



**Lukhanji Municipality  
BUDGET STRATEGY AND  
EXPENDITURE FRAMEWORK**

**FOR**

**2015/16 – 2017/18**

**ADOPTED MAY 28, 2015**



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## 2. Mayor's Report

STATE OF MUNICIPALITY ADDRESS - 2015

**LUKHANJI: 15 YEARS INTO DEMOCRACY**

**“BACK TO BASICS - CREATING OPPORTUNITIES FROM CHALLENGES”**

Honourable Speaker,  
Executive Mayor of CHDM  
Chief Whip of Council  
Members of the Mayoral Committees of Lukhanji and CHDM Councils  
Fellow Councillors,  
Traditional Leadership  
Acting Municipal Manager and Directors, Officials,  
Leaders of government departments  
SAMWU and IMATU Leadership  
Members from the Community, Ward Committees and CDW's  
Representatives from the media houses  
Ladies and Gentleman

Good Morning...

Today I stand before you to present to you the final IDP, Budget and related policies to the Council elected in 2011 and by so doing, also reflect on the state of our municipality as it is. I have to admit that it is a bittersweet occasion. It is a time to celebrate accomplishments, but it is also a reminder that time is running out to do more. I love Lukhanji! I love the people who live here, and that love has been the driving force behind every decision I've made since I assumed office in August 2013.

2015 marks 15 years of democratic local governance in South Africa. As a community and nation at large, we are yet again approaching elections - this time around, the all-important fifth democratic local government elections due to take place next year. As is customary to any election, be that national or local, we are bound to be showered with an abundance of political philosophies on what is best for our country, our province and indeed our localities. However, all these philosophies, popularly known as manifestos, will as they always do, have one central theme in common - the creation of better living conditions for South Africans. If we think about it clearly, we will come to the realisation that it will all just be about local government.

It makes perfect sense because Local Government is actually that sphere of government best placed to exert considerable influence over the social well-being of local communities. After all, it is Municipalities who are responsible for water, electricity and roads, the control and use of land as well as creating conditions for investment and therefore new jobs.

It is perhaps fitting at this time, as we celebrate 15 years of local democracy, to pause and take stock on what democracy and freedom brought to us as a community. To be objective about this, and to place it into context, we need to reflect on where we as a nation and community were during the years preceding the inauguration of the first democratically elected president of South Africa, Mr Nelson Rolihlahla Mandela way back in 1994.

We would be displaying a complete lack of judgement and common sense amidst all the hullabaloo of marking this 20 year milestone, if we now were to claim suffering from amnesia about the inhumane conditions many in our community had to live under in the pre-1994 era. It was in the foreword to a compilation of essays written by former "Robben Islanders" - *Reflections in Prison* - that another great South African, Archbishop Tutu, reminded us about the consequences of doing that by using the famous words of George Santayana, and I quote: "*Those who forget the past, are doomed to repeat it*". Unquote.

Bishop Tutu, advises us to *“acknowledge our past”* and to *“resolve never to let the awful parts of it happen again”*.

It is against this backdrop that I wish to remind each and every one that we have emerged from a period where the authoritarian regime at the time was challenged by individuals and movements in search of a more democratic form of governance, the consequences of which need no refreshment in memory.

We are coming from an era where we have seen a remarkable persistence from many sectors in our community in forcing the governments of the day - South Africa, Transkei and Ciskei - to comply with popular demands for political inclusivity. Today, 20 years on, we can pride ourselves in the fact that, if nothing else, nobody can deny that we have achieved that ideal. An ideal many of us, our parents and their forefathers strived for – inclusive governance. I believe that we have moved beyond the theory of mere political inclusivity. Over the past 20 years, particularly here in Lukhanji, we have embraced and cultivated the concept of participatory democracy. This in short, fellow Councillors, Honourable Guests, Distinguished members of the community, are the motivations behind our decision to host this event here in ILinge, in the open, and not confined within the four walls of a Council Chamber. This process belongs to all of us and not just a few elected individuals.

It is because of the successes we have achieved in the area of participatory governance that democracy - in concept, if not in reality - has gained new popularity and wider acceptance as a political alternative here and elsewhere in Africa. In the next twenty years and beyond, we will have to continue with this strategy of bringing government closer to the people so that an election is not the only event that our citizens can be involved in government.

Madam Speaker, let me hasten to say, that local government over the past twenty years had its fair share of growing pains. Of course, our national and provincial

counterparts were never too far away to provide assistance, support and guidance where such was needed. As far as I am concerned, they had and will in future never have a choice to do so because firstly, Local Government is that sphere of government closest to the people and who bear the brunt for any failures regardless of who the responsible sphere or entity is. Secondly, and as far as I am concerned, there is indeed no such thing as a provincial or national area as almost everyone lives and works in one of our wall-to-wall municipalities.

Audit outcomes of municipalities over the past 20 years (1994-2014) suggest that a majority of municipalities in our country are not operating at an optimal level. Irregular, unauthorised, fruitless and wasteful expenditures at local government level show no signs of decline. This, Madam Speaker, and let me be frank, also holds very true as far as Lukhanji is concerned. The situation became so bad that CoGTA declared municipalities in a “**STATE OF DISTRESS**” in 2009.

Indeed it is common cause that Lukhanji has had its own political and administrative challenges but we are emerging with a solid conscience of having learnt lessons from our past mistakes and want to build a responsive Municipality that has requisite capacity to deliver on its mandate as espoused in the objects of local government. I state this openly that we need your support so that we can succeed as a populace of the area and make Lukhanji a home for all.

National Treasury recently reported that, as at 30 June 2014, irregular expenditure increased from R6.7 billion in the 2011/12 financial year to a whopping R11.6 billion in the 2013/14 financial year, while unauthorised expenditure in 170 tested municipalities amounted to R9.2 billion and fruitless and wasteful expenditure, R815 million. I believe that we, as municipal leaders and officials across the country should hang our collective head in shame for this state of affairs. Imagine what possible advances in our services delivery efforts could not have been realised with all this wasted money.



In the recent past we have received bad audit outcomes through fruitless and wasteful expenditure and we have recently developed and approved an Audit Action Plan to change the picture and management must report to the Council quarterly on its implementation and a consequence management framework shall apply.

But, acutely aware of these and other challenges faced by municipalities over the years, CoGTA and its predecessor, DPLG, initiated a number of support interventions aimed at rescuing a *“local government...in distress”*. Support programmes initiated since 2001 include: the Consolidated Municipal Infrastructure Programme in 2001; Project Consolidate between 2004 and 2006; Siyenza Manje in 2006; the Local Government Strategic Agenda between 2007 and 2011; the Local Government Turnaround Strategy from 2009; Operation Clean Audit between 2009 and 2014 and most recently, the Back to Basic Campaign initiated last year.

Madam Speaker, Fellow Councillors, Officials, you will recall that I have consistently impressed on you what the national perception on the state of Lukhanji is. You did not appreciate it, but I had no choice but to be the bearer of the bad news to shake us into life and action. Research conducted in support of the Back to Basics approach indicates that 32% of the total number of municipalities in South Africa are almost dysfunctional and an enormous 31% is in a state of catastrophe. At the time of publication of these results, Lukhanji was categorised in the latter category – in a state of catastrophe. That is certainly not where we want to see ourselves located and certainly not where we want to be for a prolonged period of time.

Madam Speaker, this is unfortunately where all our detractors and other political opportunist get stuck. Bad news sells – and the picture I have sketched probably provides them with a thrill thinking that here we have an acknowledgement of weakness, of failure, of breakdown, etc., etc., etc. Well, I’m sorry to disappoint because nothing is further from the truth.

Remember where we are coming from.... Remember George Santayana, "*Those who forget the past, are doomed to repeat it*" and then place what I have said into context.

At the recent Members Assembly of SALGA, we were ALL yet reminded that over the past two decades, South Africa has created a democratic system of local government that has extended basic services to millions of households that did not receive them before. We inherited the legacy of a fragmented, undemocratic, racist system of local government, which had created deteriorating conditions in township areas, violent protests and extensive rent and consumer boycotts against illegitimate apartheid structures.

Today, we are still confronted with the legacy of apartheid where we still grapple with addressing issues of infrastructure backlogs and continuing weaknesses in service delivery, budget constraints etc. We have successfully navigated local government through challenging transitional phases towards democracy.

Today, our children stare blankly at us when we talk about Black Local Authorities or Coloured Management areas. We have contributed towards the development and implementation of a whole suite of modern local government legislation that changed the face of local governance forever. The SALGA *20 Year Review* found that the number of households with access to basic household water increased to 12.3 million in 2011 from 8.1 million in 2001, an increase of 4.2 million households. As a result, South Africa achieved the United Nations (UN) Millennium Development Goal (MDG) of halving the proportion of the population without access to a basic level of water, in 2008 - well before the target date which is this year, 2015.

Madam Speaker, I can go on and on but due to time constraints, allow me to leave it that. Doubling Thomas' should get their hands on the *20 Year Review* of SALGA for a comprehensive analysis and discussion of Local Government Challenges and Achievements over the past two decades.

Fellow Councillors, Distinguished Guests, I am not going to waste your time to reflect of the achievements of Lukhanji over the past twenty years. Only those who became adept to exploit advantage of any opportunity to achieve an ulterior motive will argue that no progress has been made in Lukhanji over the past twenty years. I believe in Lukhanji and will therefore focus my attention on what opportunities we can derive from the current challenges facing us. Madam Speaker, on the commitments we have made last year allow me to briefly report on progress made.

It is indeed my pleasure to announce that during the first and second week of June (that is next week), we will be handing over no less than 12 capital projects in various wards throughout Lukhanji. It includes:

- The construction of Whittlesea public toilet benefiting Ward 17
- Fencing of grazing camps in Zingquthu benefiting Wards 26 and 27
- Extension and renovation of a shearing shed in Zingquthu – Ward 26
- Construction of Upper Machibini shearing shed – Ward 3
- Surfacing of gravel road in ILinge and Ekuphumleni – Ward 2 and 16
- Renovation of ablution block in Ezibeleni stadium
- Maintenance of surface roads Pelem Road in Ward 6. This project has been completed with own funds.
- Construction of Phase 3 of Dumpy Adams stadium – Ward 19
- Upgrading of SADA Stormwater – Ward 9
- Construction of community hall in ward 13, Lower Hukuwa.
- Renovation and extension of ablution block in SADA stadium – Ward 11 and,
- Inter-modal public transport facility: Site B

Madam Speaker, fellow Councillors, distinguished community, on another note –

Each of us has a way of knowing Lukhanji belongs to all of us. It has nothing to do with birthplace, it isn't about how long one has lived here, is not about the jobs we hold, or what language we speak. **It is ours** and we need to treat Lukhanji that way.

We all wake up in the morning and accept and take it for granted that we are living in a vibrant community and part of a hardworking **global** village, surrounded by immigrants and refugees and transplants and visitors and locals. And we ALL belong. We should ALL belong. We must ALL belong. That belonging is vital. It is an amazing phenomenon. The more we each claim our Lukhanji, the more there is of Lukhanji to share; new people, new places, new challenges, and yes, new opportunities. **“A Municipality of choice”**

But something else happens when Lukhanji belongs to each of us. We expect each other to care, to give back. The repulsive behaviour meted out to our fellow compatriots from neighbouring states in the recent past should be a cause of major revulsion and rebuke in the strongest possible terms.

**MADAM SPEAKER, FELLOW COUNCILLORS, HONOURED GUESTS, MAY I CALL UPON YOU TO OBSERVE A MINUTE OF SILENCE FOR THE PAIN, SUFFERING AND LOSS OCCASSIONED BY CRIMINAL BEHAVIOUR IN OUR AFRICAN BROTHERS AND SISTERS. WE MUST CONDEMN SUCH ACTIVITIES IRRESPECTIVE OF WHO COMMITS THEM AND REPORT ALL THOSE TO THE LAW ENFORCEMENT AGENCIES TO DO ARREST AND DON'T TAKE THE LAW INTO OUR OWN HANDS. LET US PLEDGE IN THE SPIRIT OF THE FATHER OF OUR NATION THAT “NEVER, AND NEVER AGAIN” WILL IT HAPPEN.**

*(Observe a minute of silence)*

Thank you....

Madam Speaker, Fellow Councillors, this brings me to the second part of my address, the immediate challenges, and the financial strategy we propose addressing those challenges.

There has been a lot to celebrate over the last twenty years, but is unfortunate that popular media and the grapevine in particular, tend to concentrate on issues less positive. Lukhanji Municipality has been in the media for sorts of wrong reasons and the cumulative effect thereof over the years was the creation of a perception we are a municipality in decline. We constantly hear stories of an administration that needs intervention, unhealthy environment, a dirty CBD, residential areas and open spaces, in short, an unresponsive local government. Fellow Councillors, we need to ask: What is it that we should do to turn this perception on its head? What can we do better to boost national and investor confidence? Do we have the political will to get back to basics and put our people first? Do we have the financial muscle to turn all our challenges into attainable opportunities?

Indeed, honourable Councillors, it is upon all of us. Together we have developed a strategy to stand up to these challenges and to turn it into real opportunities. This morning I present the resources for us to do just that. I put the challenge to you that within our remaining term, create the opportunities to transform Lukhanji into a municipality that will stand out as an enterprising, creative and industrious municipality where all our residents can feel truly represented. We should lose our appetite to tolerate under-expenditure of budgets allocated to different Directorates. We should start implementing consequence management and hold those responsible for spending truly accountable. Only then can we turn that bad perceptions of Lukhanji on its head.

Madam Speaker, the budget I am about to introduce is informed and influenced by the many challenges already mentioned but also by three main opportunities presented to us.

1. In terms of further Growth

Despite the prevailing local economic condition, Lukhanji is well placed to continue to attract and develop new jobs. We are at the centre of a large conurbation with

significant assets to build on. We have been identified as the economic hub of the District and in parallel to meet our potential, we need to improve our productivity by increasing our skills base and the number of people in work, as well as the quality and depth of the housing market. Results of the Land Audit tender should be tabled without any further delay.

Our IPED Directorate need to investigate how we can we respond to the creation of more jobs by positioning ourselves to trade in new and growing international markets.

We need to continue to grow a strong and dynamic SMME base with a focus on those key sectors, which is the agricultural sector in primary production, manufacturing in secondary sector and financial services in tertiary sectors to drive growth. Our action needs to be responsive to the local economy and use the resources available in creative and targeted ways

## 2. In terms of People

We need to commence immediately creating and maintaining residential areas that will attract, support and retain working people. Again the finalisation of the Land Audit process becomes crucial in this regard.

