will enforce application of the policy if necessary through application of the disciplinary procedures and measures at its disposal;
- (l) delegates the responsibility for day-to-day application of the information security policy to the IT Manager (or persons duly authorised to act in his/her stead), hereinafter referred to as the **Designated Authority**; and
- (m) will require regular reviews and evaluations to be conducted to assess the effectiveness of the policy in maintaining the requisite level of information security.

It is the policy of the Municipality:

- (a) to provide a working environment that encourages access to knowledge and sharing of information;
- (b) to maintain Information and Communication Technology (ICT) facilities for service delivery, management and administrative purposes;

Lukhanji Adopted 2014/15 Budget Report

- (c) that ICT facilities will be used with respect for the public trust through which they have been provided, and in accordance with prevailing laws and such regulations and policies established from time to time by the Council of the Municipality and other bodies; *and*
- (d) to ensure that the Municipality is protected by holding users responsible for safeguarding passwords and access identities. Passwords and identities must not be shared.

4.1.1 Acceptable use

It is the policy of the Municipality:

- (a) that the Municipality's ICT facilities are provided in support of the Municipality's service , delivery, management and administrative activities;
- (b) that the Municipality's ICT facilities may be used for any purpose that is in accordance with the aims and policies of the Municipality;
- (c) that only registered users (*i.e.* those holding valid *usernames* and *passwords*) or those given permission by the Designated Authority are permitted to use the Municipality's ICT facilities, in particular business applications.
- (d) that users are expected to:
 - (i) respect the rights of other users;
 - (ii) comply with all valid regulations and legislation covering the use of copyright and licensed material, including software, whether those regulations are made by law, or the originator of the material, or the distributor of the material, or the Municipality, or by any other legitimate authority;
 - (iii) make all reasonable efforts to send data that is 'virus free', and to protect themselves from viruses and hacking attempts when connected to the Municipality's network. The Municipality will not be held responsible for any damage to users' systems or information that occurs through such virus or hacking attacks; *and*
 - (iv) conform to all other relevant policies and guidelines.

Lukhanji Adopted 2014/15 Budget Report

4.1.2 Personal use

An individual's personal use of the Municipality's ICT facilities may fall within the scope of Acceptable Use, subject to the provisos in this document. It is the policy of the Municipality:

- (a) that provided personal use is occasional and reasonable and does not interfere with, nor detract from an individual's everyday work output or commitments, nor with the effective functioning of the Municipality or any part of it, and that such personal use complies with all other terms of this Acceptable Use Policy, then personal use will normally be tolerated; *however*,
- (b) the Municipality is not obligated in any way to provide access to ICT facilities for personal use and may withdraw access for this category of use at any time and without notice.

4.1.3 Unacceptable use

It is the policy of the Municipality to prohibit the use of its ICT facilities when used or attempted to be used intentionally in contravention of the general principles as outlined herein. The activities prohibited under this policy include (but are not restricted to) those listed below. Users shall not:

- (c) cause the good name and reputation of the Municipality or any part of it to be damaged or undermined;
- (d) create or transmit any offensive, pornographic, obscene or indecent images, data or other material, or any data capable of being resolved into obscene or indecent images or material. In this context, *offensive, pornographic, obscene or indecent* is regarded as being contrary to the generally accepted norms and values of the local community, or incompatibility with generally accepted business practices;
- (e) access, create, change, store, download or transmit material which the Municipality may deem to be threatening, defamatory, abusive, indecent, obscene, racist or otherwise offensive;
- (f) place links to websites which have links to, or display pornographic and inappropriate material, facilitate illegal or improper use, or to bulletin boards which

Lukhanji Adopted 2014/15 Budget Report

are likely to publish defamatory materials or discriminatory statements; or where copyright protected works such as computer software or music are unlawfully distributed;

- (g) allow the ICT facilities to be damaged or contaminated in any way;
- (h) interfere with the legitimate use by others of the ICT facilities, or interfere with or remove computer printout or media belonging to others;
- (i) send unwanted e-mail, chain letters, hoax virus warnings, pyramid letters or engage in similar schemes using the Municipality's e-mail system;
- (j) falsify e-mails to make them appear to have been originated from someone else;
- (k) make, use, possess, distribute, sell, hire or otherwise deal with any unauthorised copies of computer software for any purpose without the license of its owner;
- (l) install any software that is not licensed to the Municipality and / or install without authorisation, software licensed to the Municipality on any of the Municipality's computer systems under any circumstances;
- (m) transmit unsolicited unauthorised commercial or advertising material;
- (n) use the ICT facilities for commercial activities not related to the business of the Municipality or to gain personal commercial benefit;
- (o) use the ICT facilities for social or group distribution activities unless permission has been formally granted by the Designated Authority;
- (p) gain unauthorised access to facilities or services via the Municipal network;
- (q) allow others to gain such unauthorised access, either wilfully by disclosing usernames or passwords or neglectfully by failing to log out of the system, thereby permitting unauthorised use of Municipal facilities;

Lukhanji Adopted 2014/15 Budget Report

- (r) disseminate any material which may incite or encourage others to carry out unauthorised access to or unauthorised modification of the Municipality's or others' computer facilities or materials;
- (s) introduce and transmit material (including, but not restricted to, computer viruses, Trojan horses and worms) designed to be destructive to the correct functioning of computer systems, software, networks and data storage, or attempt to circumvent any precautions taken or prescribed to prevent this;
- (t) attempt to circumvent the Municipality's firewall systems, or use file-sharing systems (sometimes known as P2P or peer-to-peer) without first gaining the permission of the Designated Authority;
- (u) change, damage, dismantle, corrupt, or destroy (or cause to be changed, damaged, dismantled, corrupted or destroyed) any network component, equipment, software or data, or its functions or settings, which is the property of the Municipality, its partners, staff, vendors, guests, or anyone else, without the express permission of the Designated Authority;
- (v) cause any of the Municipality's ICT services to be overloaded, impaired, disrupted, curtailed or denied (other than in compliance with the direct instruction of the Designated Authority);
- (w) connect any non-approved computer network equipment (including wireless access points) to the Municipality's network without first gaining the written permission of the Designated Authority (this excludes normal and reasonable use of computer equipment connected to network points);
- (x) set up any network services (e.g. web servers, e-mail services *etc.*) unless formally authorised by the Designated Authority;
- (y) register any domain name which includes the name of the Municipality or any name which may mislead the public into believing that the domain name refers to the Municipality;

Lukhanji Adopted 2014/15 Budget Report

- (z) continue to use any item of networked hardware or software after a Designated Authority has requested that use ceases because of its causing disruption to the correct functioning of the Municipality's ICT facilities, or for any other instance of Unacceptable Use;
- (aa) fail to comply with any action directed by a Designated Authority to prevent or respond to any threats to the correct functioning of the Municipality's ICT facilities;
- (bb) create or transmit material that infringes the copyright of another person or institution, or infringes the copyright laws of the RSA and/or other countries;
- (cc) interfere with the legitimate activities of other users covered within the principles outlined in Acceptable Use above;
- (dd) otherwise act against the aims and purposes of the Municipality as specified in its rules, regulations, policies, and procedures adopted from time to time; *and*
- (ee) contravene applicable laws and prevailing regulations and policies applied by bodies external to the Municipality.

4.1.4 Prevention, detection and investigation of misuse

The Municipality retains the right to access all information held on its information and communications facilities, to monitor or intercept any system logs, web pages, e-mail messages, network account or any other data on any computer system owned by or connected to the networks of the Municipality. This will be for the purposes of preventing, detecting or investigating crime or misuse, ascertaining compliance with regulatory standards and Municipal policies, and / or to secure effective system operation. Monitoring of computer facilities usage may take place periodically and users must have no expectation of privacy.

The Municipality reserves the right to inspect and validate any items of Municipality-owned computer equipment connected to the network. Any other computer equipment

Lukhanji Adopted 2014/15 Budget Report

connected to the Municipality's network can be removed if it is deemed to be interfering with the operation of the network.

It is the policy of the Municipality:

- (n) to take swift and effective action within existing disciplinary and / or legislative frameworks against anyone found to be intentionally misusing the information and communications facilities;
- (o) in all cases where there is the potential for the Municipality's ICT facilities to be misused, it is the Municipality's policy to:
 - (i) record the identity of the individual using the specific facility at any given time;
 - (ii) retain these records for not less than three calendar months (or longer if required by *e.g.* the Archives act), and make them available to those management staff appointed by the Municipality to investigate complaints of misuse; *and*
 - (iii) destroy these records after twelve calendar months unless required in connection with a specific investigation or otherwise determined by specific legislation, *e.g.* Archives Act.

4.1.5 Sanctions

Where misuse of ICT facilities has been identified, the matter shall be investigated under the Municipality's appropriate disciplinary procedures. The Designated Authority shall be empowered to investigate cases of alleged misuse and where applicable to apply sanctions directly, or to refer individuals to their Supervisor / Manager for disciplinary action.

Any misuse which is in contravention of the law and / or which involves the intentional access to, or creation, storage or transmission of, material which may be considered indecent or obscene will be regarded as an act of gross misconduct.

Lukhanji Adopted 2014/15 Budget Report

Where there is evidence or reasonable suspicion of a criminal offence having been committed, the matter shall be reported to the South African Police Services (SAPS). The Municipality will co-operate with the police and other appropriate external agencies in the investigation of alleged offences.

4.1.6 Legislation

This policy is or may be subject to the provisions of the following acts and / or regulations associated therewith:

- (a) the Electronic Communications and Transactions Act (Act No. 25 of 2002);
- (b) the Promotion of Access to Information Act (Act No. 2 of 2000);
- (c) the National Archives and Records Service of South Africa Act (Act No. 43 of 1996 as amended);
- (d) the Municipal Finance Management Act (Act No. 56 of 2003) (the MFMA); *and*
- (e) the Promotion of Administrative Justice Act (Act No. 3 of 2000).

4.1.7 Other applicable policies

This policy is to be read in conjunction with other applicable municipal policies in force from time to time, for example:

- (a) Asset Disposal Policy, *and*
- (b) Electronic Mail Archival Policy.