We need to get back to the basics in making sure our town and residential areas are clean and well maintained.

We need to continue fostering the culture of public participation and engaging our communities in the affairs of the municipality.

## 3. In terms of the 2015/16 Budget

The 2015/16 budget presents us with another unique opportunity to attend to the many challenges alluded to earlier.

Madam Speaker, I propose a budget of **R637.5 million** which is R113.9 million up from the current budget. We anticipate Operating Revenues to reach R560,8 million which roughly equates to the anticipated operational expenditure as well.

Our planned capital projects for the forthcoming financial year will amount to R76,7 million. This is R9,3 million more than this year's budget.

Fellow Councillors, we have managed these modest increases in spite of the fact that our equitable share allocation decreased by approximately R10 million. During the current fiscal year we received R118, 301,000 and the published allocation for 2015/16 is R117, 676,000.

Provision has been made for 6.79% increase in salaries of staff in line with the current wage collective agreement which incidentally comes to an end at the end of next month. Salary negotiations are already underway and we should brace ourselves for some tough decisions in the months leading to the 2016/17 fiscal year. These increases, together with provision for the filling of new vacancies, will push our salary budget to R172.9 million - R39,6 million more than what we have provided for in the 2014/15 financial year.

Another major expense that we will not be able to avoid during the next financial year is bulk electricity purchases. Electricity purchases will cost us R188.7 million during the 2015/16 financial year. During the current financial year we have seen a reduction of electricity losses. Our losses currently stand at 31% and we anticipate a further reduction which will at least contribute towards alleviating some of the electricity purchases burden.

Fellow Councillors, capital projects to be undertaken during the forthcoming financial year will amount to R76.7 million. As per National Treasury guidelines, at least 40% of the capital budget of a municipality should be allocated to the renewal of infrastructure

instead of new infrastructure. During the course of the current financial year, close to 22% of the capital budget was allocated to projects with a renewal component. The forthcoming budget indicates that renewal expenditure will amount approximately R20 million or 28% of the capital budget.

Madam Speaker, allow me to briefly highlight how the R76,7 million rands will be spent during the forthcoming financial year.

- R11 million has been allocated towards the completion of the Intermodal Taxi rank. A further R14 million will be allocated in the 2016/17 financial year.
- In the forthcoming financial year, R11 million will go towards the Community Lightning programme with a further R4 million to be allocated in the year after next.
- Sport fields will receive R3.4 million in this budget and a further funding of R29 million in the 2016/17 budget.
- In the 2015/16 R6.1 million will be allocated towards the construction of new cemeteries in ILinge, Whittlesea and Lesseyton.
- We will continue with investment in community halls and in the new financial year, R5.8 million will be made available for the construction of halls in Ward 1 and 17.
- The Whittlesea Hall is allocated R1 million for the multi-years
- The upgrade of rural gravel roads will receive R8.0 million in the new budget. A further R4 million will be allocated towards the completion of the Qwabi Bridge over Kuzitungu river.
- We will continue with our commitment to launch projects to stimulate rural development. R2.2 million has been allocated towards the fencing of grazing camps the construction of shearing sheds will receive R800 Thousand. An amount of R350 000 is provided for the revitalization of small business centres.
- Surfacing of Lukhanji Roads will continue to receive funding with R12.5 million allocated in the 2015/16 budget with a further R25.0 million to be allocated in the MTREF.



- R22.7 million will be allocated to the provision of electricity infrastructure in the Lukhanji Municipal area and finally,
- R4.2 million will be allocated towards the purchase 2 refuse trucks with an additional R8.4 million to be allocated in the medium term for 4 additional refuse trucks and the purchase of skips. A new vehicle would be purchased to replace an old vehicle in the executive office.

Madam Speaker, I have just briefly browsed over our plans for the 2015/16 financial year. Comprehensive details can be found in our Integrated Development Plan in Chapter 7, page 89 to be exact. Fellow Councillors, I emphasise **EXACT!!!** I am in a position to do so because our IDP now shows noteworthy and remarkable improvement towards efforts to align developmental priorities to budget. If you glance through Chapter 5 of the IDP, you will note that the IDP goes even beyond alignment with the Budget. At Chapter 5.8 you will observe that our IDP is now also aligned to the National Development Plan, the Provincial Development Plan, the Chris Hani District Development Agenda and it sets out exactly how Lukhanji fits into all these developmental agendas. Madam Speaker, Fellow Councillors, let us give credit where credit is due. The IPED Directorate have outdone themselves this time around with the development of such a comprehensive document. They need to be commended for a job well done whilst acknowledging room for improvement.

Council has recently reviewed and approved the organisational structure which responds to the current challenges and opportunities and we might be seeing massive job opportunities at Lukhanji including the revenue enhancement teams that will be established and for this and funds have been included in the budget. This we do as part of strengthening our human capital to deliver quality services to our people. Again we have recently held a suppliers day and agreed on flat rates and our people do benefit through the rotation system. A partnership is being signed with the GIZ on Assets Based Community Development initiatives and it resonates well that we engage in a drive to empower our citizens to be self-reliant and sufficient. We shall as

part of the objectives and strategies in the IDP engage in a drive for resource mobilisation so as to intervene in the challenges that face our people.

Fellow Councillors, Members of the community, let me conclude with some bad announcements.

We have all seen our own costs go up over the past year - petrol, bread, milk, insurance, cars, even newspapers are more expensive now - so it can be no surprise that it will cost us more to maintain the level of service we all want and need.

In spite of the adverse impact of inflationary pressure on our input costs, we have managed to balance our budget whilst limiting increases in tariffs on the main consumer services. Accordingly, Madam Speaker I wish to propose the following increases on the main consumer services:

- Electricity 12.2% increase
- Rates 6.0% increase and,
- Refuse Collection 8.0% increase

For full details, please refer to **Appendix A** of the budget document.

Madam Speaker, allow me to conclude by saying this is a budget that faces some uncomfortable facts. Like you, I wish we were still in good times. But tough times pose a special challenge. How we respond defines us as leaders. How we respond will test our capacity to balance priorities across the spectrum. How best we turn all these challenges into opportunities will ultimately define the legacy the Lukhanji Council of 2011 leave behind.

I want to take this opportunity to acknowledge the contribution of all those that have contributed to another outstanding financial year. I salute all the Directorates in their continuing efforts and their commitment to fiscal discipline albeit not at all times.

I must of course also acknowledge the efforts of all the people who have worked on the IDP and the Budget, which is before you today, my colleagues in the Mayoral Committee for their co-operation and understanding in making my task easier, and all the Directors for ensuring that tight deadlines were met. It is through your efforts that the budget impact on all of us is kept to a minimum.

I wish to sincerely thank all the communities, stakeholders and government departments who have provided valuable inputs during our IDP, Budget and PMS Roadshows and indeed that was a good public engagement process so that these strategic documents are people driven and owned.

Finally, my sincere appreciation to the entire staff of the IPED and Budget and Treasury Directorates who have worked so hard to make sure we as Council had the facts and statistics we needed to prepare and present these important strategic documents.

Honourable Speaker, I today table the following documents for the consideration of Council;

1. The Integrated Development Plan review which is the final for this term.
2. The Operating Budget for the 2015/2016 financial year
3. The Capital Budget for the same period
3. The proposed tariff increases for the forthcoming fiscal year and lastly,
4. A summary of the effect of increases on service accounts.

Madam Speaker, it now gives me great pleasure to move acceptance of the 2015/16 Integrated Development Plan review including the budget and ask Council for the adoption of recommendations 1 to 14 on pages 4 to 5 of the budget document.

**I thank you.**

.....

N. Makanda  
Hon Executive Mayor  
Lukhanji Municipality (EC134)

### 3. Budget Related Resolutions

1. Council resolves that in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the final annual budget of the municipality for the financial year 2015/16 and indicative allocations for the two projected outer years 2016/17 and 2017/18 and the multi – year and single year capital appropriations are approved 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. Multi – year and single year Capital appropriations by municipal vote and standard classification and associated funding by source fund **Table A5.**
2. That the financial position, cash flow, cash – backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set - out in the following tables:
  - 2.1 Budgeted Financial Position Table **B6**
  - 2.2 Budgeted Cash Flows **Table A7.**
  - 2.3 Cash Backed Reserves/accumulated surplus Reconciliation **Table A8.**
  - 2.4 Asset Management **Table A9.**
  - 2.5 Basic Service Delivery measurement **Table A10.**
- 3 That in terms of section 24(2) (c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government Municipal Systems Act , Act 32 of 2000 as amended, the tariffs for the supply of electricity, waste management services and property rates as set out in **appendix A** that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2015.
- 4 That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy and its bylaw as amended in 2015 and set out in **Appendix B** is approved.
- 5 Electricity tariffs be imposed at 14.46% approved by Nersa for bulk purchases with effect 1 July 2015.
- 6 Council resolves that all other tariffs and charges reflected in **appendix A** are approved for the budget year.
- 7 Council resolves that the Electricity tariffs for non-indigent consumers be approved with 12.2% with effect 1 July 2015.

- 8 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 12.2% |
- 9 Council resolves that the measurable performance objectives for revenue from each source reflected in **table 10** are approved for the budget year.
- 10 Council resolves that the measurable performance objectives for each vote reflected in **section 17** are approved for the budget year 2015/16.
- 11 That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amended Integrated Development Plan as submitted are approved as part of the medium term budget.
- 12 That the **6.8%** provided for salary increases for employees is maintained.
- 13 That indigent income levels are set at the following:
- |                    |        |
|--------------------|--------|
| Destitute indigent | R 1750 |
| Indigent           | R 2540 |
- 14 That in terms of section 24(2)(c)(v) of the municipal Finance Management Act, 56 of 2003, the budget – related policies and bylaw including any amendments as set out in appendix B to the Budget document are approved for the budget year 2015/16.

## The BUDGET

### 4 Executive Summary

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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 and 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 1,2015 and ending June 30,2016

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 involved the making of critical policy decisions and key strategies and policy directions that were given by the

Mayoral / Steering Committee over the past months. In August of 2014 the Mayoral committee approved a set of assumptions and forecasts that were then used 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 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 final Budget for 2015/16 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 **R560.8Million** (including currently known grants received for operational expenditures); **operational expenditures** funded from cash carry forwards and operating revenues are proposed at **R560.8 Million**.

**The Capital Budget** is funded from a blend of conditional grants, and internally generated fund. Capital expenditures for 2015/16 are estimated to total **R76.7 Million** for a variety of projects and purchases increasing from R67.4 in 2014/15 financial year.



**Total Budget proposed for the 2015/16 financial year is therefore estimated to increase from R523.6 million to R637.5 million, an increase of almost R113.9 million.**

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 32.4 million
  - Rates 4.7 million
  - Refuse Collection 13.8 million
  
  - Interest on Debtors 7.0 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 12.2% increase
  - Rates 6.0% increase
  - Refuse Collection 8.0% increase
  
- The **Equitable Share** Allocation from the National Treasury is **R117, 676,000** which decreased from the current budget of R118, 301,000. In the 2014 DORA gazette, the municipality was to receive an increase in equitable share from the 2014/15 allocation of R118 301 000 to R127 501 000 but instead was reduced to R117 676 000. A reduction of R10 .0 million. This has affected some of the budget appropriations.

## Operating Expenditures

- **Employee salaries** and related expenses are increased by the level indicated by correspondence from the national treasury. MFMA circular 75 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 The salary and wage collective agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:
  - 2015/16 Financial year -4.4 percent (inflation linked)
  - 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 percent.
  
- **All new personnel requests by departments are included in this budget and as a result, employee salaries have increased from R133.3 million in 2014/15 to R172.9 million in the 2015/16 budget with new position budgeted for R13.6m.**
  
- 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 on 23 January 2015. Councilor remuneration has increased from R20.2 million in 2014/15 to R21.5 million in the 2015/16 draft budget.
  
- **Electricity bulk purchases** are anticipated to **increase by 14.24%** in the 2015/16 financial year. Electricity bulk purchases will increase to R188.7 million in the 2015/16 financial year. Electricity losses which stand at the moment at 31.0% are anticipated to decrease further in the 2015/16 MTERF with the intervention of the Revenue enhancement team launched in 2013. Bulk electricity purchases budget is based on actual purchases over the 2013/14 and the first 8 months of the 2014/15 financial year with projections for the remaining months of the current year.
  
- 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 2015/16 will amount to R1.09 million. Annuity loans which consist of the ABSA draw down loan and term loan will be fully paid up in the first half of 2016/17 financial year with the final loan payment of R143 387.

- An amount of **R4,9 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.
- **An amount of R1.5 million** is included in the capital budget for the purchase of small equipment and machinery. Part of this allocation will also be used to purchase stackable chairs for community halls. Previously small equipment budget was budgeted under operational budget. The new budget regulation stipulates that small equipment and machinery be budgeted in the capital budget. The small capital and equipment budget sits at the BTO who will monitor the procurement of these small equipment and machinery.

Bad debt provision in the budget has increased from R54.6 million (2014/15 original budget) to **R57.9 million in the 2015/16 budget**. The increase is in line with the past collection rates of these services.

### **CAPITAL BUDGET**

The capital budget reflected in this document utilizes actual anticipated revenues and surplus cash to fund the budgeted expenditures of **R76.7 million**. Major items include the allocation of **R40.97 million** in conditional capital grants allocated to the municipality and **R35.7 million** to be funded from internal generated funds and old grant funds that have been unbundled to be used for other projects. Included in the conditional grant amount is **R2.0 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 28% of the capital budget (R20.0 million) from 21.9% budgeted in 2014/15 budget. The municipality will continue to work towards this goal in the near future.

Capital projects to be undertaken in the 2015/16 MTREF.

- Completion of the Intermodal taxi rank has been allocated R11.0 million in the 2015/16 financial year with a further R14.0 million to be allocated in the 2016/17 financial year of the MTREF for the completion of the project.
- The Lukhanji Community Lightning programme will receive a R11.0 million budget allocations in the MTREF with a R4.0 million allocation in the 2015/16 financial year.
- Sport fields will receive R3.4 million funding in the 2015/16 with a further funding of R29.003 million in the 2016/17 budget.