Lukhanji Adopted 2014/15 Budget Report

4.2 ORGANISATIONAL SECURITY

4.2.1 Information security infrastructure

Objective: *To manage information security within the organisation.*

4.2.1.1 Management information security forum

Information security is a business responsibility shared by all managers. In practice, it is the responsibility of the Designated Authority to sensitize management to factors that affect information security and to propose initiatives to mitigate or contain threats to the information systems infrastructure. The Designated Authority **MUST** promote a culture of security consciousness within the organisation by:

- (a) reviewing and approving information security policies and overall responsibilities;
- (b) monitoring significant changes in the exposure of information assets to major threats;
- (c) reviewing and monitoring information security incidents; *and*
- (d) approving major initiatives to enhance information security.

4.2.1.2 Information security co-ordination

In a large organisation such as the municipality, a cross-functional forum of management representatives from relevant parts of the organisation may be necessary to co-ordinate the implementation of information security controls.

Typically, such a forum:

- (a) agrees specific roles and responsibilities for information security across the organisation;
- (b) agrees specific methods and processes for ensuring information security, *e.g.* risk assessment, security classification system;

Lukhanji Adopted 2014/15 Budget Report

- (c) agrees and supports organisation-wide information security initiatives, *e.g.* security awareness programmes;
- (d) ensures that security is part of the information planning process;
- (e) assesses the adequacy and co-ordinates the implementation of specific information security controls for new systems or services;
- (f) reviews information security incidents; *and*
- (g) promotes the visibility of business support for information security throughout the organisation.

4.2.1.3 Allocation of information security responsibilities

Responsibilities for the protection of individual assets and for carrying out specific security processes must be clearly defined and specific security roles and responsibilities allocated to individuals.

4.2.1.4 Authorization process for information processing facilities

A management authorization process for new information processing facilities should be established. In particular,

- (a) new facilities should have appropriate user management approval, authorizing their purpose and use;
- (b) hardware and software must be checked to ensure compatibility with other system components; *and*
- (c) the use of personal information processing facilities (*e.g.* a private notebook computer used by a consultant or contractor) must be authorized before connection to the Municipal network, to avoid introduction of unexpected vulnerabilities.

Lukhanji Adopted 2014/15 Budget Report

4.2.1.5 Specialist information security advice

Specialist information security advice should be obtained in cases where in-house capabilities are inadequate or where the introduction of new or unfamiliar technologies is contemplated.

4.2.1.6 Co-operation between organisations

Appropriate contacts with law enforcement agencies, regulatory bodies, information service providers and telecommunications operators should be maintained to ensure that appropriate advice can be obtained, and action taken quickly, in the event of a security incident. Exchanges of security information must be restricted to ensure that confidential information is not disclosed.

4.2.1.7 Independent review of information security

Independent reviews of the municipality's information security arrangements must be carried out on a regular basis, but at least once per year. Ideally this should be conducted by external auditors as part of the annual Data Centre Review and the findings reported to the Audit Committee. Random, unannounced "mini-reviews" should be conducted by the Internal Audit department **as capacity permits**.

- (a) agrees specific roles and responsibilities for information security across the organisation;
- (b) agrees specific methods and processes for ensuring information security, *e.g.* risk assessment, security classification system;
- (c) agrees and supports organisation-wide information security initiatives, *e.g.* security awareness programmes;
- (d) ensures that security is part of the information planning process;
- (e) assesses the adequacy and co-ordinates the implementation of specific information security controls for new systems or services;

Lukhanji Adopted 2014/15 Budget Report

(f) reviews information security incidents; *and*

(g) promotes the visibility of business support for information security throughout the organisation.

4.2.1.8 Allocation of information security responsibilities

Responsibilities for the protection of individual assets and for carrying out specific security processes must be clearly defined and specific security roles and responsibilities allocated to individuals

4.2.2 Security of third party access

Objective: *To maintain the security of organisational information processing facilities and information assets accessed by third parties.*

Access to the municipality's information processing facilities must be controlled. Where there is a justifiable business need for such third party access, a risk assessment should be conducted to determine security implications and control requirements.

4.2.2.1 Identification of risks from third party access

The type of access given to a third party is of special importance. For example, the risks of access across a network are different from risks resulting from physical access. Types of access that may be required are:

(a) Physical access, *e.g.* to offices, computer rooms, filing cabinets; *and*

(b) Logical access, *e.g.* to the municipality's information systems.

Access may be needed for a number of reasons. For example, third parties that provide services to the municipality but are not located on-site, such as:

Lukhanji Adopted 2014/15 Budget Report

- (a) hardware and software support staff, who need access to specialized system level or low level application functionality (such as the Electronic Help Desk);
and
- (b) organisations requiring information from the municipality on a regular basis, such as pension funds (contribution transactions) and insurance companies (premium payments).

Third parties that are located on-site for protracted periods may also give rise to security weaknesses. Access to information and information processing facilities by third parties must only be provided once appropriate controls have been applied and a contract or agreement signed defining the terms for the connection and access.

4.2.2.2 Security requirements in third party contracts

Arrangements involving third party access to Municipal information processing facilities should be based on a formal contract containing, or referring to, all the security requirements to ensure compliance with the municipality's security policies and standards.

The following terms should be considered for inclusion in the contract:

- (a) the general policy on information security;
- (b) asset protection, including:
 - (i) procedures to protect Municipal assets, including information and software;
 - (ii) procedures to determine whether any compromise of the assets, *e.g.* loss or modification of data, has occurred;

Lukhanji Adopted 2014/15 Budget Report

- (iii) controls to ensure the return or destruction of information and assets at the end of, or at an agreed point in time during, the contract;
 - (iv) integrity and availability; *and*
 - (v) restrictions on copying and disclosing information;
- (c) a description of each service to be made available;
- (d) the target level of service and unacceptable levels of service;
- (e) provision for the transfer of staff where appropriate;
- (f) the respective liabilities of the parties to the agreement;
- (g) responsibilities with respect to legal matters, *e.g.* data protection legislation;
- (h) intellectual property rights and copyright assignment, and protection of any collaborative work;
- (i) access control agreements, covering:
- (i) permitted access methods, and the control and use of unique identifiers such as usernames and passwords;
 - (ii) an authorization process for user access and privileges;
 - (iii) a requirement to maintain a list of individuals authorized to use the services being made available and what their rights and privileges are with respect to such use;
- (j) the definition of verifiable performance criteria, their monitoring and reporting;
- (k) the right to monitor, and revoke, user activity;
- (l) the right to audit contractual responsibilities or to have those audits carried out by a third party;

Lukhanji Adopted 2014/15 Budget Report

- (m) the establishment of an escalation process for problem resolution; contingency arrangements should also be considered where appropriate;
- (n) responsibilities regarding hardware and software installation and maintenance;
- (o) a clear reporting structure and agreed reporting formats;
- (p) a clear and specified process of change management;
- (q) any required physical protection controls and mechanisms to ensure those controls are followed;
- (r) user and administrator training in methods, procedures and security;
- (s) controls to ensure protection against malicious software;
- (t) arrangements for reporting, notification and investigation of security incidents and security breaches; *and*
- (u) involvement of the third party with subcontractors.

4.2.3 Outsourcing

Objective: *To maintain the security of information when the responsibility for information processing has been outsourced to another organisation.*

Outsourcing arrangements should address the risks, security controls and procedures for information systems, networks and / or desk top environments in the contract between the parties.

4.2.3.1 Security requirements in outsourcing contracts

The security requirements of the Municipality with regard to any outsourcing of the management and control of all or some of its information systems, networks and / or

Lukhanji Adopted 2014/15 Budget Report

desk top environments shall be reduced to writing in a contract agreed between the parties.

The contract should address:

- (a) how the legal requirements are to be met, e.g. data protection legislation;
- (b) what arrangements will be put in place to ensure that all parties involved in the outsourcing, including subcontractors, are aware of their security responsibilities;
- (c) how the integrity and confidentiality of the Municipality's business assets are to be maintained and tested;
- (d) what physical and logical controls will be used to restrict and limit the access to the Municipality's sensitive business information to authorized users;
- (e) how the availability of services is to be maintained in the event of a disaster;
- (f) what levels of physical security are to be provided for outsourced equipment;
and
- (g) the right of audit.

The contract should allow the security requirements and procedures to be expanded in a security management plan to be agreed between the two parties.

4.3 ASSET CLASSIFICATION AND CONTROL

4.3.1 Accountability for assets

Objective: *To maintain appropriate protection of organisational assets.*

All major information assets should be accounted for and have a nominated owner. Accountability for assets helps to ensure that appropriate protection is maintained.

Lukhanji Adopted 2014/15 Budget Report

4.3.1.1 Inventory of assets

The organisation **MUST** be able to identify its assets and the relative value and importance of these assets, in order to provide levels of protection commensurate with the value and importance thereof. Each asset must be clearly identified and its ownership and security classification agreed and documented, together with its current location. The following are examples of assets associated with information systems:

- (a) **information assets:** data bases and data files, system documentation, user manuals, training material, operational or support procedures, continuity plans, fallback arrangements, archived information;
- (b) **software assets:** application software, system software, development tools and utilities;
- (c) **physical assets:** computer equipment (processors, monitors, laptops, modems), communications equipment (routers, telephones, fax machines,), magnetic media (tapes and disks), other technical equipment (power supplies, air-conditioning units) furniture, accommodation; *and*
- (d) **services:** computing and communications services, general utilities, *e.g.* lighting, power, air-conditioning.

4.4 PERSONNEL SECURITY

4.4.1 Security in job definition and resourcing

Objective: *To reduce the risks of human error, theft, fraud or misuse of facilities.*

Security responsibilities should be addressed at the recruitment stage, included in contracts, and monitored during an individual's employment. Potential recruits should be adequately screened, especially for sensitive jobs. All employees and third-party users of information processing facilities should sign a confidentiality (non-disclosure) agreement.

4.4.1.1 Including security in job responsibilities

Security roles and responsibilities, as laid down in the information security management policy, should be documented where appropriate and include general as well as specific responsibilities for the protection of assets, and / or for the execution of particular security processes or activities.

Lukhanji Adopted 2014/15 Budget Report

4.4.1.2 Personnel screening and policy

Verification checks on permanent staff should be conducted at the job application stage and should include the following controls:

- (a) availability of satisfactory character references;
- (b) a check (for completeness and accuracy) of the applicant's *curriculum vitae*;
- (c) confirmation of claimed academic and professional qualifications, *and*
- (d) independent identity checks (passport or similar document).

Where a job, either on initial appointment or on promotion, involves the person having access to information processing facilities, and in particular if these are handling sensitive information or have financial implications, it is advisable to also carry out a credit check. For staff holding positions of considerable authority this check should be repeated regularly.