- Construction of new cemeteries in Ilinge, Whittlesea and Lesseyton will receive R6.1 million in the MTREF starting with a R3.6 million allocations in the 2015/16 budget.
- Construction of community halls will continue to receive attention in line with the municipality's strategic objectives. The municipality has provided R5.8 million further allocations for construction of halls in wards 1 and 17 in the 2015/16 budget with additional funding of R4.9 million allocations in the MTREF.
- Upgrade of rural gravel roads will receive R8.0 million in the 2015/16 budget with a further R11.0 million allocation for the two outer years of the MTREF. Improvement of rural roads and bridges receive more priorities in the 2015/16 budget with the provision of R4.0 million in the MTREF for the completion of the Qwabi bridge over Kuzitungu river phase 2 by 2017/18 financial year.
- Fencing of grazing camps in various wards will receive R2.2 million in the medium term budget whilst Shearing sheds to boost agriculture in the local economy will receive R800 thousand in the MTREF. An amount of R350 000 is provided for the revitalization of small business centers. This was an initiative started in the 2014/15 adjustment budget to give a boost to small businesses. Details of these projects can be obtained from the LED section in the IPED Directorate.
- Surfacing of Lukhanji Roads will continue to receive funding with R12.5 million allocated in the 2015/16 budget with a further R25.0 million to be allocated in the MTREF.
- In addition to the above projects, a further R22.7 million will be allocated to the provision of electricity infrastructure in the Lukhanji Municipal area. This consists of R15.0 million allocated for the 5 – Year Electricity Master Plan, R2.0 Integrated National Electrification programme, R4.0 million from MIG and R1.7 from old grants. Details of the projects are contained in the attached sheet in this document.
- The municipality has also provided an amount of R612 309 for the purchase of refuse skips towards the improvement of its waste management programme.
- The municipality has also allocated R4.2 million to purchase 2 refuse trucks in the 2015/16 financial year with a further R8.4 million allocations in the medium term for 4 more additional refuse trucks to augment the municipality's ageing refuse fleets.

Details of these projects and how they link to the IDP goals are provided in this Budget document

## **Conclusion**

Over the past few years the 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.

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.

One important milestone achieved by the municipality in this year's budget is the effective linking of the budget estimates to the strategic objectives and to the IDP. This was achieved through the efforts of the new CFO working with the rest of the budget team.

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

The tables and charts in the next few pages show the percentage makeup of the revenue and expenditures for the 2015/16 Lukhanji Budget.

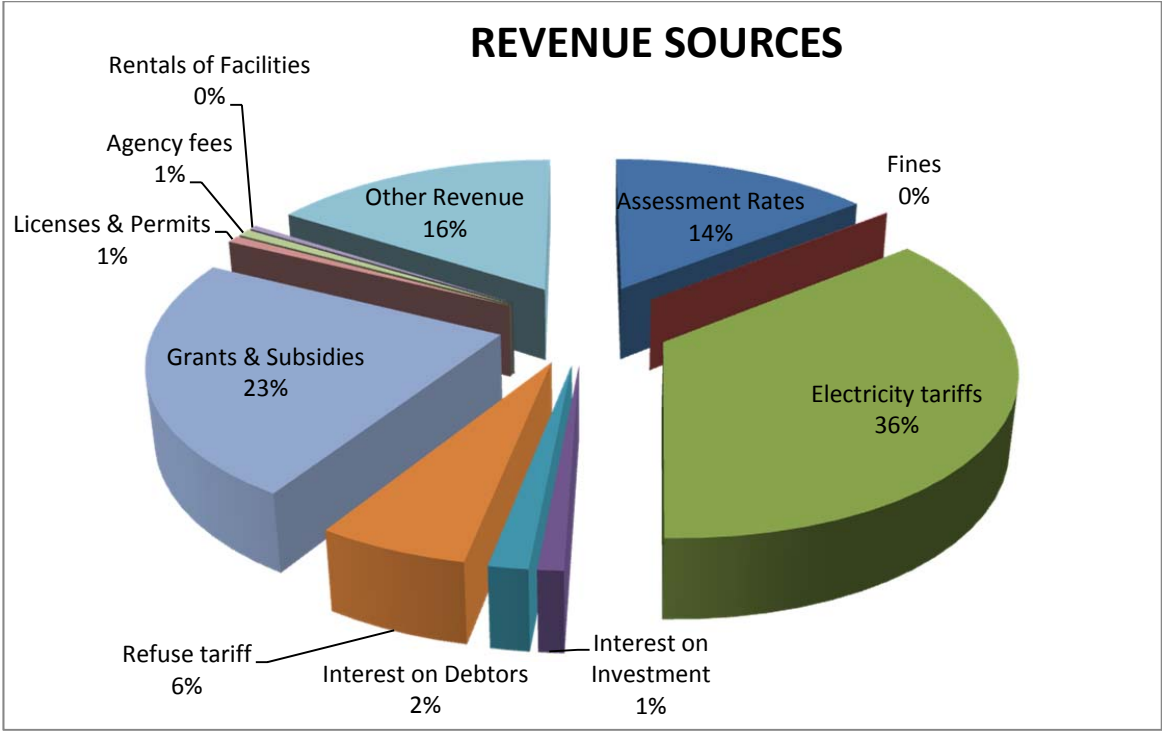
## Summary of budgeted Revenues

Operating budget revenues (R'000)		Capital Budget Revenue ('000)	
Assessment Rates	80 147	Municipal infrastructure Grant (MIG)	37 022
Fines	348	Intergrated National Electrification Program	2 000
Electricity tariffs	202 832	Own Internal generated fund	37 680
Interest on Investment	5 650		
Interest on Debtors	8 681		
Refuse tariff	33 040		
Grants & Subsidies	130 819		
Licences & Permits	3 971		
Agency fees	4 012		
Rentals of Facilities	2 476		
other Revenue	88 827		
<b>Total operating revenue</b>	<b>560 802</b>	<b>Total capital revenue</b>	<b>76 702</b>

## Summary of budgeted Expenses

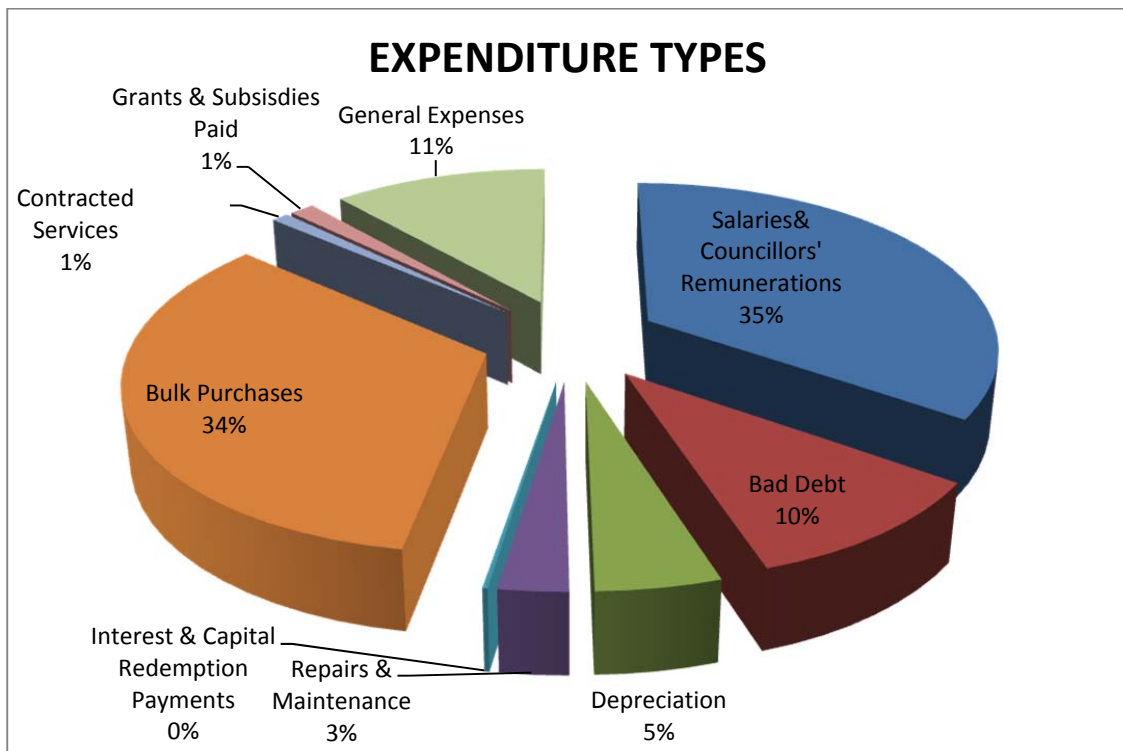
Operating budget expenses (R'000)		Capital Budget expenses ('000)	
salaries & Councillors Remunerations	194 520	Purchases of refuse skip	612
Bad Debtors	57 973	inter modal	11 000
Depreciation	26 652	Surfacing on lukhanji roads	12 884
Repairs & Maintenance	14 812	Community hall ward 1	4 830
Interest & Capital Redemption Payments	1 094	Community hall ward 17	1 000
Bulk Purchases	188 770	revitalisation of small business centres	350
Contracted Services	5 159	Ilinge cemetry	1 800
Grants & Subsidies	7 464	Hawkers stalls	466
General Expenses	64 359	Lessyton cemetry	1 800
		Upgrade of lukhanji gravel roads	8 000
		Ilinge sportfield	3 592
		5 - year master plan	18 668
		Small equipment & machinery	1 500
		Fencing of grazing camps	1 000
		Community lighting	4 000
		Purchases of refuse trucks	4 200
		Mayor's car	1 000
<b>Total</b>	<b>560 802</b>	<b>Total</b>	<b>76 702</b>

HOW THE REVENUE BUDGET OF R560.8 MILLION IS MADE UP OF





HOW THE TOTAL OPERATING EXPENDITURE BUDGET  
OF R560.8 MILLION IS ALLOCATED



## 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

EC134 Lukhanji - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	47,815	62,700	74,215	75,162	75,610	75,610	75,610	80,147	86,558	90,886
Service charges	157,645	214,932	250,263	209,436	209,441	209,441	209,441	235,835	260,805	280,792
Investment revenue	7,854	8,326	8,057	8,200	8,200	8,200	8,200	5,650	5,650	5,650
Transfers recognised - operational	111,793	159,975	128,605	128,899	130,593	130,593	130,593	130,819	127,528	124,737
Other own revenue	32,918	39,817	76,399	34,516	57,088	57,088	57,088	108,353	86,207	87,151
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>358,024</b>	<b>485,750</b>	<b>537,538</b>	<b>456,213</b>	<b>480,932</b>	<b>480,932</b>	<b>480,932</b>	<b>560,802</b>	<b>566,748</b>	<b>589,216</b>
Employee costs	90,205	104,900	141,626	133,286	131,202	131,202	131,202	172,984	183,279	190,710
Remuneration of councillors	15,806	18,065	22,111	20,167	20,167	20,167	20,167	21,536	22,743	23,994
Depreciation & asset impairment	15,763	24,272	23,897	29,117	23,897	23,897	23,897	26,652	27,943	28,652
Finance charges	4,990	6,397	302	1,286	212	212	212	57	3	-
Materials and bulk purchases	117,893	145,054	153,374	150,240	165,081	165,081	165,081	188,770	172,871	172,184
Transfers and grants	7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810
Other expenditure	56,630	167,711	201,024	117,383	133,948	133,948	133,948	143,339	152,120	164,866
<b>Total Expenditure</b>	<b>308,568</b>	<b>468,058</b>	<b>548,312</b>	<b>456,212</b>	<b>480,932</b>	<b>480,932</b>	<b>480,932</b>	<b>560,802</b>	<b>566,748</b>	<b>589,216</b>
<b>Surplus/(Deficit)</b>	<b>49,455</b>	<b>17,692</b>	<b>(10,774)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>
Transfers recognised - capital	25,295	26,000	28,411	40,591	40,591	40,591	40,591	40,971	43,415	43,503
Contributions recognised - capital & contributed	-	-	-	26,769	28,805	28,805	28,805	35,731	25,380	25,114
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>24,647</b>	<b>24,520</b>	<b>66,914</b>	<b>67,361</b>	<b>69,396</b>	<b>69,396</b>	<b>69,396</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Transfers recognised - capital	23,647	12,820	28,295	41,591	42,141	42,141	42,141	40,971	45,437	45,635
Public contributions & donations	-	11,701	-	-	285	285	285	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1,000	-	38,619	25,770	26,970	26,970	26,970	35,731	23,358	22,983
<b>Total sources of capital funds</b>	<b>24,647</b>	<b>24,520</b>	<b>66,914</b>	<b>67,361</b>	<b>69,396</b>	<b>69,396</b>	<b>69,396</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
<b>Financial position</b>										
Total current assets	310,687	329,368	203,021	285,894	273,603	273,603	273,603	162,123	179,670	204,358
Total non current assets	815,834	843,128	836,306	855,436	986,525	986,525	986,525	1,119,529	1,183,124	1,247,542
Total current liabilities	63,215	69,411	84,361	49,796	74,297	74,297	74,297	112,904	111,953	111,810
Total non current liabilities	73,949	71,777	69,115	27,037	14,221	14,221	14,221	5,334	4,384	4,241
Community wealth/Equity	989,357	1,031,308	885,852	1,064,496	1,171,611	1,171,611	1,171,611	1,163,414	1,246,457	1,335,850
<b>Cash flows</b>										
Net cash from (used) operating	59,531	141,680	16,375	134,188	124,350	124,206	124,206	67,671	73,455	83,301
Net cash from (used) investing	(27,315)	(49,473)	(66,726)	(40,591)	(40,592)	(40,592)	(40,592)	(40,971)	(43,415)	(43,503)
Net cash from (used) financing	(3,276)	39,560	(1,386)	(1,162)	(1,393)	(1,393)	(1,393)	(1,036)	(140)	-
<b>Cash/cash equivalents at the year end</b>	<b>236,464</b>	<b>391,016</b>	<b>77,227</b>	<b>240,787</b>	<b>266,876</b>	<b>266,733</b>	<b>266,733</b>	<b>196,875</b>	<b>226,774</b>	<b>266,572</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	177,967	170,802	129,268	156,552	184,511	184,511	184,511	97,211	114,758	139,447
Application of cash and investments	(93,127)	(117,436)	2,270	(156,678)	(45,197)	(45,197)	(45,197)	(24,616)	(23,944)	(23,555)
<b>Balance - surplus (shortfall)</b>	<b>271,093</b>	<b>288,239</b>	<b>126,998</b>	<b>313,230</b>	<b>229,708</b>	<b>229,708</b>	<b>229,708</b>	<b>121,827</b>	<b>138,703</b>	<b>163,002</b>
<b>Asset management</b>										
Asset register summary (WDV)	815,609	842,831	836,002	855,436	986,525	986,525	1,119,529	1,119,529	1,183,124	1,247,542
Depreciation & asset impairment	15,763	24,272	23,897	29,117	23,897	23,897	26,652	26,652	27,943	28,652
Renewal of Existing Assets	-	-	30,633	14,751	14,531	14,531	14,531	20,000	11,000	4,000
Repairs and Maintenance	6,288	14,172	-	11,569	13,658	13,658	14,813	14,813	16,816	17,447
<b>Free services</b>										
Cost of Free Basic Services provided	35,710	36,586	-	9,687	9,687	9,687	19,662	19,662	19,662	19,662
Revenue cost of free services provided	15,125	15,424	-	16,731	16,731	16,731	18,706	18,706	18,706	18,706
<b>Households below minimum service level</b>										
Water:	9	9	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	51	52	-	57	57	57	22	22	22	22
Refuse:	8	8	-	9	9	9	-	-	-	-