Similar screening processes should be conducted on contract or temporary staff.

Management must evaluate the supervision required for new and inexperienced staff with authorization **for access to sensitive systems**. The work of all staff must be subject to periodic review and approval procedures by more senior staff.

4.4.1.3 Confidentiality agreements

Confidentiality or non-disclosure agreements are used to give notice that information is confidential or secret. Employees should normally sign such an agreement as part of their initial terms and conditions of employment.

Casual staff and third-party user not already covered by an existing contract (containing the confidentiality agreement) should be required to sign a confidentiality agreement prior to being given access to information processing facilities.

Confidentiality agreements should be reviewed when there are changes to terms of employment or contract, particularly when employees are due to leave the municipality or contracts are due to end.

4.4.1.4 Terms and conditions of employment

The terms and conditions of employment should state the employee's responsibility for information security. Where appropriate, these responsibilities should continue for a defined period after the end of employment. The action to be taken if an employee disregards security requirements should be included.

The employee's legal responsibilities and rights, *e.g.* regarding copyright laws or data protection legislation, should be clarified and included within the terms and conditions of employment. Wherever appropriate, terms and conditions of employment should state that these responsibilities are extended

Lukhanji Adopted 2014/15 Budget Report

outside the municipality's premises and outside normal working hours, e.g. in the case of work done at home or while travelling.

4.4.2 User training

Objective: *To ensure that users are aware of information security threats and concerns, and are equipped to support organisational security policy in the course of their normal work.*

Users should be trained in security procedures and the correct use of information processing facilities to minimize possible security risks.

4.4.2.1 Information security education and training

All employees and where relevant, third-party users, should be required to undergo appropriate training and regular updates in organisational policies and procedures in so far as these impact on security requirements, legal responsibilities and business controls, as well as training in the correct use of information processing facilities, particularly where changes have been introduced.

4.4.3 Responding to security incidents and malfunctions

Objective: *To minimize the damage from security incidents and malfunctions, and to monitor and learn from such incidents.*

Incidents affecting information security must be reported immediately through appropriate management channels to mitigate potential damage. All employees and where applicable, third-party contractors, must be made aware of the procedure for reporting security incidents, in particular to enable evidence thereof to be collected and secured. Formal disciplinary processes should be established to deal with employees who commit security breaches.

4.4.3.1 Reporting security incidents

Security breaches must be reported through appropriate management channels as quickly as possible. All incidents **MUST** be reported to the IT Manager.

4.4.3.2 Reporting security weaknesses

Users of information services should be encouraged to note and report any observed or suspected security weaknesses in, or perceived threats to, systems or services. Such matters should be reported as quickly as possible, either through the user's own management channels, or directly to the IT

Lukhanji Adopted 2014/15 Budget Report

Manager. For their own protection, users must not attempt to 'prove' a suspected weakness, as doing so might be interpreted as a potential misuse of the system.

4.4.3.3 Reporting software malfunctions

Software malfunctions should be reported as quickly as possible, so that potential damage arising from such malfunction can be mitigated and so that any relevant evidence thereof can be collected and secured. This as mentioned above are reported to the IT Manager.

NOTE: In all cases, as much evidence as possible must be collected and recorded to assist in rapid diagnosis and resolution of the problem. The following actions (depending on the severity and impact of the problem) should be taken:

- (a) a description of the symptoms of the problem and any messages appearing on the screen should be noted;
- (b) the computer should be isolated, if possible, and use thereof should be stopped;
and
- (c) the problem should be reported to the IT staff.

4.5 Physical and Environment Security

4.5.1 Equipment security

Objective: *To prevent loss, damage, or compromising of assets and interruption to business activities.*

Equipment must be physically protected from security threats and environmental hazards. Protection of equipment (including that used off-site, e.g. notebook computers) is necessary to reduce the risk of unauthorized access to data and to protect against loss or damage. This should also consider siting and disposal. Special controls may be required to protect against hazards or unauthorized access, and to safeguard supporting facilities, such as the electrical supply and cabling infrastructure.

4.5.1.2 Equipment siting and protection

Equipment must be sited or protected to reduce risks from environmental threats and hazards, and opportunities for unauthorized access. The following controls must be considered:

- (a) equipment must be sited to minimize unnecessary access into work areas;

Lukhanji Adopted 2014/15 Budget Report

- (b) information processing and storage facilities handling sensitive data must be positioned to reduce the risk of overlooking during their use;
- (c) items requiring special protection must be isolated to reduce the general level of protection required;
- (d) controls must be adopted to minimize the risk of potential threats including:
 - (i) theft;
 - (ii) fire;
 - (iii) explosives;
 - (iv) smoke;
 - (v) water (or supply failure);
 - (vi) dust;
 - (vii) vibration;
 - (viii) chemical effects;
 - (ix) electrical supply interference (or supply failure); *and*
 - (x) electromagnetic radiation;
- (e) smoking is generally covered by applicable legislation: where this may be interpreted as not being applicable, smoking in the proximity of information processing facilities is expressly prohibited;
- (f) over and above provisions that may be contained in the Conditions of Service, the use of alcohol (or other forms of substance abuse) in secure areas or in the proximity of information processing facilities is expressly prohibited;
- (g) consumption of food or beverages in secure areas or in the proximity of information processing facilities should be discouraged where possible.
- (h) environmental conditions that could adversely affect the operation of information processing facilities must be monitored;
- (i) the use of special protection methods, such as keyboard membranes, should be considered for equipment used in hostile environments; *and*
- (j) the impact of a disaster happening in nearby premises, *e.g.* a fire in a neighbouring building, water leaking from the roof or in floors below ground level or an explosion in the street should be considered.

Lukhanji Adopted 2014/15 Budget Report

4.5.1.3 Power supplies

Key equipment must be protected from power failures and other electrical anomalies. A suitable electrical supply conforming to the equipment manufacturer's specifications must be assured. To do so may require one or more of the following:

- (a) multiple feeds to avoid a single point of failure in the power supply;
- (b) uninterruptible power supply (UPS); *and/or*
- (c) backup generation facilities.

A UPS to support orderly shutdown or continuous running is necessary for equipment supporting business-critical operations. Contingency plans must cover the action to be taken in the event of failure of the UPS. UPS equipment must be regularly checked to ensure adequate capacity and tested in accordance with the manufacturer's recommendations.

A backup generator should be considered if processing must continue in case of prolonged power outage. If installed, procedures must be implemented to regularly test generators in accordance with the manufacturer's recommendations. An adequate supply of fuel should be available to ensure that the generator can function for prolonged periods. Due consideration must be taken when siting such facilities, particularly with regard to fuel supply and replenishment thereof, to minimize possible risks to information processing facilities.

Emergency power switches must be located near emergency exits in equipment rooms to facilitate rapid power down in case of an emergency. Emergency lighting should be provided in case of main power failure. Lightning protection may be necessary in certain buildings and lightning protection filters should be fitted to all external communications lines.

4.5.1.4 Cabling security

Power and telecommunications cabling carrying data or supporting information services must be protected from interception or damage. The following controls should be considered:

- (a) power and telecommunications lines into information processing facilities should be underground, where possible, or subject to adequate alternative protection;
- (b) network cabling should be protected from unauthorized interception, or damage, through for example the use of conduit or by avoiding routes through public areas;
- (c) power cables should be segregated from communications cables to prevent electromagnetic interference; *and*

Lukhanji Adopted 2014/15 Budget Report

- (d) for sensitive or critical systems, further controls to consider include:
 - (i) installation of armoured conduit and locked rooms or boxes at inspection and termination points;
 - (ii) Use of alternative routings or transmission media;
 - (iii) use of fibre optic cabling; *and*
 - (iv) initiation of sweeps for unauthorized devices being attached to cables.

4.5.1.5 Equipment maintenance

Equipment must at all times be correctly maintained to ensure continued availability and integrity, compliance with warranty provisions and protection of the municipality's investment. The following controls must be considered:

- (a) equipment must be maintained in accordance with the manufacturer's recommendations according to the manufacturer's recommended service intervals and specifications;
- (b) only authorized maintenance personnel may carry out repairs and service equipment;
- (c) records should be kept of all suspected or actual faults and all preventive and corrective maintenance; *and*
- (d) appropriate procedures and controls must be applied when equipment leaves Municipal premises for maintenance (in particular, the confidentiality and security of data that may be stored in the equipment must be considered). Also, stringent recording procedures must be applied in order to track the whereabouts of the equipment.

4.5.1.6 Security of equipment off-premises

Regardless of ownership, the use of any equipment outside of municipal premises for information processing should be authorized by management particularly when access to the municipal network or servers is available via such equipment. The security provided should be equivalent to that for on-site equipment used for the same purpose, taking into account the risks associated with working outside the municipality's premises. Information processing equipment includes all forms of personal computers, personal digital assistants (PDAs), organizers, mobile phones, paper or other form, which is held for home working or being transported away from the normal work location. The following controls must be considered:

- (a) equipment and media taken off the premises must not be left unattended in public places. Portable computers should be carried as hand luggage on aircraft and disguised where possible when travelling. Under no circumstances should equipment be left in view in a vehicle;

Lukhanji Adopted 2014/15 Budget Report

- (b) manufacturer's instructions for protecting equipment against exposure to strong electromagnetic fields, heat, *etc.* must be observed at all times; *and*
- (c) any insurance cover implications need to be addressed.

4.5.1.7 Secure disposal or re-use of equipment

Information security can be compromised through careless disposal or re-use of equipment. Storage devices containing sensitive information should be physically destroyed or securely overwritten, rather than simply using the standard 'delete' function which effectively resets the file size to zero without destroying the data. In cases of extreme sensitivity, it may be necessary to overwrite the disk up to seven times to ensure that the data is unrecoverable.

Final disposal of information processing equipment, in common with all municipal movable assets, is subject to the provisions of the Asset Management Policy.

4.5.2 General controls

Objective: *To prevent compromising or theft of information and information processing facilities.*

Information and information processing facilities must be protected from disclosure to or modification by unauthorized persons, or theft. Effective controls must be implemented to minimize the risk of loss or damage.