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

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		152,341	198,462	200,135	205,677	227,710	227,710	280,482	259,046	258,137
Executive and council		80,930	92,956	100,821	104,312	105,338	105,338	103,545	99,629	93,878
Budget and treasury office		67,851	104,704	99,203	99,418	120,306	120,306	174,990	157,469	162,311
Corporate services		3,560	802	110	1,947	2,065	2,065	1,947	1,947	1,947
<i>Community and public safety</i>		17,387	17,978	16,432	34,604	39,179	39,179	29,086	23,967	45,637
Community and social services		3,864	7,210	5,770	17,554	16,096	16,096	15,124	13,515	6,120
Sport and recreation		945	404	88	7,135	13,067	13,067	3,809	217	29,220
Public safety		9,799	10,364	10,573	9,916	10,016	10,016	10,154	10,235	10,298
Housing		-	-	-	-	-	-	-	-	-
Health		2,780	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		24,092	34,386	33,870	35,029	34,959	34,959	42,581	36,237	24,390
Planning and development		3,058	2,365	2,816	5,700	6,387	6,387	4,421	4,621	5,121
Road transport		21,034	32,021	31,053	29,329	28,572	28,572	38,161	31,617	19,270
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		189,496	260,921	315,510	248,260	248,477	248,477	285,352	316,290	329,666
Electricity		154,972	151,459	168,982	206,702	204,919	204,919	238,241	266,241	276,491
Water		-	47,607	74,102	-	-	-	-	-	-
Waste water management		-	27,662	27,200	-	-	-	-	-	-
Waste management		34,524	34,193	45,226	41,558	43,558	43,558	47,111	50,050	53,175
<i>Other</i>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total Revenue - Standard</b>	<b>2</b>	<b>383,319</b>	<b>511,750</b>	<b>565,949</b>	<b>523,573</b>	<b>550,327</b>	<b>550,327</b>	<b>637,505</b>	<b>635,543</b>	<b>657,833</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		58,180	84,445	119,035	108,389	114,932	114,932	135,747	140,050	146,699
Executive and council		23,521	37,687	55,648	53,017	53,268	53,268	63,453	66,181	69,396
Budget and treasury office		23,203	30,712	52,157	35,924	41,429	41,429	46,634	47,273	49,431
Corporate services		11,456	16,047	11,229	19,448	20,235	20,235	25,660	26,596	27,872
<i>Community and public safety</i>		41,098	43,922	46,542	52,871	56,238	56,238	65,119	71,257	75,040
Community and social services		9,697	12,538	11,846	13,504	13,251	13,636	14,813	17,333	17,710
Sport and recreation		8,787	7,655	9,526	11,438	11,503	11,503	14,283	14,651	15,580
Public safety		19,801	23,729	25,170	27,929	31,484	31,484	36,023	39,273	41,749
Housing		-	-	-	-	-	-	-	-	-
Health		2,813	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		26,257	46,394	51,024	47,034	45,671	45,671	53,571	56,858	59,221
Planning and development		10,016	9,027	26,226	16,708	17,118	17,118	21,797	23,425	24,656
Road transport		16,241	37,367	24,798	30,326	28,553	28,553	31,773	33,433	34,564
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		182,942	293,206	331,612	247,773	263,957	263,572	306,220	298,433	308,099
Electricity		151,043	182,136	210,884	210,185	224,981	224,981	265,486	254,240	260,224
Water		-	59,641	70,196	-	-	-	-	-	-
Waste water management		-	18,129	15,532	-	-	-	-	-	-
Waste management		31,899	33,300	35,000	37,588	38,976	38,591	40,734	44,194	47,875
<i>Other</i>	<b>4</b>	<b>92</b>	<b>91</b>	<b>100</b>	<b>145</b>	<b>134</b>	<b>134</b>	<b>146</b>	<b>149</b>	<b>157</b>
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>308,568</b>	<b>468,058</b>	<b>548,312</b>	<b>456,212</b>	<b>480,932</b>	<b>480,932</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Surplus/(Deficit) for the year</b>		<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>

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

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		80,930	92,956	100,704	102,432	103,210	103,210	101,618	97,614	93,878
Vote 2 - FINANCE AND ADMINISTRATION		71,411	105,507	97,250	101,365	122,371	122,371	176,937	159,416	164,259
Vote 3 - PLANNING AND DEVELOPMENT		3,058	2,365	2,832	5,700	6,387	6,387	4,421	4,621	5,121
Vote 4 - HEALTH		2,780	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		3,864	7,210	7,829	17,554	16,096	16,096	15,124	13,515	6,120
Vote 6 - COMMUNITY SAFETY		9,799	10,364	10,573	9,916	10,016	10,016	10,154	10,235	10,298
Vote 7 - SPORT AND RECREATION		945	404	88	7,135	13,067	13,067	3,809	217	29,220
Vote 8 - WASTE WATER MANAGEMENT		-	27,662	27,200	-	-	-	-	-	-
Vote 9 - WASTE MANAGEMENT		34,524	34,193	45,226	41,558	43,558	43,558	47,111	50,050	53,175
Vote 10 - ROADS TRANSPORT		21,034	32,021	31,053	29,329	28,572	28,572	38,161	31,617	19,270
Vote 11 - WATER		-	47,607	74,102	-	-	-	-	-	-
Vote 12 - ELECTRICITY		154,972	151,459	168,971	206,702	204,919	204,919	238,241	266,241	276,491
Vote 13 - OTHER		3	3	3	3	3	3	3	3	3
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	117	1,880	2,129	2,129	1,926	2,015	-
<b>Total Revenue by Vote</b>	2	383,319	511,750	565,949	523,573	550,327	550,327	637,505	635,543	657,833
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		23,521	37,687	52,781	48,713	50,014	50,014	55,913	58,400	61,252
Vote 2 - FINANCE AND ADMINISTRATION		34,659	46,759	73,635	61,068	61,664	61,664	72,294	73,869	77,099
Vote 3 - PLANNING AND DEVELOPMENT		10,016	9,027	8,967	16,409	17,118	17,118	22,325	23,425	24,859
Vote 4 - HEALTH		2,814	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		9,697	12,538	18,449	13,629	13,261	13,261	14,813	16,648	17,710
Vote 6 - COMMUNITY SAFETY		19,801	23,729	25,170	28,023	31,484	31,484	36,023	39,273	41,749
Vote 7 - SPORT AND RECREATION		8,787	7,655	9,526	11,523	11,503	11,503	13,756	14,651	15,580
Vote 8 - WASTE WATER MANAGEMENT		-	18,129	13,901	-	-	-	-	-	-
Vote 9 - WASTE MANAGEMENT		31,899	33,300	35,000	37,486	38,976	38,976	40,734	44,879	47,875
Vote 10 - ROADS TRANSPORT		16,241	37,367	26,850	28,628	28,553	28,553	31,773	33,433	34,564
Vote 11 - WATER		-	59,641	70,196	-	-	-	-	-	-
Vote 12 - ELECTRICITY		151,042	182,137	210,884	207,256	224,981	224,981	265,486	254,240	260,224
Vote 13 - OTHER		92	91	100	145	134	134	146	149	157
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	2,856	3,335	3,244	3,244	7,540	7,781	8,144
<b>Total Expenditure by Vote</b>	2	308,568	468,058	548,312	456,212	480,932	480,932	560,802	566,748	589,215
<b>Surplus/(Deficit) for the year</b>	2	74,750	43,692	17,637	67,361	69,395	69,395	76,702	68,795	68,618

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>											
Property rates	2	47,815	62,700	74,215	75,162	75,610	75,610	75,610	80,147	86,558	90,886
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	136,593	145,365	160,460	178,929	178,929	178,929	178,929	202,832	224,508	241,595
Service charges - water revenue	2	-	27,079	35,575	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	18,108	22,713	-	-	-	-	-	-	-
Service charges - refuse revenue	2	21,052	24,379	31,514	30,507	30,512	30,512	30,512	33,002	36,297	39,196
Service charges - other											
Rental of facilities and equipment		2,478	2,491	2,438	2,476	2,476	2,476	2,476	2,476	2,476	2,476
Interest earned - external investments		7,854	8,326	8,057	8,200	8,200	8,200	8,200	5,650	5,650	5,650
Interest earned - outstanding debtors		10,802	19,435	26,567	12,163	14,512	14,512	14,512	8,681	9,474	10,221
Dividends received				0							
Fines		380	383	184	348	348	348	348	348	348	348
Licences and permits		3,888	8	4,116	3,971	3,971	3,971	3,971	3,971	3,971	3,971
Agency services		3,774	8,060	37,677	3,774	3,874	3,874	3,874	4,012	4,012	4,012
Transfers recognised - operational		111,793	159,975	128,605	128,899	130,593	130,593	130,593	130,819	127,528	124,737
Other revenue	2	9,881	8,919	5,406	11,784	31,908	31,908	31,908	88,865	65,926	66,123
Gains on disposal of PPE		1,714	520	10							
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>358,024</b>	<b>485,750</b>	<b>537,538</b>	<b>456,213</b>	<b>480,932</b>	<b>480,932</b>	<b>480,932</b>	<b>560,802</b>	<b>566,748</b>	<b>589,216</b>
<b>Expenditure By Type</b>											
Employee related costs	2	90,205	104,900	141,626	133,286	131,202	131,202	131,202	172,984	183,279	190,710
Remuneration of councillors		15,806	18,065	22,111	20,167	20,167	20,167	20,167	21,536	22,743	23,994
Debt impairment	3	28,807	76,104	77,379	54,564	57,869	57,869	57,869	57,973	62,991	68,877
Depreciation & asset impairment	2	15,763	24,272	23,897	29,117	23,897	23,897	23,897	26,652	27,943	28,652
Finance charges		4,990	6,397	302	1,286	212	212	212	57	3	-
Bulk purchases	2	117,893	145,054	153,374	150,240	165,081	165,081	165,081	188,770	172,871	172,184
Other materials	8										
Contracted services		2,282	3,113	4,997	4,359	4,859	4,859	4,859	5,159	5,223	5,290
Transfers and grants		7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810
Other expenditure	4, 5	25,542	88,494	118,647	58,460	71,219	71,219	71,219	80,207	83,906	90,698
Loss on disposal of PPE											
<b>Total Expenditure</b>		<b>308,568</b>	<b>468,058</b>	<b>548,312</b>	<b>456,212</b>	<b>480,932</b>	<b>480,932</b>	<b>480,932</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Surplus/(Deficit)</b>											
Surplus/(Deficit)		49,455	17,692	(10,774)	0	(0)	(0)	(0)	(0)	(0)	0
Transfers recognised - capital		25,295	26,000	28,411	40,591	40,591	40,591	40,591	40,971	43,415	43,503
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets					26,769	28,805	28,805	28,805	35,731	25,380	25,114
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
<b>Taxation</b>											
Surplus/(Deficit) after taxation		74,750	43,692	17,637	67,361	69,395	69,395	69,395	76,702	68,795	68,618
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>74,750</b>	<b>43,692</b>	<b>17,637</b>	<b>67,361</b>	<b>69,395</b>	<b>69,395</b>	<b>69,395</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>

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

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		375	24	93	1,880	817	817	817	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION		2,127	11,541	2,701	2,770	2,770	2,770	2,770	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT		-	442	1,067	1,880	1,880	1,880	1,880	-	-	-
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		2,334	958	9,919	10,860	9,352	9,352	9,352	9,430	7,400	-
Vote 6 - COMMUNITY SAFETY		-	644	-	-	-	-	-	-	-	-
Vote 7 - SPORT AND RECREATION		724	-	6,616	6,920	12,903	12,903	12,903	3,592	-	29,003
Vote 8 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - WASTE MANAGEMENT		144	-	128	-	-	-	-	4,200	4,200	4,200
Vote 10 - ROADS TRANSPORT		11,940	7,633	43,780	23,051	21,875	21,875	21,875	31,500	25,000	12,500
Vote 11 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY		7,003	2,945	2,610	17,000	14,100	14,100	14,100	19,000	19,000	18,000
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - HOUSING		-	333	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	-	-	-	-	-	1,000	2,015	-
<b>Capital multi-year expenditure sub-total</b>	7	24,647	24,520	66,914	64,361	63,696	63,696	63,696	68,722	57,615	63,703
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION		-	-	-	-	-	-	-	2,500	1,500	1,500
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		-	-	-	-	1,050	1,050	1,050	-	-	-
Vote 6 - COMMUNITY SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 7 - SPORT AND RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 8 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - WASTE MANAGEMENT		-	-	-	-	-	-	-	612	-	-
Vote 10 - ROADS TRANSPORT		-	-	-	-	450	450	450	383	-	-
Vote 11 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY		-	-	-	3,000	3,000	3,000	3,000	3,668	9,680	3,414
Vote 13 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 14 - HOUSING		-	-	-	-	-	-	-	-	-	-
Vote 15 - IPED		-	-	-	-	1,200	1,200	1,200	816	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	3,000	5,700	5,700	5,700	7,980	11,180	4,914
<b>Total Capital Expenditure - Vote</b>		24,647	24,520	66,914	67,361	69,396	69,396	69,396	76,702	68,795	68,618
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		1,375	11,565	2,794	4,650	4,787	4,787	4,787	4,316	3,515	1,500
Executive and council		375	24	93	1,880	2,017	2,017	2,017	1,816	2,015	-
Budget and treasury office		1,000	11,540	2,701	2,770	2,770	2,770	2,770	2,500	1,500	1,500
Corporate services		-	2	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		2,101	1,936	16,535	18,780	23,305	23,305	23,305	17,222	11,600	33,203
Community and social services		1,377	958	9,919	11,860	10,402	10,402	10,402	13,630	11,600	4,200
Sport and recreation		724	-	6,616	6,920	12,903	12,903	12,903	3,592	-	29,003
Public safety		-	644	-	-	-	-	-	-	-	-
Housing		-	333	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		14,067	8,075	44,848	24,931	23,754	23,754	23,754	31,883	25,000	12,500
Planning and development		2,127	442	1,067	1,880	1,880	1,880	1,880	-	-	-
Road transport		11,940	7,633	43,780	23,051	21,875	21,875	21,875	31,883	25,000	12,500
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		7,103	2,945	2,738	19,000	17,550	17,550	17,550	23,280	28,680	21,414
Electricity		7,003	2,945	2,610	19,000	17,100	17,100	17,100	22,668	28,680	21,414
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	450	450	450	-	-	-
Waste management		100	-	128	-	-	-	-	612	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	24,647	24,520	66,914	67,361	69,396	69,396	69,396	76,702	68,795	68,618
<b>Funded by:</b>											
National Government		23,647	12,820	28,295	40,591	40,591	40,591	40,591	40,971	45,437	45,635
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	1,000	1,550	1,550	1,550	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	23,647	12,820	28,295	41,591	42,141	42,141	42,141	40,971	45,437	45,635
Public contributions & donations	5	-	11,701	-	-	285	285	285	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		1,000	-	38,619	25,770	26,970	26,970	26,970	35,731	23,358	22,983
<b>Total Capital Funding</b>	7	24,647	24,520	66,914	67,361	69,396	69,396	69,396	76,702	68,795	68,618