4.5.2.1 Clear desk and clear screen policy

It is recommended that "clear desk" and "clear screen" practices become the norm at all municipal premises, so that removable media and information contained in paper reports are not visible or accessible to unauthorized persons. Information storage media left on desks is also more likely to be damaged in the event of a disaster such as fire, flood or explosion. The following controls should be considered and implemented where appropriate:

- (a) paper documents and computer media should be stored in suitable locked cabinets and/or other forms of security furniture when not in use, especially outside of working hours;
- (b) sensitive or critical business information should be locked away (ideally in a fire-resistant safe or cabinet) when not required, especially when the office is vacated;
- (c) personal computers and computer terminals must not be left logged on when unattended and should be protected by key locks, screensavers with passwords or other controls when unattended;

Lukhanji Adopted 2014/15 Budget Report

- (d) personal computers and computer terminals must not be left switched on overnight. The normal switch on and “boot up” process also carries out certain housekeeping functions that are necessary for optimum functioning; *and*
- (e) sensitive or classified information, when printed, should be cleared from printers immediately. Persons who regularly need to print such documents should consider a personal printer rather than using shared facilities, where appropriate.

4.5.2.3 Removal of property

Equipment, information or software must not be taken off-site without proper authorization. Where necessary and appropriate, equipment should be logged out and logged back in when returned. Spot checks should be undertaken at random to detect unauthorized removal of property. Staff should be made aware that such spot checks will be conducted.

Lukhanji Adopted 2014/15 Budget Report

4.5 COMMUNICATIONS AND OPERATIONS MANAGEMENT

4.5.1 System planning and acceptance

Objective: *To minimise the risk of system failures.*

Planning and preparation are essential to ensure the availability of adequate capacity and resources. Projections of future capacity requirements should be made regularly to reduce the risk of system overload. The operational requirements of new systems should be established, documented and tested prior to their acceptance and use.

4.5.1.1 Capacity planning

Capacity demands should be monitored and projections of future capacity requirements made to ensure that adequate processing power and storage are available. These projections must take into account new business and system requirements and current trends in the municipality's information processing.

The main application servers require particular attention because costs and lead times tend to be significant. Key resources must be monitored regularly and trends analysed.

4.5.1.2 System acceptance

Acceptance criteria for new information systems, upgrades and new versions must be established, and suitable tests conducted prior to acceptance. Such criteria must be clearly defined, agreed, documented and tested. The following controls should be considered:

- (a) performance and computer capacity requirements;
- (b) error recovery and restart procedures, and contingency plans;
- (c) preparation and testing of routine operating procedures to defined standards;
- (d) agreed set of security controls in place;
- (e) effective manual procedures;

Lukhanji Adopted 2014/15 Budget Report

- (f) evidence that installation of the new system will not compromise existing systems, particularly at peak processing times;
- (g) evidence that consideration has been given to the effect that the new system will have on the overall security of the organisation; *and*
- (h) training in the operation or use of the new system.

4.5.2 Protection against malicious software

Objective: *To protect the integrity of software and information.*

Increasingly, it is necessary to take special precautions to detect and prevent the introduction of malicious software (or “malware”). Information processing facilities are vulnerable to the introduction of malicious software such as computer viruses, network worms, Trojan horses and logic bombs. Users must be made aware of the dangers of unauthorized software, particularly where such software is easily downloadable from the internet.

4.5.2.1 Controls against malicious software

Detection and prevention controls to protect against malicious software, and appropriate user awareness procedures must be implemented. Protection against malicious software must be based on security awareness, appropriate system access and change management controls. The following controls should be applied:

- (a) enforcement of compliance with software licences and installation of software;
- (b) installation and regular update of anti-virus and anti-spyware detection and repair software;
- (c) conducting regular reviews of the software and data content of systems supporting critical business processes. The presence of any unapproved files or unauthorized amendments must be formally investigated;
- (d) checking of any files on electronic media of uncertain or unauthorized origin, or files received over untrusted networks, for viruses before use;
- (e) checking any electronic mail attachments and downloads for malicious software before use;
- (f) management procedures and responsibilities to deal with the virus protection on systems, training in their use, reporting and recovering from virus attacks;
- (g) appropriate business continuity plans for recovering from virus attacks, including all necessary data and software backup and recovery arrangements; *and*

Lukhanji Adopted 2014/15 Budget Report

- (h) procedures to verify all information relating to malicious software, and ensure that warning bulletins are accurate and informative. Managers must ensure that qualified sources, e.g. reputable journals, reliable internet sites or anti-virus software vendors, are used to differentiate between hoaxes and real viruses. Staff should be made aware of the problem of hoaxes and what to do on receipt of them.

4.5.3 Housekeeping

Objective: *To maintain the integrity and availability of information processing and communication services.*

Routine procedures must be in place to carry out the agreed backup strategy, taking backup copies of data and rehearsing timely restoration, logging events and faults and, where appropriate, monitoring the equipment environment.

4.5.3.1 Information backup

Backup copies of essential business information and software must be taken regularly. Adequate backup facilities must be provided to ensure that all business information and software can be recovered following a disaster or media failure. Backup arrangements for individual systems must be regularly tested to ensure that they meet the requirements of the business continuity plan

4.5.4 Network management

Objective: *To ensure the safeguarding of information in networks and the protection of the supporting infrastructure.*

4.5.4.1 Network controls

A range of network controls is necessary to achieve and maintain security in computer networks. Network controllers must implement controls to ensure the security of data in networks, and the protection of connected services from unauthorized access. In particular, the following controls must be enforced:

- (a) operational responsibility for networks must be separated from computer operations;
- (b) responsibilities and procedures for the management of remote equipment, including equipment in user areas, must be established and communicated;
- (c) where necessary, special controls must be established to safeguard the confidentiality and integrity of data passing over public networks, and to protect the connected systems. Special

Lukhanji Adopted 2014/15 Budget Report

controls may also be required to maintain the availability of the network services and computers connected; *and*

- (d) management activities should be closely co-ordinated both to optimize the service to the business and to ensure that controls are consistently applied across the information processing infrastructure.

4.5.5 Exchanges of information and software

Objective: *To prevent loss, modification or misuse of information exchanged between organisations.*

Exchanges of software between the municipality and external organisations must be controlled and compliant with relevant legislation. Exchanges should be done on the basis of formal agreements with procedures and standards implemented to protect information and media in transit. The business and security implications associated with electronic data interchange, electronic commerce and electronic mail must be considered.

4.5.5.1 Information and software exchange agreements

Agreements, preferably formal and reduced to writing in a Service Level Agreement (SLA) are required for the exchange of information (whether electronic or manual) between the municipality and external bodies. The security content of such an agreement should reflect the sensitivity of the information involved. Agreements on security should include:

- (a) management responsibilities for controlling and notifying transmission, dispatch and receipt;
- (b) procedures for notifying sender, transmission, dispatch and receipt;
- (c) minimum technical standards for packaging and transmission;
- (d) courier identification standards;
- (e) responsibilities and liabilities in the event of loss of data;
- (f) use of an agreed labelling system for sensitive or critical information, ensuring that the meaning of labels is immediately understood and that the information is appropriately protected;
- (g) information and software ownership and responsibilities for data protection, software copyright compliance and similar considerations;
- (h) technical standards for recording and reading information and software; *and*
- (i) any special controls that may be required to protect sensitive items, such as cryptographic keys.

Lukhanji Adopted 2014/15 Budget Report

4.5.5.2 Security of electronic mail

Electronic mail is increasingly being used for routine business communications, replacing traditional forms of communication such as telex, facsimile transmission and letters. Electronic mail differs from traditional forms of business communication by, for example, its speed, message structure, degree of informality and vulnerability to unauthorized access.

(a) Security risks

Consideration must be given to the need for controls to reduce risks created by electronic mail.

These include:

- (i) vulnerability of messages to unauthorized access or modification or denial of service;
- (ii) vulnerability to error, *e.g.* incorrect addressing or misdirection, and the general reliability and availability of the service;
- (iii) impact of a change of communication media on business procedures, *e.g.* the effect of increased speed of dispatch or the effect of sending formal messages from person to person rather than organisation to organisation;
- (iv) legal considerations, such as the potential need for proof of origin, dispatch, delivery and acceptance;
- (v) implications of publishing externally accessible staff lists; *and*
- (vi) controlling remote user access to electronic mail accounts.

(b) Policy on electronic mail

The municipality is in the process of drawing up a clear policy regarding the use of electronic mail. From an Information Security Management perspective, the policy will have to address:

- (i) attacks on electronic mail, *e.g.* viruses, interception;
- (ii) protection of electronic mail attachments;
- (iii) guidelines on when *not* to use electronic mail;
- (iv) employee responsibility not to compromise the municipality, *e.g.* sending defamatory electronic mail, use for harassment, unauthorized purchasing;
- (v) use of cryptographic techniques to protect the confidentiality and integrity of electronic messages;
- (vi) retention of messages which, if stored, could be discovered in case of litigation;

Lukhanji Adopted 2014/15 Budget Report

- (vii) compliance with the provisions of the Archives Act governing retention and disposal of messages; *and* additional controls for vetting messaging which cannot be authenticated.

4.6 ACCESS CONTROL

4.6.1 Business requirement for access control

Objective: *To control access to information.*

Access to information, and business processes, must be controlled on the basis of business and security requirements.

4.6.1.1 Access control policy

(a) Policy and business requirements

Business requirements for access control must be defined and documented. Access control rules and rights for each user or group of users must be clearly stated in an access policy statement. Users and service providers must be given a clear statement of the business requirements to be met by access controls.

The policy should take account of the following:

- (i) security requirements of individual business applications;
- (ii) identification of all information related to the business applications;
- (iii) policies for information dissemination and authorization, *e.g.* the need to know principle and security levels and classification of information;
- (iv) consistency between the access control and information classification policies of different systems and networks;
- (v) relevant legislation and any contractual obligations regarding protection of access to data or services;
- (vi) standard user access profiles for common categories of job; *and*
- (vii) management of access rights in a distributed and networked environment which recognizes all types of connections available.

(b) Access control rules

In specifying access control rules, cognisance should be taken of the following:

Lukhanji Adopted 2014/15 Budget Report

- (i) differentiating between rules that must always be enforced and rules that are optional or conditional;
- (ii) establishing rules on the premise “What must be generally forbidden unless expressly permitted” rather than the weaker rule “Everything is generally permitted unless expressly forbidden”;
- (iii) changes in information labels that are initiated automatically by information processing facilities and those initiated at the discretion of the user;
- (iv) changes in user permissions that are initiated automatically by the information system and those initiated by an administrator; *and*
- (v) rules which require administrator or other approval before enactment and those which do not.

4.6.2 User access management

Objective: *To prevent unauthorised access to information systems.*

Formal procedures must be in place to control the allocation of access rights to information systems and services. The procedures must cover all stages in the life-cycle of user access, from the initial registration of new users to the final de-registration of users who no longer require access to information systems and services. Special attention must be given, where appropriate, to the need to control the allocation of privileged access rights, which allow users to override system controls.

4.6.2.1 User registration

The formal user registration and de-registration procedure is the *System Request*, supplemented by user profile information on the prescribed form. The registration process includes:

- (a) assignment of a unique *username* identifying the user and by which the user can be held accountable;
- (b) assignment of a temporary, one-shot password for the specific purpose of allowing the user to create his/her own password;
- (c) granting of appropriate access rights as specified by the *System Request*, either directly or by associating the user with the relevant user group(s); *and*
- (d) maintaining formal records of all persons registered to use the facilities.

Where necessary, users are de-registered in similar fashion.

Lukhanji Adopted 2014/15 Budget Report

4.6.2.2 Privilege management

Multi-user systems that require protection against unauthorized access must have the allocation of privileges controlled through a formal authorization process. The following must be taken into consideration:

- (a) the privileges associated with each system object, *e.g.* operating system, data base management system and each application, and the categories of staff to which they need to be allocated must be identified;
- (b) privileges must be allocated to individuals on a need-to-use basis and on an event-by-event basis, *i.e.* the minimum requirement for their functional role and only when needed;
- (c) an authorization process and a record of all privileges allocated must be maintained, and privileges must not be granted until the authorization process is complete; *and*
- (d) the development and use of system routines should be promoted to avoid the need to grant privileges to users.
- (e) privileges such as *approvals* and *authorizations* should be subject to a password different from the normal sign on password.

4.6.2.3 User password management

Passwords are the means by which a user's identity is authenticated in order to allow access to an information system or service. The allocation of passwords must be controlled through a formal management process, encompassing the following:

- (a) users must be required to sign (either on paper or electronically) an undertaking to keep personal passwords confidential and work group passwords (where these exist) solely within the members of the group;
- (b) users must preferably be required to maintain their own passwords, *i.e.* they are initially provided with a temporary, "one-shot" password that only allows the user to create his/her own password and confers no application access rights; *and*
- (c) temporary, "one-shot" passwords provided when users forget their passwords must only be supplied following positive identification of the user.

4.6.2.4 Review of user access rights

To maintain effective control over access to data and information services, business management must conduct regular formal reviews of users' access rights. The following are recommended:

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- (a) users' access rights should be reviewed at regular intervals (a period of six months is recommended) and after any changes in the organisation structure;
- (b) authorizations for special privileged access rights (*e.g. approvals and authorizations*) should be reviewed more frequently (a period of three months is recommended); *and*
- (c) privilege allocations should be checked at random intervals to ensure that unauthorized privileges have not been obtained.

4.6.3 User responsibilities

Objective: *To prevent unauthorised user access.*

The co-operation of users is essential for effective security. Users must be made aware of their responsibilities for maintaining effective access controls, particularly regarding the use of passwords and the security of user equipment.

4.6.3.1 Password use

Users must be educated to follow good security practices in the selection and use of passwords. Passwords provide a means of validating a user's identity and thus to establish access rights to information processing facilities or services. Users must be advised to:

- (a) keep passwords confidential;
- (b) avoid keeping a paper record of passwords, unless this can be stored securely;
- (c) change passwords whenever there is any indication of possible system or password compromise;
- (d) select quality passwords with a minimum length of six characters which are:
 - (i) easy to remember;
 - (ii) not based on anything somebody else could easily guess or obtain using person-related information, *e.g. names, telephone numbers, birth dates, etc.; and*
 - (iii) free of consecutive identical characters or all-numeric or all-alphabetical groups.

Where ever possible, password criteria should be enforced by program code.

- (e) change passwords at regular intervals or based on the number of accesses (passwords conferring higher privileges should be changed more frequently than normal passwords) and avoid re-using or cycling old passwords. Where possible, this should be enforced by program code;
- (f) change temporary passwords at the first log-on. This should also be enforced by program code;

Lukhanji Adopted 2014/15 Budget Report

- (g) not include passwords in any automated log-on process, e.g. stored in a macro or function key;
and
- (h) never share passwords.

4.6.3.2 Unattended user equipment

Users must ensure that unattended equipment has appropriate protection. Equipment stored in user areas, e.g. workstations, may require specific protection from unauthorized access when left unattended for an extended period. All users - and contractors – must be made aware of the security requirements and procedures for protecting unattended equipment, as well as their responsibilities for implementing such protection. Users should be advised to:

- (a) terminate active sessions when finished, unless they can be protected by an appropriate locking mechanism, e.g. a password protected screen saver; *and*
- (b) secure PCs or terminals from unauthorized use by a key lock or an equivalent control, e.g. password access, when not in use.

4.6.4 Network access control

Objective: *To protect networked services.*

Access to both internal and external networked services must be controlled. This is to ensure that users who have access to networks and network services do not compromise the security of these network services. It is therefore necessary to:

- (a) ensure appropriate interfaces are established between the municipality's network(s) and networks owned by other organisations, or public networks;
- (b) implement appropriate authentication mechanisms for users and equipment; *and*
- (c) maintain control over user access to information services.

4.6.4.1 Policy on use of network services

Insecure connections to network services can affect the whole municipality. Users should only be provided with direct access to the services that they have been specifically authorized to use. This control is particularly important for network connections to sensitive or critical business applications or to users in high-risk locations, e.g. users in public or external areas that are outside of the municipality's security management and control.

It is therefore necessary to determine and / or implement the following:

Lukhanji Adopted 2014/15 Budget Report

- (a) the network(s) and network service(s) which may be accessed;
- (b) authorization procedures for determining who is allowed to access the network(s) and network service(s);
- (c) management controls and procedures to protect the access to the network connections and network services.

4.6.4.2 Enforced path

The path from the user terminal to the computer service needs to be controlled. Networks are designed to allow maximum scope for sharing of resources and flexibility of routing, but these very features may sometimes provide opportunities for unauthorized access to business applications, or unauthorized use of information facilities. Incorporating controls that restrict the route between a user terminal and the computer services its user is authorized to access, e.g. by creating an enforced path, can reduce such risks.

The objective of an enforced path is to prevent any user selecting routes outside the route between the user terminal and the services that the user is authorized to access.

This usually requires the implementation of a number of controls at different points in the route. The principle is to limit the routing options at each point in the network, through predefined choices. Examples of this are as listed below and the appropriate mechanism must be selected and implemented where required:

- (a) allocating dedicated lines or telephone numbers;
- (b) automatically connecting ports to specified application systems or security gateways;
- (c) limiting menu and submenu options for individual users;
- (d) prevention of unlimited network roaming;
- (e) enforcing the use of specified application systems and / or security gateways for external network users;
- (f) actively controlling allowed source to destination communications via security gateways, e.g. firewalls; *and*
- (g) restricting network access by setting up separate logical domains, e.g. virtual private networks, for user groups within the municipality.

4.6.4.3 User authentication for external connections

External connections provide a potential for unauthorized access to information, e.g. via dial-up methods. It is therefore necessary to apply mechanisms to mitigate this risk. The most common method

Lukhanji Adopted 2014/15 Budget Report

is through the use of dial-back modems, where users trying to establish a connection are authenticated and then “called-back” on a predetermined telephone number associated with that user.

4.6.4.4 Node authentication

A facility for connection to a remote computer could provide a way of gaining unauthorized access to an application. Connections to remote computers should therefore be authenticated.

4.6.4.5 Remote diagnostic port protection

Access to diagnostic ports must be securely controlled. Many computers and communications systems are equipped with a dial-up remote diagnostic facility for use by maintenance engineers. Such ports must be protected by appropriate security mechanisms and procedures to ensure they are only accessible by arrangement between the appropriate official within the municipality (generally the Assistant Director: Technical Services or as delegated) and the hardware / software support personnel requiring access.

4.6.4.6 Segregation in networks

Networks are increasingly being extended beyond traditional organisational boundaries, as business partnerships are formed that may require the interconnection or sharing of information processing and networking facilities. Such extensions might increase the risk of unauthorized access and methods to mitigate such risks must be considered.

One possible approach is to split a large network into separate logical network domains, *e.g.* the municipality’s internal network domains and external network domains, each protected by a defined security perimeter. Such a perimeter can be implemented by installing a secure gateway between the two networks to be interconnected to control access and information flow between the two domains. This gateway should be configured to filter traffic between these domains and to block unauthorized access in accordance with the access control policy. An example of this type of gateway is what is commonly referred to as a firewall.

4.6.4.7 Network connection control

Access control policy requirements for shared networks, especially those extending across organisational boundaries, may require the incorporation of controls to restrict the connection capability of users. Such controls can be implemented through network gateways that filter traffic by means of pre-defined tables or rules. The restrictions applied should be based on the access policy and requirements of the applications, and should be maintained and updated regularly.

Applications to which restrictions should be applied are:

- (a) electronic mail;

Lukhanji Adopted 2014/15 Budget Report

- (b) one-way file transfer;
- (c) two-way file transfer;
- (d) interactive access; *and*
- (e) network access linked to time of day or date.

4.6.4.8 Network routing control

Shared networks, especially those extending across organisational boundaries, may require the incorporation of routing controls to ensure that computer connections and information flows do not breach the access control policy.

Routing controls should be based on positive source and destination address checking mechanisms. Network address translation is also a very useful mechanism for isolating networks and preventing routes to propagate from the network of one organisation into the network of another. This can be implemented in hardware or software but cognisance must be taken of the relative strengths of the mechanisms considered.

4.7 BUSINESS CONTINUITY MANAGEMENT

4.7.1 Aspects of business continuity management

Objective: *To counteract interruptions to business activities and to protect critical business processes from the effects of major failures or disasters.*

A business continuity management process must be implemented to reduce the potential for disruption caused by disasters and security failures (which may be the result of, for example, natural disasters, accidents, equipment failures, and deliberate actions) to an acceptable level through a combination of preventative and recovery controls.

The consequences of disasters, security failures and loss of service should be analysed. Contingency plans must be developed and implemented to ensure that essential business processes can be

Lukhanji Adopted 2014/15 Budget Report

restored within the required timescales. Such plans must be maintained and practised to become an integral part of all other management processes.