EC134 Lukhanji - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		74,707	62,394	15,425	36,818	64,777	64,777	64,777	56,879	56,879	56,879
Call investment deposits	1	103,035	108,111	113,539	119,734	119,734	119,734	119,734	40,332	57,879	82,568
Consumer debtors	1	126,847	124,343	19,979	107,844	61,545	61,545	61,545	36,254	36,254	36,254
Other debtors		6,025	34,444	54,071	21,422	27,539	27,539	27,539	28,657	28,657	28,657
Current portion of long-term receivables											
Inventory	2	73	76	7	76	7	7	7			
<b>Total current assets</b>		<b>310,687</b>	<b>329,368</b>	<b>203,021</b>	<b>285,894</b>	<b>273,603</b>	<b>273,603</b>	<b>273,603</b>	<b>162,123</b>	<b>179,670</b>	<b>204,358</b>
<b>Non current assets</b>											
Long-term receivables											
Investments		225	297	305							
Investment property		91,284	91,284	153,473	91,581	153,473	153,473	153,473	153,473	153,473	153,473
Investment in Associate											
Property, plant and equipment	3	724,325	751,548	682,528	763,856	833,052	833,052	833,052	966,056	1,029,651	1,094,069
Agricultural											
Biological											
Intangible											
Other non-current assets											
<b>Total non current assets</b>		<b>815,834</b>	<b>843,128</b>	<b>836,306</b>	<b>855,436</b>	<b>986,525</b>	<b>986,525</b>	<b>986,525</b>	<b>1,119,529</b>	<b>1,183,124</b>	<b>1,247,542</b>
<b>TOTAL ASSETS</b>		<b>1,126,520</b>	<b>1,172,496</b>	<b>1,039,327</b>	<b>1,141,330</b>	<b>1,260,128</b>	<b>1,260,128</b>	<b>1,260,128</b>	<b>1,281,652</b>	<b>1,362,794</b>	<b>1,451,901</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	4,391	2,466	1,395	1,162	1,393	1,393	1,393	1,094	143	-
Consumer deposits		8,454	8,682	8,922	8,806	8,922	8,922	8,922	178	178	178
Trade and other payables	4	47,106	51,959	71,933	(20,769)	339	339	339	31,178	31,178	31,178
Provisions		3,263	6,305	2,110	60,597	63,643	63,643	63,643	80,454	80,454	80,454
<b>Total current liabilities</b>		<b>63,215</b>	<b>69,411</b>	<b>84,361</b>	<b>49,796</b>	<b>74,297</b>	<b>74,297</b>	<b>74,297</b>	<b>112,904</b>	<b>111,953</b>	<b>111,810</b>
<b>Non current liabilities</b>											
Borrowing		3,930	3,283	1,145	1,816	1,605	1,605	1,605	1,094	143	-
Provisions		70,019	68,494	67,970	25,221	12,616	12,616	12,616	4,241	4,241	4,241
<b>Total non current liabilities</b>		<b>73,949</b>	<b>71,777</b>	<b>69,115</b>	<b>27,037</b>	<b>14,221</b>	<b>14,221</b>	<b>14,221</b>	<b>5,334</b>	<b>4,384</b>	<b>4,241</b>
<b>TOTAL LIABILITIES</b>		<b>137,163</b>	<b>141,188</b>	<b>153,475</b>	<b>76,834</b>	<b>88,518</b>	<b>88,518</b>	<b>88,518</b>	<b>118,238</b>	<b>116,338</b>	<b>116,051</b>
<b>NET ASSETS</b>	5	<b>989,357</b>	<b>1,031,308</b>	<b>885,852</b>	<b>1,064,496</b>	<b>1,171,611</b>	<b>1,171,611</b>	<b>1,171,611</b>	<b>1,163,414</b>	<b>1,246,457</b>	<b>1,335,850</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)	4	989,357	1,031,308	885,852	1,064,496	1,171,611	1,171,611	1,171,611	1,163,414	1,246,457	1,335,850
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>989,357</b>	<b>1,031,308</b>	<b>885,852</b>	<b>1,064,496</b>	<b>1,171,611</b>	<b>1,171,611</b>	<b>1,171,611</b>	<b>1,163,414</b>	<b>1,246,457</b>	<b>1,335,850</b>



EC134 Lukhanji - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates, penalties & collection charges		47,815	62,700	74,215	75,162	75,610	75,610	75,610	75,403	81,435	85,507
Service charges		157,645	222,476	248,240	236,711	203,962	203,962	203,962	189,653	210,011	224,443
Other revenue		40,772	52,926	54,664	23,640	59,920	59,920	59,920	99,672	76,733	76,931
Government - operating	1	133,278	119,868	123,237	128,899	130,764	130,764	130,764	130,819	127,528	124,737
Government - capital	1	23,647	26,000	33,778	40,591	40,591	40,591	40,591	40,971	45,437	45,635
Interest		7,853	27,763	34,624	8,200	10,676	10,533	10,533	7,330	8,124	8,871
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(345,065)	(367,349)	(533,228)	(378,890)	(390,535)	(390,535)	(390,535)	(468,656)	(468,022)	(474,013)
Finance charges		(6,414)	(1,044)	(5,307)	(124)	(212)	(212)	(212)	(57)	(3)	-
Transfers and Grants	1	-	(1,660)	(13,848)	-	(6,426)	(6,426)	(6,426)	(7,464)	(7,789)	(8,810)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>59,531</b>	<b>141,680</b>	<b>16,375</b>	<b>134,188</b>	<b>124,350</b>	<b>124,206</b>	<b>124,206</b>	<b>67,671</b>	<b>73,455</b>	<b>83,301</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		1,714	520	-	-	-	-	-	35,731	25,380	25,114
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	(227)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(72)	(72)	-	20,500	28,605	28,605	28,605	-	-	-
Payments											
Capital assets		(28,957)	(49,694)	(66,726)	(61,091)	(69,196)	(69,196)	(69,196)	(76,702)	(68,795)	(68,618)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(27,315)</b>	<b>(49,473)</b>	<b>(66,726)</b>	<b>(40,591)</b>	<b>(40,592)</b>	<b>(40,592)</b>	<b>(40,592)</b>	<b>(40,971)</b>	<b>(43,415)</b>	<b>(43,503)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	35,275	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	8,682	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(3,276)	(4,396)	(1,386)	(1,162)	(1,393)	(1,393)	(1,393)	(1,036)	(140)	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(3,276)</b>	<b>39,560</b>	<b>(1,386)</b>	<b>(1,162)</b>	<b>(1,393)</b>	<b>(1,393)</b>	<b>(1,393)</b>	<b>(1,036)</b>	<b>(140)</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at the year begin:	2	207,526	259,249	128,964	148,352	184,511	184,511	184,511	171,211	196,875	226,774
Cash/cash equivalents at the year end:	2	236,464	391,016	77,227	240,787	266,876	266,733	266,733	196,875	226,774	266,572

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	236,464	391,016	77,227	240,787	266,876	266,733	266,733	196,875	226,774	266,572
Other current investments > 90 days		(58,722)	(220,511)	51,737	(84,235)	(82,366)	(82,222)	(82,222)	(99,664)	(112,016)	(127,125)
Non current assets - Investments	1	225	297	305	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>177,967</b>	<b>170,802</b>	<b>129,268</b>	<b>156,552</b>	<b>184,511</b>	<b>184,511</b>	<b>184,511</b>	<b>97,211</b>	<b>114,758</b>	<b>139,447</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		16,420	19,168	9,394	21,361	21,361	21,361	21,361	9,394	9,394	9,394
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	2,402	-	-	(42,859)	-	-	-	-	-	-
Other working capital requirements	3	(111,949)	(136,605)	(7,124)	(135,180)	(66,557)	(66,557)	(66,557)	(34,010)	(33,338)	(32,949)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>(93,127)</b>	<b>(117,436)</b>	<b>2,270</b>	<b>(156,678)</b>	<b>(45,197)</b>	<b>(45,197)</b>	<b>(45,197)</b>	<b>(24,616)</b>	<b>(23,944)</b>	<b>(23,555)</b>
<b>Surplus(shortfall)</b>		<b>271,093</b>	<b>288,239</b>	<b>126,998</b>	<b>313,230</b>	<b>229,708</b>	<b>229,708</b>	<b>229,708</b>	<b>121,827</b>	<b>138,703</b>	<b>163,002</b>

EC134 Lukhanji - Table A9 Asset Management

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	24,647	24,520	36,281	52,610	54,865	54,865	56,702	57,795	64,618
Infrastructure - Road transport		18,717	7,633	8,069	-	450	450	11,883	14,000	8,500
Infrastructure - Electricity		4,929	2,945	2,610	19,000	17,100	17,100	22,668	28,680	21,414
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		1,000	442	6,717	8,300	7,344	7,344	612	-	-
Infrastructure		24,647	11,019	17,396	27,300	24,894	24,894	35,164	42,680	29,914
Community		-	1,936	16,184	20,660	25,121	25,121	14,839	9,415	29,003
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	11,565	2,701	4,650	4,850	4,850	6,700	5,700	5,700
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	30,633	14,751	14,531	14,531	20,000	11,000	4,000
Infrastructure - Road transport		-	-	30,633	14,751	14,531	14,531	20,000	11,000	4,000
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	30,633	14,751	14,531	14,531	20,000	11,000	4,000
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	18,717	7,633	38,702	14,751	14,981	14,981	31,883	25,000	12,500
Infrastructure - Road transport		4,929	2,945	2,610	19,000	17,100	17,100	22,668	28,680	21,414
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		1,000	442	6,717	8,300	7,344	7,344	612	-	-
Infrastructure		24,647	11,019	48,029	42,051	39,425	39,425	55,164	53,680	33,914
Community		-	1,936	16,184	20,660	25,121	25,121	14,839	9,415	29,003
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	11,565	2,701	4,650	4,850	4,850	6,700	5,700	5,700
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	24,647	24,520	66,914	67,361	69,396	69,396	76,702	68,795	68,618
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>										
Infrastructure - Road transport	5	280,717	385,009	373,521	165,206	241,630	341,630	428,449	430,214	443,500
Infrastructure - Electricity		125,211	222,945	232,562	112,430	129,530	300,510	304,616	304,451	312,414
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		123,850	127,522	52,001	12,182	19,976	19,976	10,759	12,545	17,524
Infrastructure		529,778	735,476	658,083	289,818	391,136	662,116	743,824	747,210	773,439
Community		192,420	3,248	-	-	-	130,241	174,233	182,313	215,001
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		91,284	91,284	153,473	91,581	153,473	153,473	153,473	153,473	153,473
Other assets		2,127	12,824	24,445	474,038	441,916	40,695	47,999	100,128	105,630
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	815,609	842,831	836,002	855,436	986,525	986,525	1,119,529	1,183,124	1,247,542
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>	3	15,763	24,272	23,897	29,117	23,897	23,897	26,652	27,943	28,652
<b>Repairs and Maintenance by Asset Class</b>		6,288	14,172	-	11,569	13,658	13,658	14,813	16,816	17,447
Infrastructure - Road transport		2,289	2,493	-	4,667	4,647	4,647	4,947	5,045	5,148
Infrastructure - Electricity		1,233	1,728	-	2,939	3,239	3,239	3,116	3,139	3,459
Infrastructure - Water		547	926	-	-	-	-	-	-	-
Infrastructure - Sanitation		174	3,151	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	1,686	1,686	1,686	1,787	3,468	3,562
Infrastructure		4,243	8,298	-	9,292	9,572	9,572	9,849	11,652	12,168
Community		351	-	-	730	478	478	774	793	812
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	1,694	5,875	-	1,547	3,608	3,608	4,190	4,371	4,466
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		22,051	38,444	23,897	40,686	37,554	37,554	41,466	44,759	46,100
<b>Renewal of Existing Assets as % of total capex</b>		0.0%	0.0%	45.8%	21.9%	20.9%	20.9%	26.1%	16.0%	5.8%
<b>Renewal of Existing Assets as % of deprecn"</b>		0.0%	0.0%	128.2%	50.7%	60.8%	60.8%	75.0%	39.4%	14.0%
<b>R&amp;M as a % of PPE</b>		0.9%	1.9%	0.0%	1.5%	1.6%	1.6%	1.5%	1.6%	1.6%
<b>Renewal and R&amp;M as a % of PPE</b>		1.0%	2.0%	4.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%

EC134 Lukhanji - Table A10 Basic service delivery measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		20 758	21 761							
Piped water inside yard (but not in dwelling)		11 952	11 927							
Using public tap (at least min.service level)	2	8 511	8 340							
Other water supply (at least min.service level)	4	2 315	2 110							
<i>Minimum Service Level and Above sub-total</i>		43 536	44 138	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	7 095	7 072							
Other water supply (< min.service level)	4	2 315	2 160							
No water supply										
<i>Below Minimum Service Level sub-total</i>		9 410	9 232	-	-	-	-	-	-	-
<b>Total number of households</b>	5	52 946	53 370	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		30 973	30 989							
Flush toilet (with septic tank)		1 724	1 724							
Chemical toilet		4 170	4 170							
Pit toilet (ventilated)		8 386	8 160							
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		45 253	45 043	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	45 253	45 043	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		52 640	53 300		54 347	54 347	54 347	58 344	58 344	58 344
Electricity - prepaid (min.service level)		50 555	51 575		56 647	56 647	56 647	21 638	21 638	21 638
<i>Minimum Service Level and Above sub-total</i>		103 195	104 875	-	110 994	110 994	110 994	79 982	79 982	79 982
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)		50 555	51 575		56 647	56 647	56 647	21 638	21 638	21 638
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		50 555	51 575	-	56 647	56 647	56 647	21 638	21 638	21 638
<b>Total number of households</b>	5	153 750	156 450	-	167 641	167 641	167 641	101 620	101 620	101 620
<b>Refuse:</b>										
Removed at least once a week		27 890	27 890		28 939	28 939	28 939	28 649	28 649	28 649
<i>Minimum Service Level and Above sub-total</i>		27 890	27 890	-	28 939	28 939	28 939	28 649	28 649	28 649
Removed less frequently than once a week										
Using communal refuse dump		110	110		215	215	215			
Using own refuse dump										
Other rubbish disposal		4 048	4 048		4 316	4 316	4 316	32 500	32 500	32 500
No rubbish disposal		4 158	4 158		4 533	4 533	4 533	18 000	18 000	18 000
<i>Below Minimum Service Level sub-total</i>		8 316	8 316	-	9 064	9 064	9 064	50 500	50 500	50 500
<b>Total number of households</b>	5	36 206	36 206	-	38 003	38 003	38 003	79 149	79 149	79 149
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		7 310	7 309							
Sanitation (free minimum level service)		9 088	9 157							
Electricity/other energy (50kwh per household per month)		8 076	8 152		4 233	4 233	4 233	2 918	2 918	2 918
Refuse (removed at least once a week)		9 558	9 812		4 233	4 233	4 233	28 649		
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		6 899	6 914							
Sanitation (free sanitation service)		4 321	4 321							
Electricity/other energy (50kwh per household per month)		12 900	13 752		5 068	5 068	5 068	14 857	14 857	14 857
Refuse (removed once a week)		11 590	11 598		4 619	4 619	4 619	4 804	4 804	4 804
<b>Total cost of FBS provided (minimum social package)</b>		35 710	36 586	-	9 687	9 687	9 687	19 662	19 662	19 662
<b>Highest level of free service provided</b>										
Property rates (R value threshold)		15 000	15 000		15 000	15 000	15 000	3 851 659	3 851 659	3 851 659
Water (kilolitres per household per month)		-	-		-	-	-			
Sanitation (kilolitres per household per month)		-	-		-	-	-			
Sanitation (Rand per household per month)		-	-		-	-	-			
Electricity (kwh per household per month)		50	50		50	50	50	50	50	50
Refuse (average litres per week)		6	6		6	6	6	5 000	5 000	5 000
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		3 923	4 005		4 123	4 123	4 123	4 023	4 023	4 023
Property rates (other exemptions, reductions and rebates)		-	-		-	-	-			
Water		-	-		-	-	-			
Sanitation		-	-		-	-	-			
Electricity/other energy		7 541	7 658		8 488	8 488	8 488	8 010	8 010	8 010
Refuse		3 661	3 760		4 121	4 121	4 121	6 673	6 673	6 673
Municipal Housing - rental rebates		-	-		-	-	-			
43 Housing - infrastructure subsidies	6	-	-		-	-	-			
Other		-	-		-	-	-			
<b>Total revenue cost of free services provided (total social package)</b>		15 125	15 424	-	16 731	16 731	16 731	18 706	18 706	18 706

## 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.

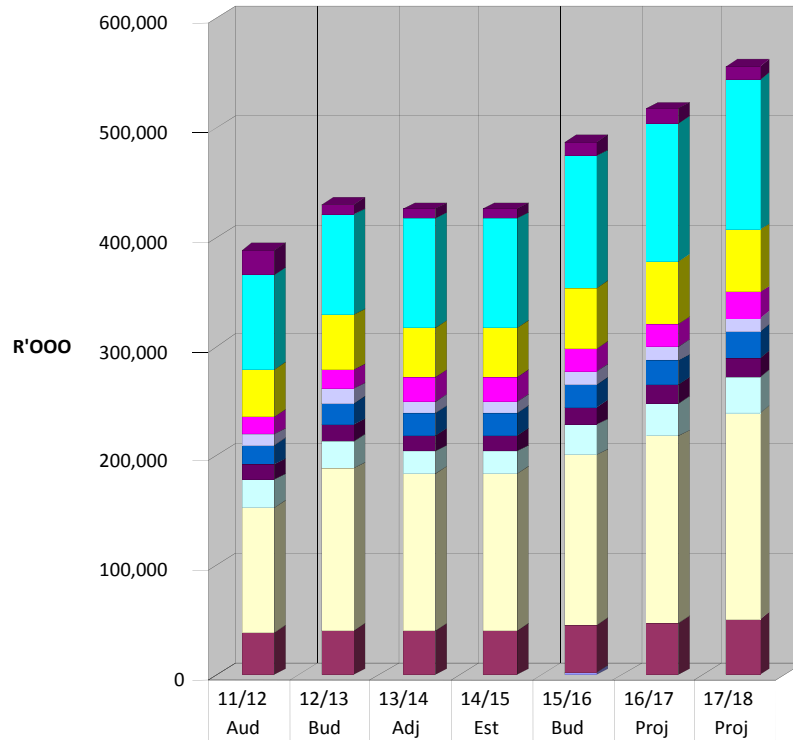
6.1 - Chart 1 - Operating Revenue by Source

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

6.3 - Chart 3 - Capital Expenditure by Vote

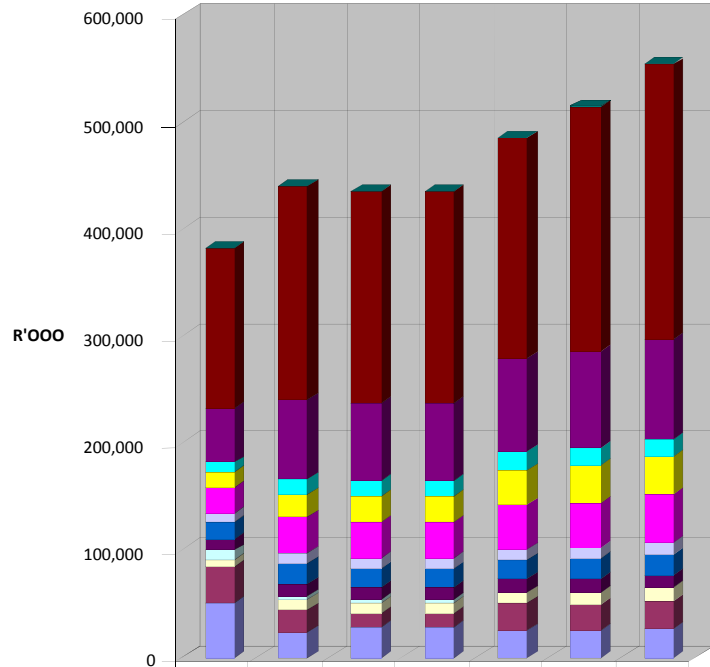
6.6 - Chart 4 - Capital Budget by funding source

**CHART 1 - OPERATING REVENUE BY SOURCE**



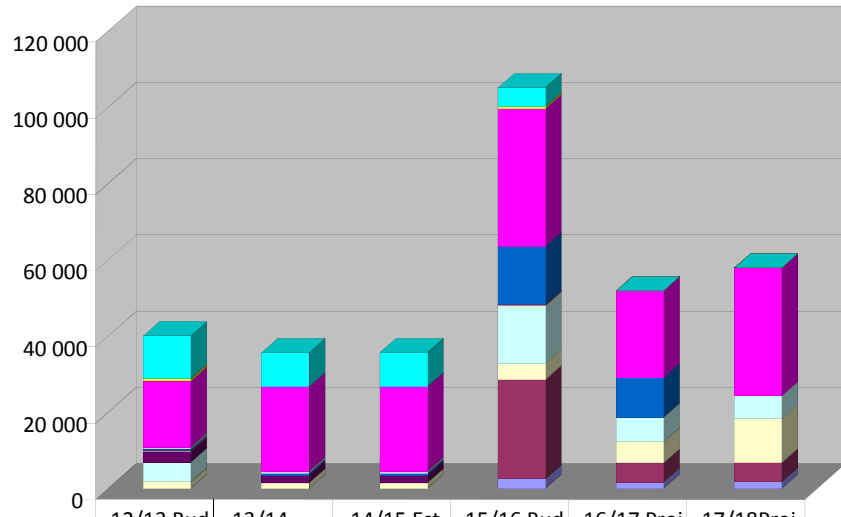
	11/12 Aud	12/13 Bud	13/14 Adj	14/15 Est	15/16 Bud	16/17 Proj	17/18 Proj
Other	21,766	9,047	8,991	8,991	12,728	12,728	12,728
Government grants	87,080	92,177	98,721	98,721	120,50	126,83	137,34
Agency income	42,549	49,693	45,301	45,301	55,437	56,199	56,961
Interest - debtors	16,883	17,586	22,718	22,718	20,112	21,601	23,202
Other services	9,226	12,822	10,918	10,918	12,839	12,338	12,498
Refuse tariff	18,195	19,820	19,824	19,824	20,833	22,291	23,852
Sanitation tariff	14,124	15,001	14,882	14,882	15,812	16,902	18,069
Water tariff	25,157	25,168	19,862	19,862	28,000	29,938	32,011
Electricity tariff	113,42	147,81	143,89	143,89	154,29	171,20	189,14
Property rates	39,334	40,444	40,444	40,444	43,406	46,879	50,629
Cash Carry forward	0	0	0	0		0	0

**CHART 2 - OPERATING EXPENDITURE BY GFS FUNCTION**



	11/12 Aud	12/13 Bud	13/14 Adj	14/15 Est	15/16 Bud	16/17 Proj	17/18 Proj
Other	99	120	117	117	116	121	125
Electricity	149,60	199,57	197,30	197,30	206,14	229,42	255,86
Water	49,920	73,238	72,728	72,728	86,803	89,888	93,355
Road Transport	9,608	13,990	14,537	14,537	16,796	16,569	17,157
Waste Water Management	14,144	20,932	24,101	24,101	33,336	34,403	35,614
Waste Management	23,725	34,534	34,606	34,606	41,082	42,001	44,051
Sport and Recreation	7,312	10,207	9,408	9,408	10,069	10,426	10,928
Public Safety	17,245	18,251	17,150	17,150	18,039	18,758	19,558
Community & Social Services	9,993	11,679	11,229	11,229	11,517	11,959	12,280
Health	8,927	3,970	3,970	3,970	0	0	0
Planning & Development	7,083	8,900	9,420	9,420	10,930	11,685	12,281
Finance & Admin	33,481	20,765	12,357	12,357	24,464	23,976	25,496
Executive & Council	50,281	23,535	28,302	28,302	25,629	25,480	26,725

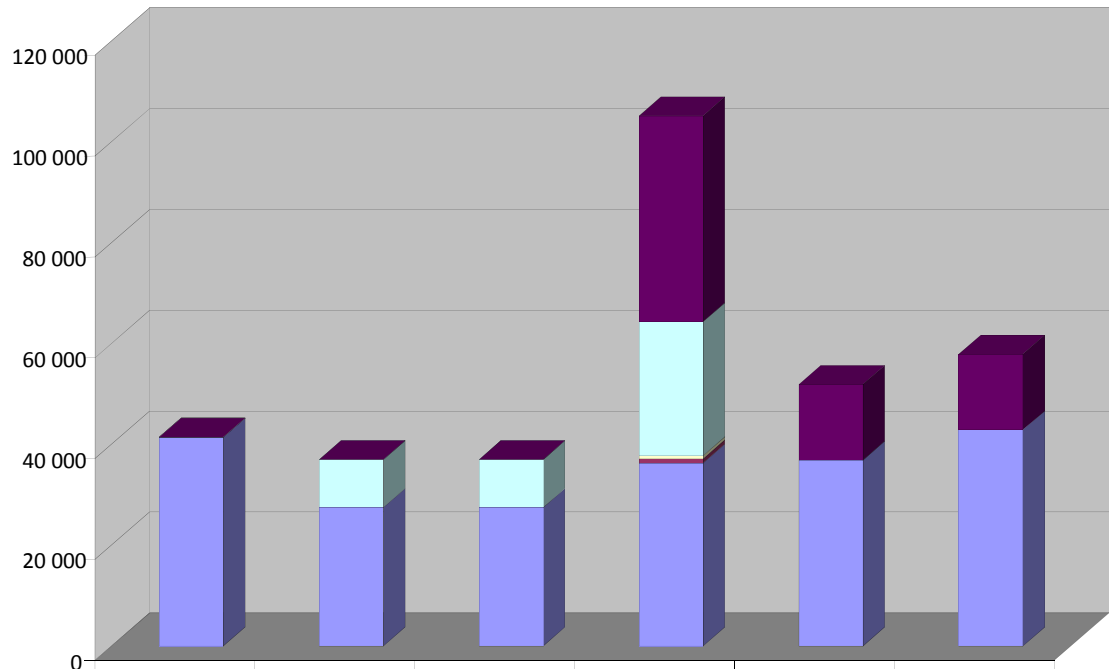
**CHART 3 - CAPITAL EXPENDITURE BY VOTE**



	12/13 Bud	13/14	14/15 Est	15/16 Bud	16/17 Proj	17/18 Proj
Electricity	11 206	8 990	8 990	4 929	0	0
Water	690	8 990 /14 Adj 0	0	574	0	0
Road Transport	17 342	22 193	22 193	36 141	22 767	33 582
Waste Water Management	4	0	0	4	0	0
Waste Management	544	554	554	0	0	0
Sport and Recreation	371	550	550	15 278	10 459	0
Public Safety	200	0	0	285	0	0
Housing	2 821	1 887	1 887	0	0	0
Community & Social Services	5 153	0	0	15 234	6 400	6 000
Planning & Development	1 744	1 482	1 482	4 170	5 564	11 531



**CHART 4 - CAPITAL FUNDING BY SOURCE**



	12/13	13/14	14/15	15/16 Bud	16/17 Proj	17/18 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

## 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 2014 and was followed in the preparation of the 2015/16 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 that the budget is aligned to the IDP.