Business continuity management must include controls to identify and reduce risks, limit the consequences of damaging accidents, and ensure the timely resumption of essential operations.

4.7.1.1 Business continuity management process

A managed process for developing and maintaining business continuity throughout the municipality needs to be in place. It should bring together the following key elements of business continuity management:

- (a) understanding the risks the municipality is facing in terms of their likelihood and their impact, including an identification and prioritization of critical business processes;
- (b) understanding the impact which interruptions are likely to have on the municipality's business – both smaller incidents and more serious incidents that could threaten the viability of the municipality – and establishing the business objectives of information processing facilities;
- (c) considering the purchase of suitable insurance which may form part of the business continuity process;
- (d) formulating and documenting a business continuity strategy consistent with the agreed business objectives and priorities;
- (e) formulating and documenting business continuity plans in line with the agreed strategy;
- (f) regular testing and updating of the plans and processes put in place; *and*
- (g) ensuring that the management of business continuity is incorporated in the municipality's processes and structure.

4.7.1.2 Business continuity and business analysis

Business continuity should begin by identifying events that can cause interruptions to business processes, e.g. equipment failure, flood and fire. This should be followed by a risk assessment to determine the impact of those interruptions, both in terms of damage scale and recovery period. Both of these activities should be carried out with the full involvement of the owners of business resources and processes. This assessment must consider all business processes and not be limited to the information processing facilities.

Depending on the results of the risk assessment, a strategy plan should be developed to determine the overall approach to business continuity. Once this plan has been created, it must be endorsed by management.

Lukhanji Adopted 2014/15 Budget Report

4.7.1.3 Writing and implementing continuity plans

Plans must be developed to maintain or restore business operations in the required time scales following interruption to, or failure of, critical business processes. The business continuity planning process should consider the following:

- (a) identification and agreement of all responsibilities and emergency procedures;
- (b) implementation of emergency procedures to allow recovery and restoration in required time scales. Particular attention needs to be given to the assessment of external business dependencies and the contracts in place;
- (c) documentation of agreed procedures and processes;
- (d) appropriate education of staff in the agreed emergency procedures and processes including crisis management; *and*
- (e) testing and updating of the plans.

4.7.1.4 Business continuity planning framework

A single framework of business continuity plans should be maintained to ensure that all plans are consistent, and to identify priorities for testing and maintenance. Each business continuity plan should specify clearly the conditions for its activation, as well as the individuals responsible for executing each component of the plan. When new requirements are identified, established emergency procedures, *e.g.* evacuation plans or any existing fallback arrangements, should be amended as appropriate.

A business continuity planning framework should consider the following:

- (a) the conditions for activating the plans which describe the process to be followed (how to assess the situation, who is to be involved, *etc.*) before each plan is activated;
- (b) emergency procedures which describe the actions to be taken following an incident which jeopardizes business operations and/or human life. This should include arrangements for public relations management and for effective liaison with appropriate public authorities, *e.g.* police.
- (c) fallback procedures which describe the actions to be taken to move essential business activities or support services to alternative temporary locations, and to bring business processes back into operation in the required time scales;
- (d) resumption procedures which describe the actions to be taken to return to normal business operations;
- (e) a maintenance schedule which specifies how and when the plan will be tested, and the process for maintaining the plan;

Lukhanji Adopted 2014/15 Budget Report

- (f) awareness and education activities which are designed to create understanding of the business continuity processes and ensure that the processes continue to be effective; *and*
- (g) the responsibilities of the individuals, describing who is responsible for executing which component of the plan. Alternates should be nominated as required.

Each plan should have a specific owner. Emergency procedures, manual fallback plans and resumption plans should be within the responsibility of the owners of the appropriate business resources or processes involved. Fallback arrangements for alternative technical services, such as information processing and communications facilities, should usually be the responsibility of the service providers.

4.7.1.5 Testing, maintaining and re-assessing business continuity plans

(a) Testing the plans

Business continuity plans may fail on being tested, often because of incorrect assumptions, oversights, or changes in equipment or personnel. They should therefore be tested regularly to ensure that they are up to date and effective. Such tests should also ensure that all members of the recovery team and other relevant staff are aware of the plans.

The test schedule for business continuity plans should indicate how and when each element of the plan should be tested. It is recommended to test the individual components of the plans frequently. A variety of techniques should be used in order to provide assurance that the plans will operate in real life. These should include:

- (i) 'desk top testing' of various scenarios (discussing the business recovery arrangements using example interruptions);
- (ii) simulations (particularly for training people in their post-incident/crisis management roles);
- (iii) technical recovery testing (ensuring information systems can be restored effectively);
- (iv) testing recovery at an alternate site (running business processes in parallel with recovery operations away from the main site);
- (v) tests of supplier facilities and services (ensuring externally provided services and products will meet the contracted commitment); *and*
- (vi) complete rehearsals (testing that the organisation, personnel, equipment, facilities and processes can cope with interruptions).

Lukhanji Adopted 2014/15 Budget Report

(b) Maintaining and re-assessing the plans

Business continuity plans should be maintained by regular reviews and updates to ensure their continuing effectiveness. Procedures should be included within the municipality's change management programme to ensure that business continuity matters are appropriately addressed.

Responsibility should be assigned for regular reviews of each business continuity plan; the identification of changes in business arrangements not yet reflected in the business continuity plans should be followed by an appropriate update of the plan. This formal change control process should ensure that the updated plans are distributed and reinforced by regular reviews of the complete plan.

Examples of situations that might necessitate updating plans include the acquisition of new equipment, or upgrading of operational systems and changes in:

- (i) personnel;
- (ii) addresses or telephone numbers;
- (iii) business strategy;
- (iv) location, facilities and resources;
- (v) legislation;
- (vi) contractors, suppliers and key customers;
- (vii) processes, or new/withdrawn ones; *and*
- (viii) risk (operational and financial).

4.7.1.6 Identification of applicable legislation

All relevant statutory, regulatory and contractual requirements should be explicitly defined and documented for each information system. The specific controls and individual responsibilities to meet these requirements should be similarly defined and documented.

4.7.1.7 Intellectual property rights

(a) Copyright

Appropriate procedures must be implemented to ensure compliance with legal restrictions on the use of material in respect of which there may be intellectual property rights, such as copyright, design rights and trade marks. Copyright infringement can lead to legal action which may involve criminal proceedings.

Lukhanji Adopted 2014/15 Budget Report

Legislative, regulatory and contractual requirements may place restrictions on the copying of proprietary material. In particular, they may require that only material that is developed by the organisation, or that is licensed or provided by the developer to the organisation, can be used.

(b) Software Copyright

Proprietary software products are usually supplied under a licence agreement that limits the use of the products to specified machines and may limit copying to the creation of backup copies only. The following controls should be considered:

- (i) publishing a software copyright compliance policy which defines the legal use of software and information products;
- (ii) issuing standards for acquisition of software products;
- (iii) maintaining awareness of the software copyright and acquisition policies, and giving notice of the intent to take disciplinary action against staff who breach them;
- (iv) maintaining appropriate asset registers;
- (v) maintaining proof and evidence of ownership of licences, master disks, manuals, *etc.*
- (vi) implementing controls to ensure that any maximum number of users permitted is not exceeded;
- (vii) carrying out checks that only authorized software and licensed products are installed;
- (viii) providing a policy for maintaining appropriate licence conditions;
- (ix) providing a policy for disposing of or transferring software to others;
- (x) using appropriate audit tools; *and*
- (xi) complying with terms and conditions for software and information obtained from public networks.

4.7.1.8 Safeguarding of organisational records

Important records of any organisation must be protected from loss, destruction and falsification. Some records may need to be securely retained to meet statutory or regulatory requirements, as well as to support essential business activities. Examples of this are records that may be required as evidence that an organisation operates within statutory or regulatory rules, or to ensure adequate defence against potential civil or criminal action, or to confirm the financial status of the organisation. The time period and data content for information retention is prescribed by the *National Archives act* (the National Archives and Records Service of South Africa Act (Act No. 43 of 1996 as amended)). Records must be categorized into record types, e.g. accounting records, data base records, transaction logs, audit logs and operational procedures, each with details of retention periods and type of storage

Lukhanji Adopted 2014/15 Budget Report

medium, e.g. paper, microfiche, magnetic or optical media. Any related cryptographic keys associated with encrypted archives or digital signatures must be kept securely and made available to authorized persons when needed.

Consideration must be given to the possibility of degradation of media used for storage of records; e.g. magnetic tape media must not be recycled beyond the number of passes specified by the manufacturer. Storage and handling procedures must be implemented strictly in accordance with the manufacturer's recommendations.

Where electronic storage media are chosen, procedures to ensure the ability to access data (both media and format readability) throughout the retention period must be included, to safeguard against loss due to future technology change. *This may require the retention of certain equipment (and software) beyond its economical lifespan and has financial, maintenance and accommodation implications.*

Data storage systems should be chosen such that required data can be retrieved in a manner acceptable to a court of law, e.g. all records required can be retrieved in an acceptable timeframe and in an acceptable format.

The system of storage and handling must ensure clear identification of records and of their statutory or regulatory retention period. It should permit appropriate destruction of records after that period if they are not needed by the organisation.

To meet these obligations, the following steps should be considered and implemented as deemed appropriate:

- (a) guidelines should be issued on the retention, storage, handling and disposal of records and information;
- (b) A retention schedule should be drawn up identifying essential record types and the period of time for which they should be retained; *and*
- (c) An inventory of resources should be implemented to protect essential records and information from loss, destruction and falsification.

4.7.1.9 Data protection and privacy of personal information

The provisions of the *Electronic Communications and Transactions Act (Act 25 of 2002)* regarding the controls placed on the processing and transmission of personal data (generally information on living individuals who can be identified from that information) may impose duties on those collecting, processing and disseminating personal information.

Compliance with data protection legislation requires appropriate management structures and controls. In the municipality, this function is filled by the Corporate Records Manager, assisted by one or more Deputy Records Managers. The Director: Municipal Information Systems is designated as a Deputy

Lukhanji Adopted 2014/15 Budget Report

Records Manager to ensure that electronic records, including e-mails, are properly managed, protected and appropriately preserved.