#### Lukhanji Municipality

##### 1) Approved schedule for the IDP / PMS and Budget REVIEW PROCESS PLAN – 2014 / 2015

The below schedule was approved by Council on the 30<sup>th</sup> August 2014, for purposes of ensuring compliance with the municipal legislation and alignment between integrated development planning activities and those of budget review process

#### Adopted IDP/PMS and Budget Review Process Plan 2014/2015

1. PREPLANNING PHASE		01 JULY – 04 SEPTEMBER 2014	
ACTIVITY	DATE	RESPONSIBLE DEPARTMENT	PERSON/
Develop IDP/Budget and PMS process plan	01 – 31 July 2014	IPED& BTO	
Presentation of the IDP/Budget and PMS process to the senior management	28 July 2014	IPED	
Advertise invitation of registration of IDP REP Forum Stakeholders	28 July 2014	CHDM will advertise on behalf of all the local municipalities in the District	
Signing of performance agreements by Directors	31 July 2014	MM	
Performance Management Workshop	06 August 2014	IPED	
Annual Performance Report for 2013/2014 financial year	07 August 2014	IPED/MM	
Submit the IDP/ Budget and PMS process plan to the Standing Committee	07 August 2014	IPED	
IDP/PMS and Budget Technical Steering Committee to discuss draft IDP/Budget and PMS process plan	18 August 2014	IPED	
Submit the IDP/ Budget and PMS process plan to the Mayoral Committee	21 August 2014	IPED	
Good Governance Workshop to be	25-27 August 2014	MM	

facilitated by SALGA		
Special Council Meeting for the Approval of the IDP/Budget and PMS process plan And the Annual Financial Statements for 2013/2014	29 August 2014	IPED/ BTO
CHDM IDP REP Forum meeting	21 August 2014	CHDM
Submission of the AFS to Auditor General & Provincial Treasury	29 August 2014	CFO/MM
Advertise IDP/Budget/ PMS process plan	05 September 2014	IPED
Submission of the IDP/Budget and PMS process to the District and other spheres of government	05 September 2014	IPED
IGR Meeting	09 September 2014	MM
IDP REP Forum meeting	12 September 2014	IPED/MM
Budget steering committee meeting: Mayoral committee to meet to identify strategies and guidelines for the development of the 2015/16 to 2017/18 Budgets.	September 18 2014	Budget Manager/ CFO
Technical Steering Committee Meeting: Directors to be provided with the current Baseline Operating MTREF 2015/16 to 2017/18 that are to be used in developing new operating Medium Term Budget	September 29 2014	Budget Manager /CFO
Workshop on IDP and Budget to be facilitated by SALGA	15-17 September 2014	IPED/MM
Ordinary Council Meeting	26 September 2014	MM
HODs to start with the review of each directorate	01 July 2014 – 31 August 2014	All HODs
Conduct ward based profiling	01 July – 30 September 2014	IPED
Assessment and review of community needs in each ward	August – 30 September 2014	Ward Councillors & IPED
IDP/Budget/ PMS Steering Committee meeting: Presentation of the situational analysis	18 September 2014	IPED
PMS Workshop to discuss and finalise quarter 1 performance reports	03 October 2014	IPED
Table reviewed situational analysis	08 October 2014	

report to IPED Standing Committee		
1 <sup>st</sup> Quarter Performance Report to the Executive Mayor	10 October 2014	IPED
IDP REP Forum meeting	22 October 2014	IPED
Table reviewed situational analysis to the Mayoral Committee with identified community priorities	October 2014	IPED
Performance Audit Committee for Quarter 1	27 October 2014	MM
MPAC: Audit Committee & Performance Audit Committee	30 October 2014	MM
Review current tariffs, receive requested changes from directorates and prepare options for consideration	30 October 2014	CFO
Submission of baseline budgets and supplemental requests from directorates: Final date for submission of all baseline operating budgets, capital budgets, and operational plans by directorates to the budget office	30 October 2014	All Directors
Draft report on proposed tariff changes for review to Budget Steering Committee to CFO	05 November 2014	CFO
Budget Steering Committee meeting	06 November 2014	MM/CFO
IGR MEETING	11 October 2014	MM
IDP/Budget/ PMS Technical Steering committee: presentation and discussion of the situational analysis: Develop objectives, and strategies commences	11 November 2014	
IDP/PMS Managers' Feedback	13 November 2014	CHDM
Performance Management Workshop	27 November 2014	IPED
Annual Report Road Shows	02 – 10 December 2014	CHDM & LUKHANJI LM
Review of the mid year performance report	01- 05 December 2014	MM
Council Meeting	11 December 2014	MM
2 <sup>nd</sup> Quarter Performance Report	07 January 2015	All HODs
Cluster meetings to discuss mid year performance report	08 – 12 January 2015	IPED
Mid Year Performance Report to the Executive Mayor	07 January 2015	MM
Draft Annual Report	09 January 2015	MM
IDP/Budget/ PMS Steering Committee to discuss draft budget allocations and review of the objectives if necessary	12 January 2015	IPED

Budget Steering Committee Chaired by the Executive Mayor to consider Adjustment Budget	15 January 2015	MM
Municipal Strategic Session: to present updated situational analysis, refined objectives and strategies and draft projects: Review strategic scorecard and prepare draft SDBSIP	20- 24 January 2015	MM
Submission of budget capital requests to Finance	27 January 2015	All Directors
Council Meeting ( 2013/2014 Annual Report, Mid year report for 2014/2015 & Adjustment Budget	29 January 2015	MM
Publication of the draft annual report	06 February 2015	MM
Mid Year Performance Assessments	09- 13 February 2015	MM
IDP/Budget/ PMS Technical Steering Committee: review progress on the draft projects and Budget	09 February 2015	MM
IDP/PMS Managers' Session	17 February 2015	MM
IDP REP Forum meeting	19 February 2015	IPED
Budget Steering Committee Meeting Chaired by the Executive Mayor	24 February 2015	MM
MPAC Hearings on the mid year performance report and draft Annual Report	February 2015	MM
IDP/PMS and Budget Technical Steering Committee to review objectives, strategies and projects as per the identified priorities	02 March 2015	IPED
Table refined objectives, strategies and projects to the IPED Standing Committee	03 March 2015	IPED
Table refined objectives, strategies and projects and the budget to the Mayoral Committee	10 March 2015	IPED
Identify projects and programmes and allocate budget	02 -20 March 2015	All HODs
Table progress on the IDP to the IPED Standing Committee	04 March 2015	IPED
CHDM REP Forum Meeting	12 March 2015	CHDM
IDP/Budget &PMS Steering Committee Meeting to include the inputs of the Mayoral Committee and finalize the 1 <sup>st</sup> drafts of the IDP and Budget for 2015/2016	16 March 2015	IPED/BTO
IGR MEETING	19 March 2015	MM
Budget Steering Committee Meeting	20 March 2015	MM/BTO

CHDM Council Approval of the draft IDP		
Special Council Approval of the 1 <sup>st</sup> draft of the IDP and the Budget for 2015/ 2016	27 March 2015	MM
Advertise draft documents of the IDP and the Budget for 21 days comments period	31 March 2015	IPED/BTO
Submit draft IDP and budget to relevant departments	31 March 2015	IPED/BTO
Performance Management Workshop	02 April 2015	IPED
Submit 3 <sup>rd</sup> Quarter Performance report to the Executive Mayor ( Jan- March 2015)	08 April 2015	MM
IDP/Budget Road shows	06 – 17 April 2015	IPED/MM & CHDM
IDP/ Budget/PMS Steering Committee to consider comments from the public	23 April 2015	IPED
Budget Steering Committee	30 April 2015	MM
Incorporate relevant inputs and comments to the draft IDP and Budget documents	04 -08 May 2015	MM
IDP/PMS Managers' Session	08 May 2015	CHDM
IPED Standing Committee to report progress on the IDP	10 May 2015	IPED
IGR Meeting	06 May 2015	MM
CHDM IDP REP Forum	19 May 2015	CHDM
Council Workshop on draft IDP and Budget	22 May 2015	IPED
CHDM Council Meeting for the Approval of the IDP and Budget	27 May 2015	CHDM
Council Meeting for the Approval of the IDP and Budget	28 May 2015	MM
IDP/ Budget and PMS Steering Committee for the finalization of the SDBIP	10 June 2015	All HODs
CHDM IDP REP Forum Meeting	19 May 2015	CHDM
Submission of the SDBIP for 2015/2016 financial year to the Executive Mayor & Signing of performance agreements	26 June 2015	MM
Publicize SDBIP and Performance Agreements within 14 days after approval		

### *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 2014 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 2015/16 budget process began in July 2014 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 Preparation and Financial Guidelines' that list the assumptions, goals and roles and responsibilities used in preparing the new budget.

In August 2014 the Mayoral committee approved the budget preparation schedule and tabled the same to council.

During the months of September through January 2014/15 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 20th of March 2015 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 was tabled in council on the 31<sup>st</sup> of March 2015 together with the revised IDP for the 2015/16 budget year.

The draft budget was then taken to budget road show in April and May to allow for public participation. That exercise afforded the community an opportunity to interact with the municipal officials and the political leadership of the municipality. Inputs from these engagements with the community were then incorporated into the final budget to be presented to Council on the 28<sup>th</sup> of May.

## 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.

### 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 (KPA's) 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
- 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

The budget process has led to the crafting of the municipality's strategic objectives that was effectively linked with the IDP in the strategic session held on the 18<sup>th</sup> to the 20<sup>th</sup> of March 2015.

The tables that follow in the next pages show how the operational budget and the capital projects are linked to the IDP.

**MTREF OPERATING BUDGET FOR 2015-2018**

<b>DIRECTORATE</b>	<b>KPA</b>	<b>OBJECTIVE</b>	<b>PROJECT</b>	<b>FUNDING SOURCE</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Office of the MM	Good Governance and Public Participation	To ensure effective and efficient communication systems between the Municipality and the communities by June 2016	1.Newspaper and Other Communication Programmes		1,000,000	1,000,000	1,000,000
Office of the MM	Good Governance and Public Participation	To ensure effective and efficient communication systems between the Municipality and the communities by June 2017	3.Emblem Automation	MSP Fund	181,955	0	0
Office of the MM	Good Governance and Public Participation	To ensure effective and efficient communication systems between the Municipality and the communities by June 2018	4.Promotional Material	Unknown Grant	151,722	0	0
Office of the MM	Good Governance and Public Participation	To ensure that the designated groupings participate in the affairs of the Municipality by June 2017	Development of programmes recognising and developing designated groups through municipal programmes (Create a data base of designated groups)	OWN	261,820	261,820	261,820
Office of the MM	Good Governance and Public Participation	To ensure that the designated groupings participate in the affairs of the Municipality by June 2018	Mayors Cup	OWN	250,000	250,000	250,000
Office of the MM	Institutional Arrangement and Organisational Transformation	To ensure a conducive working environment for councillors and employees by June 2018	SALGA Games		200,000	200,000	200,000
Office of the MM	Institutional Arrangement and Organisational Transformation	To ensure a conducive working environment for councillors and employees by June 2019	Officials Kits for Teams and Choir	OWN	300,000	300,000	300,000

Office of the MM	Good Governance and Public Participation	To ensure that the implementation of the Municipal Good Governance Framework is improved by June 2017	Budgeting and establishment of own Audit Committee	OWN	187,980	187,980	187,980
Budget and Treasury	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	Compilation Of Annual Financial Statements and Asset Register	OWN	3,194,200	3,353,910	3,521,606
Budget and Treasury	Good Governance and Public Participation		Improve ICT Systems(Microsoft Licenses/DRC/Intranet)	Various Projects	584,762	0	0
	Good Governance and Public Participation		Improve ICT Systems(Microsoft Licenses/DRC/Intranet)	OWN	600,000	0	0
Corporate Services	Good Governance and Public Participation		Implementation of Performance Management System	OWN	1,000,000	1,000,000	1,000,000
Corporate Services	Institutional Arrangement and Organisational Transformation	To develop an institutional capacity for the benefit of Municipal Councillors and Employees of Lukhanji that promote sound efficient workforce by June 2017	Training Programme for Councillors and officials as per the WSP	OWN	1,436,000	1,436,000	1,436,000
		To develop an institutional capacity for the benefit of Municipal Councillors and Employees of Lukhanji that promote sound efficient workforce by June 2017	Development of Job Descriptions	OWN	250,000	250,000	250,000
		To develop an institutional capacity for the benefit of Municipal Councillors and Employees of Lukhanji that promote sound efficient workforce by June 2017	Job Evaluation	OWN	1,000,000	1,000,000	1,000,000

IPED	Local Economic Development	To promote and facilitate economic development in the area by June 2017	Implementation of tourism sector	OWN	200,500	200,500	200,500
IPED	Local Economic Development	To promote and facilitate economic development in the area by June 2018	Training programme for the SMMEs and Cooperatives.	LED Strategy & Hawker Support	150,000	150,000	150,000
Human Settlement	Spatial Planning	To ensure the human settlement patterns by June 2017	Develop Whittlesea SDF	OWN	500,000	0	0
Human Settlement	Financial Viability	To increase municipal revenue by 20% by ensuring full implementation of revenue strategy by June 2017	Implement supplementary valuation roll	Valuation Roll & OWN	1,617,475	1,590,000	1,590,000
Budget and Treasury	Financial Viability	To increase municipal revenue by 20% by ensuring full implementation of revenue strategy by June 2017	Improve indigent system	Unknown Grants	178,441	0	0
Budget and Treasury	Financial Viability	To increase municipal revenue by 20% by ensuring full implementation of revenue strategy by June 2017	Improve indigent system	OWN	100,000	0	0
Budget and Treasury	Financial Viability	To increase municipal revenue by 20% by ensuring full implementation of revenue strategy by June 2017	Verification of Free Basic Services	Free Basic Services	63,512	0	0
Budget and Treasury	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	FMG	Salaries and Allowances	562,130	600,000	650,000.00
Budget and Treasury	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	FMG	Training	437,870	500,000	750,000.00
Budget and Treasury	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	FMG	SCOA	500,000	530,000	550,000.00
Budget and Treasury	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	FMG	Operation Clean Administration	175,000	180,000	195,000.00
Executive Offices	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	MSIG	Public Participation	250,000	277,000	353,000