4.7.1.10 Prevention of misuse of information processing facilities

The information processing facilities of the municipality are provided for business purposes. Management should authorize their use. Any use of these facilities for non-business or unauthorized purposes, without management approval, should be regarded as improper use of the facilities. If such activity is detected by monitoring or other means, it should be brought to the attention of the individual manager concerned for appropriate disciplinary action. However, where a Designated Authority detects or has a *bona fide* suspicion of activities that may compromise the security or integrity of the information systems, that person must take immediate action to mitigate adverse effects. The Designated Authority shall not be impeded in any way from taking such action as may be deemed necessary to safeguard the information processing assets of the municipality.

4.7.1.11 Regulation of cryptographic controls

Cognisance must be taken of any legislation pertaining to cryptographic controls.

4.7.1.12 Collection of evidence

(a) Rules for evidence

It is necessary to have sufficient evidence to support an action against an individual or an organisation. In the case of internal disciplinary matters, the evidence necessary will be determined by internal procedures.

Where the action involves the law, either civil or criminal, the evidence presented should conform to the rules for evidence laid down in the relevant law or in the rules of the specific court in which the case will be heard. In general, these rules cover:

- (i) Admissibility of evidence: whether or not the evidence can be used in court;
- (ii) Weight of evidence: the quality and completeness of the evidence; *and*
- (iii) Adequate evidence that controls have operated correctly and consistently (*i.e.* process control evidence) throughout the period that the evidence to be recovered was stored and processed by the system.

(b) Admissibility of evidence

To achieve admissibility of the evidence, the municipality must ensure that its information systems comply with any published standard or code of practice for the production of admissible evidence.

Lukhanji Adopted 2014/15 Budget Report

(c) Quality and completeness of evidence

To achieve quality and completeness of the evidence, a strong evidence trail is needed. In general, such a strong trail can be established under the following conditions:

- (i) For paper documents: the original is kept securely and it is recorded who found it, where it was found, when it was found and who witnessed the discovery. Any investigation should ensure that the originals are not tampered with;
- (ii) For information on computer media: copies of any removable media, information on hard disks or in memory should be taken to ensure availability. The log of all actions during the copying process should be kept and the process should be witnessed. One copy of the media and the log should be kept securely.

When an incident is first detected, it may not be obvious that it will result in possible court action. Therefore, the danger exists that necessary evidence is destroyed accidentally before the seriousness of the incident is realized. It is advisable to involve the municipality's Legal Section and / or Internal Audit and Risk Management early where the possibility of legal action arises and take advice on the evidence required.

4.7.2 Reviews of security policy and technical compliance

Objective: To ensure compliance of systems with organisational security policies and standards.

The security of information systems must be reviewed regularly. Such reviews should be performed against the appropriate security policies and the infrastructural platforms and information systems should be audited for compliance with security implementation standards.

4.7.2.1 Compliance with security policy

Management must ensure that all security procedures within their respective areas of responsibility are followed correctly. In addition, all areas within the municipality should be considered for regular review to ensure compliance with security policies and standards. These should include the following:

- (a) information systems;
- (b) systems providers;
- (c) owners of information and assets;
- (d) users; *and*
- (e) management.

Lukhanji Adopted 2014/15 Budget Report

Owners of information systems should support regular reviews of the compliance of their systems with the appropriate security policies, standards and any other security requirements, including monitoring of system usage.

4.7.2.2 Technical compliance checking

Information systems should be checked regularly for compliance with security implementation standards. Technical compliance checking involves the examination of operational systems to ensure that hardware and software controls have been correctly implemented. This type of compliance checking usually requires specialist technical assistance and should be performed manually (supported by appropriate software tools, if necessary) by an experienced system engineer or by an automated software package that generates a technical report for subsequent interpretation by a technical specialist.

Any technical compliance check should only be carried out by, or under the direct supervision of, competent, authorized persons.

4.7.3 System audit considerations

Objective: To maximise the effectiveness of and to minimise interference to/from the system audit process.

Controls are necessary to safeguard operational systems and audit tools during system audits. Protection is also necessary to safeguard the integrity and prevent misuse of audit tools.

4.7.3.1 System audit controls

Audit requirements and activities involving checks on operational systems must be carefully planned and agreed to minimize the risk of disruptions to business processes. The following should be observed:

- (a) audit requirements should be agreed with appropriate management;
- (b) the scope of the checks should be agreed and controlled;
- (c) the checks must be limited – as far as possible - to read-only access to software and data;
- (d) access other than read-only should only be allowed for isolated copies of system files, which should be erased once the audit is completed;
- (e) Municipal Information Systems (MIS) resources for performing the checks should be explicitly identified and made available;
- (f) requirements for special or additional processing should be identified and agreed;

Lukhanji Adopted 2014/15 Budget Report

(g) all access should be monitored and logged to produce a reference trail; *and*

(h) all procedures, requirements and responsibilities should be documented.

4.7.3.2 Protection of system audit tools

Access to system audit tools, *i.e.* software or data files, should be protected to prevent any possible misuse or compromise. Such tools should be separated from development and operational systems and not held in tape libraries or user areas, unless given an appropriate level of additional protection.

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DRAFT:

IT TECHNICAL SUPPORT POLICY

Lukhanji Adopted 2014/15 Budget Report

1. PURPOSE

It is the purpose of this policy to establish ethical guidelines for the use of the Municipality IT assets and computing facilities.

(IT assets include component hardware and software and these entail servers, workstations, switches, routers, hubs, bridges, printers, fax machines and photocopiers, cell phones, e-mail, Internet, modems, firewalls, operating systems, applications software, business applications, municipal data and information)

2. SCOPE

The scope of the policy is for broad municipal usage and it applies to the municipal's contingent workforce (all employees) as well as non-municipal hardware/software contractors, vendors, suppliers and any stakeholders that provide services to the Municipality and that bring into contact with the Municipality Information Technology (IT) infrastructure.

3. PRINCIPLES

The Municipality encourages the use of IT facilities to make work processes more efficient and effective. The guidelines shall attempt to provide a workplace in which employees are allowed to flourish in a highly productive environment and where high standard of morality, ethics, fairness and integrity exist.

Adherence to these guidelines by all municipal employees protect the right of all workers with regards to privacy and freedom of expression, and guarantees that the Municipality operates in a manner consistent with legal and ethical practices.

The municipal IT assets, infrastructure and equipment remain the property of the Municipality at all times. The Municipality provides these facilities in order to improve the productivity of employees in the course of executing their job functions.

The municipal IT facilities are intended to be for business purposes only and not for private/personal work. The access to and use of Municipality IT facilities is a privilege and not a right.

Lukhanji Adopted 2014/15 Budget Report

Every employee has a responsibility to maintain and enhance the Municipality's public image and to use the Municipality's IT facilities in a productive manner.

4. ROLE OF THE INFORMATION TECHNOLOGY (IT) MANAGER

4.1 No new computers, printers, and/or any computer equipment shall be bought without approval and authorization from the IT Manager.

4.2 No software package is to be purchased and loaded without the approval and authorization from the IT Manager.

4.3 The IT Manager **MUST ALWAYS** be advised of :-

4.3.1 All computer faults before anyone or any service provider from outside is called to fix the problem.

4.3.2 Any computer equipment which is being moved from one location to another.

5. ACCEPTABLE USE POLICY – DESKTOPS AND LAPTOPS

This policy defines end-user acceptable use of municipal IT equipment. The policy applies to desktops, laptops, printers, and other equipment provided by the Municipality. Anyone that uses municipal equipment including employees, vendors, contractors, and visitors, must adhere to this policy. Acceptable use applies to proper care, handling and maintenance of equipment as well as following documented security policies relating to equipment use.

5.1 User Responsibilities

Users shall use municipal - provided IT equipment responsibly and for municipal business purposes only. Appropriate use policies are:-

5.1.1 Active desktops and laptops may not be left unattended for prolonged periods of time. Users should secure their workstation when leaving the workstation unattended.

5.1.2 Municipal information displayed on screens or on reports shall be treated as confidential and private. Users must guard municipal information from unauthorized access or use. Any employee-signed confidentiality agreement shall fully apply to information accessed with municipal IT equipment.

Lukhanji Adopted 2014/15 Budget Report

5.1.3 Managers are responsible to ensure that their employees are adequately trained on appropriate use of IT equipment and that they adhere to this policy.

5.1.4 Users may not grant access to non-employees, including vendors or contractors, without approval of their manager or approval by the IT Department.

5.1.5 Users shall keep their equipment clean and free from dust. Users shall maintain “breathing space” around equipment in accordance with equipment installation instructions.

5.1.6 Users shall not eat or drink at their workstation.

5.1.7 Desktop acceptable use policies apply equally to portable devices, including laptops, notebooks and cell phones.

5.1.8 All acceptable use policies apply equally to non-municipal provided equipment if the equipment accesses municipal information or municipal networks.

5.1.9 Users who access municipal information and computer systems from remote locations must adhere to this policy.

5.1.10 Municipal-provided equipment shall be kept in a secure manner so that the employee’s household members and others do not have access to the device when not in the office.

5.1.11 Users should not store municipal information or files locally only. The use of shared or network drives for all municipal information is required.

5.1.12 Users are responsible for backing up files stored on their desktop or laptop. The Municipality does not provide backups at the desktop level.

5.2 Prohibited practices

Any activity, action, or lack of action on the part of a user that damages the municipality or compromises security or confidentiality is prohibited.

Examples of prohibited practices include:-

5.2.1 Installing new desktops or equipment without prior approval by the IT Department.

5.2.2 Upgrading equipment or adding peripheral equipment without prior approval of the IT Department.

5.2.3 Downloading and/or installing programs that are not specifically approved by the IT Department.

5.2.4 Using unlicensed software. Users may not copy and share

Lukhanji Adopted 2014/15 Budget Report

software that is installed on their desktops or laptops with other users.

5.2.5 Using programs or Internet web sites that compromise the privacy of customers or employees.

5.2.6 Removing or compromising desktop virus protection programs.

5.2.7 Opening email attachments that are inappropriate or from someone you do not know.

5.2.8 Using municipal-provided IT equipment for non-business reasons or for personal gain.

5.2.9 Unauthorized attempts to break into any workstation.

5.2.10 Unauthorized access to municipal files, programs, databases, or confidential information.

5.2.11 Sending or posting confidential files to unauthorized persons.

5.2.12 Failing to fully cooperate with IT security investigations.

5.2.13 Allowing co-workers or other users to use your desktop without approval of your manager or by the IT Department.

5.2.14 Sharing password information or displaying it in plain view on or around your desktop. Users must secure their passwords and not reveal them to others.

Lukhanji Adopted 2014/15 Budget Report

6. ACCEPTABLE USE POLICY – EMAIL

This policy defines end-user acceptable use of municipal-provided email services.

This policy applies equally to on-site usage as well as remote usage of municipal email.

When using municipal email, users shall follow these guidelines:-

6.1 User Responsibilities

6.1.1 E-mail users shall use e-mail in accordance with general communications policies of the Municipality.

6.1.2 Municipal-provided e-mail generally shall be used for business communications only. Users may use municipal e-mail for personal communication as authorized by their department manager.

6.1.3 Users understand and agree that they shall not have a right to privacy when using municipal e-mail or municipal assets for electronic communications, even if those communications are of a personal nature.

6.1.4 Departmental heads and/or the Human Resources Department should immediately advise the IT Department of any resignations so that their e-mail and business application access credentials are disabled (terminated) for security reasons.

6.2 Prohibited Practices

6.2.1 Users should not open e-mails or e-mail attachments from persons unknown to them. Opening of unknown or suspicious attachments can have serious consequences for the Municipality in terms of viruses or computer worms. Users should contact the IT Department if there is even a slight concern about an e-mail attachment.

6.2.2 Users should not respond to spam e-mails or unsolicited advertisements. Responding will multiply the amount of spam received.

Lukhanji Adopted 2014/15 Budget Report

Unsolicited e-mails should be deleted or reported to the IT Department.

6.2.3 Users may not use e-mail to solicit employees for any purpose, including charitable purposes, without the written approval of their department manager.

6.2.4 Users may not forward or promote spam or joke e-mails, and particularly may not send spam or joke e-mails to group e-mail addresses.

6.2.5 Users should not access, create, display, download, save or transmit threatening, racist, sexist, obscene, offensive, annoying or harassing language and/or materials such as broadcasting unsolicited messages or sending unwanted mail.

6.2.6 Users may not use e-mail for purposes that violate legal or Municipality policies regarding gambling, hate, pornography, or other inappropriate purposes.

7. ACCEPTABLE USE POLICY – INTERNET

This policy defines end-user acceptable use of municipal-provided Internet access. This policy applies equally to non-municipal provided Internet access made while on municipality premises.

When using Internet, users shall follow these guidelines:-

7.1 User Responsibilities

7.1.1 Municipal-provided Internet access generally shall be used for business purposes only. Users may use Internet for personal reasons as authorized by their municipal department manager.

7.1.2 The IT Department shall be responsible for installing and updating anti-virus software on all computers. Users will be responsible for weekly or monthly desktop scanning which is normally required to eradicate spyware and latent viruses.

7.1.3 Users understand and agree that they shall not have a right to

Lukhanji Adopted 2014/15 Budget Report

privacy when using Internet on municipal-provided equipment.

7.1.4 Users understand and agree that the Municipality may severely limit access, including the use of controls that prevent access to sites deemed inappropriate by the Municipality. The Municipality has the right to monitor and control Internet usage at its sole discretion.

7.1.5 Users agree that the Municipality will decide which websites can be accessed using the guidelines provided by the service provider. This will be monitored on an ongoing basis and amended from time to time as required.

7.1.6 Website can automatically be blocked by the service provider if the site is exposed from a security perspective or if the site is used for inappropriate purposes.

7.2 Prohibited Practices

When using Internet, users must follow these guidelines:-

7.2.1 Users should not download software or images unless they are from a trusted source, and then only if authorized by the IT Department. Opening of unknown or suspicious programs or images can have serious consequences for the Municipality in terms of viruses or computer worms. Users should contact the IT Department before they download any files from the Internet.

7.2.2 Users should not provide their e-mail address when registering at a website unless the web site has a clear policy that they will protect e-mail privacy.

7.2.3 Users should not use the Internet for on-line radio or television access without permission from the IT department. Sites that provide streaming content have a significant impact on network resources and impact network performance and responsiveness.

7.2.4 Users may not use Internet for purposes that violate legal or municipal policies regarding gambling, hate, pornography, or other inappropriate purposes.

Lukhanji Adopted 2014/15 Budget Report

7.2.5 Users shall not access, create, display, download, save or transmit any text, file picture, graphic or sound clip or engage in any conference that includes material which is obscene, libelous, indecent, vulgar, profane, and lewd or which advertises any product or service not permitted to minors by law.

7.2.6 Users shall not engage in activities that damage hardware or software, disrupt communication, waste systems resources, or overload networks with excessive data.

7.2.7 Users shall not access chat rooms to carry out non-business related matters.

8. ACCEPTABLE USE POLICY – BUSINESS APPLICATIONS

This policy defines end-user acceptable use of municipal business application software. This policy applies to all software identified by the municipality as a business application. Financial Management application software (Venus, eVenus), Electrical Systems vendor software, are examples of business applications. Anyone that uses municipal business applications including employees, vendors, contractors, and visitors, must adhere to this policy.

8.1 User Responsibilities

Users shall use municipal-provided application software responsibly and for municipal business purposes only. Appropriate use policies are:-

8.1.1 All IT Infrastructure Acceptable Use Policies fully apply to application software usage. This includes the requirement that active desktops and laptops may not be left unattended for prolonged periods of time. Users should secure their workstation when leaving the workstation unattended. **(See Section 5)**

8.1.2 Municipal information display on equipment or on reports shall be treated as confidential and private. Users must guard municipal information from unauthorized access or use. Any employee-signed confidentiality agreement shall fully apply to information accessed with

Lukhanji Adopted 2014/15 Budget Report

municipal IT Equipment.

8.1.3 Managers are responsible to ensure that their employees are adequately trained/educated on appropriate use of municipal software applications and that they adhere to this policy.

8.1.4 Managers are responsible to assure that users have adequate access to applications, but do not have access that is inappropriate for their job function or otherwise represents an unnecessary security risk for the municipality.

8.1.5 Users may not grant access to non-employees, including vendors or contactors, without approval of their manager or approval by the IT Department.

8.1.6 Users who access municipal information and computer systems from remote locations must adhere to this policy.

8.1.7 Users should promptly report software problems or apparent defects to their manager. Managers should work with the municipal software primary contact to determine if the issue is software related, and if so, how best to have it fixed.

8.2 Prohibited Practices

Any activity, action, or lack of action on the part of a user that damages the municipality or compromises security or confidentiality is prohibited.

Examples of prohibited practices include:-

8.2.1 Installing new software applications without prior approval by the IT Department. This includes downloading software from the Internet, even if there is no charge for the software. Downloading applications for evaluation purposes is also prohibited unless approved in advance by the IT Department.

8.2.2 Sharing passwords with other users. Users shall not post or display their passwords where they can be seen by others.

8.2.3 Attempting to access applications without approval. Employees shall not attempt to gain access or hack into an application that they are not authorized to access.

8.2.4 Using unlicensed software. Users may not copy and share

Lukhanji Adopted 2014/15 Budget Report

software that is installed on their desktops or laptops with other users.

8.2.5 Using programs or Internet web sites that compromise the privacy of customers, patients, or employees.

8.2.6 Unauthorized access to municipal files, programs, databases, or confidential information.

8.2.7 Sending or posting confidential files to unauthorized persons.

8.2.8 Failing to fully cooperate with IT security investigations.

9.

COMPLIANCE

Management in conjunction with the IT administrator(s) of the Municipality may deem it necessary to search any computer drive or file system for alleged violation of this policy. Violations will be noted and reported. The Municipality retains the right to randomly monitor and intercept all Employee communication, regardless of whether they are of a business or personal nature, including but not limited to e-mail and Internet usage. Whenever an IT administrator is on-site at a branch or any satellite location, he or should test at random, compliance levels at the individual desktop level.

The monitoring of communications on the municipal IT infrastructure is not a “witch-hunting” exercise. It is necessary for the support and maintenance of this valuable infrastructure.

Users should report inappropriate e-mails, usage, handling or any policy violations to the IT Department immediately.

Lukhanji Adopted 2014/15 Budget Report

Note: Any Employee who abuses the privilege of Municipality facilitated access to IT will be subject to corrective action. Any action (on IT facilities, computer equipment, business applications, e-mail or the Internet) that may expose the Municipality to risks of unauthorized access to data, disclosure of information, illegal liability, or potential system failure is prohibited and may result in disciplinary action up to and including termination of employment and/or criminal prosecution. If necessary, the Municipality also reserves the right to advise appropriate legal officials of any illegal violations. Employees that violate this policy will be disciplined and may be dismissed/terminated for serious or multiple violations.

10. COMMUNICATING THE IT TECHNICAL SUPPORT POLICY

- 10.1 Copies of the IT policy shall be provided to all Heads of Departments who will then review the policy with all employees in their respective departments.
- 10.2 A copy of the IT Policy shall be sent via e-mail to each current employee of the Municipality, and shall include as final, a form for acceptance to the terms of this policy.
- 10.3 Each employee of the Municipality shall sign and date the acceptance form, and shall return the form to the Human Resources Department for retention in employee records.
- 10.4 The final draft of this policy shall be included within the company's "handbook" of company's policies, and shall be presented to all newly hired employees at the start of their employment.
- 10.5 Acceptance of the IT Policy by a new employee shall be denoted by signing and dating the acceptance form and returning the form to the Human Resources department for retention in employee records.
- 10.6 The municipal employee, who contracts for services provided by software contractors, or vendors/suppliers providing services to the Municipality, is responsible for providing the contractor/vendor/supplier with a copy of these policies before any access to Company IT/ facilities/assets is granted
- 10.7

Lukhanji Adopted 2014/15 Budget Report

11. AMENDING THE IT TECHNICAL SUPPORT POLICY

11.1 The Municipality reserves the right to amend these policies and practices at any time without prior notice and to take such further actions as may be necessary or appropriate to ensure compliance.

11.2 The Municipality's IT Technical Support Policy shall be reviewed annually to comply with applicable state, local government laws, regulations and policies that govern the workplace.

11.3 Amendments to the IT Technical Support Policy shall be reviewed and approved by IT Steering Committee as designated by relevant Municipal authority.

11.4 The amended draft of the policy shall be legally reviewed and approved before the amended policy is considered to be a municipal policy.

11.5 The Municipality shall publish the amended IT Usage Policy in the workplace to ensure that all employees are notified of the amendments to the policy.

11.6 Copies of the newly amended policy shall be given to all Heads of Departments of the Municipality who will then review the policy with all employees from their respective departments