Executive Offices	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	MSIG	SCOA	250,000	250,000	250,000
Corporate Services	Good Governance and Public Participation	Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017	MSIG	ICT Services	250,000	250,000	250,000
		To improve integrated planning and improved service delivery by June 2017	OWN	Public Participation	250,000	250,000	250,000
Executive Offices	Good Governance and Public Participation	To improve integrated planning and improved service delivery by June 2018	MSIG	Ward Committee Programmes	180,000	180,000	180,000
Technical Services		No Objective	PMU Admin Fees – Lukhanji 2013/14		1,948,550	2,021,850	2,131,750
<b>TOTAL</b>					<b>18,211,919</b>	<b>16,219,060</b>	<b>16,907,656</b>

MTREF CAPITAL BUDGET FOR 2015-2018								
DIRECTORATE	KPA	OBJECTIVE	PROJECT	FUNDING SOURCE	WARD	2015/16	2016/17	2017/18
Executive and Council	Institutional Arrangement and Transformation	To ensure a conducive working environment for councillors and employees by June 2017	Mayors Car	OWN		1,000,000	0	0
Technical Services	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Upgrade of Rural Gravel Roads for cluster A ,B & C.	MIG	All	8,000,000	11,000,000	4,000,000
Technical Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	New 20MVA 66/11kV transformer for Ebden Substation,including outdoor switchgear	OWN		0	5,376,000	3,415,000
Technical Services	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Road from Railway line to Ezibeleni – 1Km	OWN	6	3,250,000	0	0
	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Top Street Mlungisi	OWN	21	1,800,000		0
	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Alexandra Street CBD	OWN	26	1,800,000		0
	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Sada Main Taxi Road	OWN	10	2,200,000		0
	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Bushell Street CBD	OWN	26	1,000,000		0
	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Dalamba Street Mlungisi	OWN	25	1,000,000		0

	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Big Street SADA	OWN	9	600,000		0
		To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Bell & Woodhouse Streets CBD	OWN	26	850,000		0
Technical Services	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Qwabi Bridge over Kuzitungu river Phase 2	MIG	13	0	0	4,000,000
Technical Services	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Various Wards	MIG		4,000,000	4,000,000	3,000,000
Technical Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Ezibeleni 11kv Open Wire ringfeed network	OWN		2,156,000	0	0
Technical Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Town Hall Sanlam T 11kvCable			1,512,000	0	0
Technical Services	Basic Services and Infrastructure Development	To ensure safe passage and acceptable condition of road infrastructure network by June 2017	Roads and stormwater projects in Ezibeleni, Ilinge, Sada, Ext 4 Whittlesea, & Mlungisi	MIG	All	0	0	4,500,000
Technical Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Completion of the Inter-modal Transport Facility - Queenstown	MIG	All	11,000,000	14,000,000	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Community Hall in Ward 1	MIG	1	4,830,000	0	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Community Hall in Ward 17	MIG	17	1,000,000	4,900,000	
	Basic Services and	To ensure that	The Rehabilitation of the					



Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Community Hall in Ward 17	MIG	17	1,000,000	4,900,000	
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	The Rehabilitation of the Ezibeleni Stadium Ablution Block Phase 2	MIG	4	0	0	3,003,250
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Renovation and Extension of the Sada Stadium Ablution Block Phase 2	MIG	5,9,10,11,12,13,14,18	0	0	4,000,000
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Ilinge Cemetery	MIG	1,2	1,800,000	500,000	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Lesseyton Cemetery	MIG	27	1,800,000	500,000	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Whittlesea Cemetery	MIG	17	0	1,500,000	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Ilinge Sports-field	MIG	1, 2	3,592,450	0	0
Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	Lesseyton sportfield	MIG	27	0	0	11,000,000

Community Services	Basic Services and Infrastructure Development	To ensure that entertainment facilities are accessible to local communities by June 2017	McBride sportfield	MIG	14	0	0	11,000,000
Techncal Services	Basic Services and Infrastructure Development	To maintain a safe and acceptable condition of roads and electricity infrastructure network by 2017	Maintanance of Stormwater	Whittlesea Ext 4 Roads and Stormwater(Old Grant)		383,408	0	0
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Installation of No of Highmast Lights	OWN		3,000,000	3,000,000	3,000,000
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Refurbishment of the Switch Gear	OWN		3,000,000	3,000,000	3,000,000
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Refurbishment of Mlungisi KV and LV Network	OWN		3,000,000	3,000,000	3,000,000
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Supply and Commissioning of 20 MVA Transfomer	OWN		3,000,000	3,000,000	3,000,000
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Upgrading of 22/11KV cable feed in Unathi Mkefa	OWN		3,000,000	3,000,000	3,000,000
Techncal Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Mlungisi MV Strenthening (Phase 1)	OWN		3,000,000	3,000,000	3,000,000

Technical Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Upgrading of 22/11KV cable feed in Unathi Mkefa	OWN		3,000,000	3,000,000	3,000,000
Technical Services	Basic Services and Infrastructure Development	To ensure continuous connections and maintenance of electricity to households within Lukhanji jurisdictions by June 2017 to ensure minimum disruption	Mlungisi MV Strengthening (Phase 1)	OWN			1,994,000	0
Technical Services	Basic Services and Infrastructure Development	To maintain a safe and acceptable condition of roads and electricity infrastructure network by 2020	Mlungisi MV Strengthening (Phase 2)	OWN			2,310,000	
Community Services	Basic Services and Infrastructure Development	To ensure clean environment by June 2017	Purchase of Refuse Skips	MIG Counter Funding	Varous Wards	612,309	0	0
Community Services	Basic Services and Infrastructure Development	To ensure clean environment by June 2017	Refuse Trucks	OWN	Varous Wards	4,200,000	4,200,000	4,200,000
IPED	LED	To promote and facilitate economic development in the area by June 2017	Fencing of Grazing Camps in Various Areas	MIG	Varous Wards	1,000,000	1,215,150	0
IPED	LED	To promote and facilitate economic development in the area by June 2017	The Construction of a Shearing Shed in ward ?	MIG	3	0	800,000	0
IPED	LED	Create an enabling environment for the SMMEs and Cooperatives	Revitalization of small business centres	OWN		350,000	0	0
IPED	LED	To promote and facilitate economic development in the area by June 2017	Construction of hawker stalls,	Led Strategy(Old Grant)		466,175	0	0
ALL	Institutional Arrangement and Transformation	To ensure a conducive working environment for councillors and employees by June 2017	Small Capital and Equipment(Hall Chairs)	OWN		1,500,000	1,500,000	1,500,000
<b>TOTAL</b>						<b>76,702,342</b>	<b>68,795,150</b>	<b>68,618,250</b>

*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

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

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Good Governance & Financial Viability	To achieve clean audit by 30 June 2015			215,532	178,138	190,211	199,040	219,199	219,199	274,469	272,158	273,469	
Institutional Development & Transformation	Revise and automate and cascade performance management			1,084	2,456	3,521	2,744	2,626	2,626	13,124	13,473	14,687	
Local Economic Development	Improve agricultural contribution to economy			1,451	6,387	1,235	7,136	9,503	9,503	6,520	6,520	7,520	
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and waste			165,252	324,769	370,981	74,713	77,256	77,256	47,182	47,182	47,812	
Service Delivery	To facilitate construction of Community Halls						9,256	8,252	8,252	10,942	10,942	11,442	
Service Delivery	To facilitate supply of electricity to 90% of households by June 2015						192,585	204,919	204,919	240,217	240,217	247,707	
Service Delivery	To maintain and upgrade at least 25km of roads each year until 2017						38,099	28,572	28,572	32,600	32,600	42,700	
Good Governance and Public Participation										12,450	12,450	12,496	
Allocations to other priorities			2										
Total Revenue (excluding capital transfers and contributions)				1	383,319	511,750	565,949	523,573	550,327	550,327	637,505	635,543	657,834

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

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Good Governance & Financial Viability	To achieve clean audit by 30 June 2015			294,673	59,001	61,001	57,673	57,673	57,673	93,262	93,610	102,601	
Institutional Development & Transformation	Revise and automate and cascade performance management			5,948	4,502	4,502	5,322	5,322	5,322	7,422	7,422	7,422	
Local Economic Development	Improve agricultural contribution to economy			7,636	21,440	32,445	13,745	13,745	13,745	19,540	19,540	19,540	
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and			313	383,115	450,364	164,031	164,031	164,031	199,330	204,927	229,517	
Service Delivery	To facilitate construction of Community Halls						3,825	28,545	28,545	29,633	29,633	37,521	
Service Delivery	To facilitate supply of electricity to 90% of households by June 2015						207,576	207,576	207,576	207,576	207,576	188,573	
Service Delivery	To maintain and upgrade at least 25km of roads each year until 2017						4,041	4,041	4,041	4,040	4,040	4,041	
Allocations to other priorities													
Total Expenditure				1	308,570	468,058	548,312	456,213	480,932	480,932	560,803	566,748	589,215

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

Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Good Governance & Financial Viability	To achieve clean audit by 30 June 2015	A		524	-	2,701							
Institutional Development & Transformation	Revise and automate and cascade performance management	B		1,000	-	93	2,500	2,500	2,500	3,500	2,500	2,500	
Local Economic Development	Improve agricultural contribution to economy	C		16,861	2,535	-	1,703	1,703	1,703	1,703	1,703	1,703	
Service Delivery	Ensure that 90% of households have safe places to dispose their refuse and	D		6,261	21,987	3,956	5,056	5,056	5,056	9,256	9,256	9,256	
Service Delivery	To have good access road in the communities	E				43,780	26,551	26,551	26,551	27,302	26,551	25,873	
Service Delivery	To facilitate construction of Community Halls	F				7,029	8,860	8,860	8,860	8,860	8,107	8,860	
Service Delivery	To facilitate supply of electricity to 90% of households by June 2015	G				2,610	15,770	15,770	15,770	15,770	11,350	10,210	
Service Delivery	To construct and upgrade sport facilities in the community	H				6,744	6,920	8,954	8,954	10,310	9,327	10,215	
Allocations to other priorities			3										
Total Capital Expenditure				1	24,647	24,521	66,914	67,361	69,395	69,395	76,702	68,795	68,617

## 9 Budget Related Policies and Bylaws Overview and Amendments

In line with section 17(3) (e) when annual budget is tabled in terms of section 16(2), it must be accompanied by any proposed amendments to the budget related policies. The following budget will be tabled with final policies and by laws, a process of having community comments have been done in April and May however final policies are therefore tabled together with final budget.

Budget related policies and a bylaw includes the following:

- Final Reviewed Property Rates Policy and Bylaw
- Final Reviewed Budget Policy
- Final Reviewed Cash Management and Investment Policy
- Final Reviewed Write Off Policy
- Final Reviewed Credit Control Policy and Bylaw consolidated with arrangement policy
- Final Reviewed Virement Policy
- Final Reviewed Asset Management Policy
- Final Reviewed Indigent Policy and Bylaw
- Final Reviewed Supply Chain Management Policy

Below is the summary of each reviewed policies:

### 1. Draft Reviewed Property Rated Policy and Bylaw

- a) This policy is used to fund services that benefit the community as a whole as opposed to individual households. These include constructed and maintaining streets, roads and sidewalks, street lighting and storm water drainage facilities.
- b) The policy focuses on how the rates are imposed and impermissible rates. The policy gives rebate to property owners of the first R15 000 of the market value. The policy detailed the exemptions, reduction and rebates and clarifies who qualifies. The register of properties is divided into two parts. The bylaw will ensure that it gives effect on the implementation of this policy. This policy is in line with the property rates act.

### 2. Draft Reviewed Budget Policy

The objective of this policy is to set out:

- a) The principles which the Municipality will follow in preparing each MTREF
- b) The responsibilities if the Mayor, the Accounting Officer, The Chief Financial Officer and other Directors in the compilation of Budget
- c) To establish and maintain procedures to ensure adherence to the Municipal IDP and Budget processes.



- d) The Municipality did not have budget policy; they only rely on the Municipal Finance Management Act every time the budget is compiled. The policy that was in existence was budget adjustment policy and virement policy which were developed for the first time in the last financial year for its first implementation in the year under review.
- e) The policy therefore covers the budget preparation process being:
  - f) Formulation of the budget,
  - g) The public participation process
  - h) Approval process of the budget
  - i) Publication of the budget
  - j) Capital and Operating Budget, how they are funded and the process that needs to be followed.
  - k) The policy also stipulate how the unspent funds must be treated
  - l) Budget adjustment process in detail, who has been delegated, how to compile budget adjustment and why.
  - m) Budget implementation and monitoring in terms of MFMA

### 3. Cash Management and Investment Policy

The policy is taken as it is from the last financial year, its objectives:

- a) To provide guidance and direction for the investment of cash within the municipality
- b) The Municipality must ensure investment diversification across the institution e.g. types of investments and its maturities
- c) Liquidity needs of the Municipality to be given due consideration when making investment decisions for the municipality.
- d) The policy statement includes:
  - e) Investment maturities
  - f) Standard care for investment
  - g) Investment limitations
  - h) Portfolio balance and competitive selection
  - i) Cash management and Reporting Requirements

### 4. Draft reviewed write off policy and Bylaw

- a) Main purpose of this policy is to ensure that the principles of write off of irrecoverable debt are formalised.
- b) It mentioned the categories of debtors that qualify to be written off.
- c) It mentioned the incentive scheme and this policy reviewed that the incentive will only apply to a debt that is in arrears as at end 30 June 2010 which will be the one that will be written off.
- d) Standing committee for finance will play a role of considering application and onward transmission to Mayoral Committee and Council for final approval.

e) Bylaw will give effect to this policy.

**5. Credit Control Policy and Bylaw**

- a) The policy details how rates and services will be collected. The process starts at the application process of the services
- b) Customer service agreements
- c) Deposits that are paid when applying for the service
- d) Detailed how and when the accounts and billing are paid
- e) Metering and consumable services and all water related processes have been removed from the policy.
- f) Arrangements processes for residential and non-residential debtors
- g) Special conditions regarding arrangements and the payment of rates by instalments
- h) Payment arrangements of government departments
- i) Collection process on rental of facilities
- j) Enquiries and appeals
- k) Debt collection process general
- l) Theft and fraud and Irrecoverable debt
- m) Bylaw will give effect to this policy

**6. Virement policy**

- a) This policy aims to provide guidelines to management in the use of virement as a mechanism in the day to day management of their budget
- b) The only change in the policy is to allow virement on capital budget within votes of the same funding

**7. Draft Review of Asset Management Policy**

Main objectives of this policy are to:

- a) Ensure the effective and efficient control, utilization and management of Property Plant and Equipment.
- b) Ensure that the functional heads are aware of their roles and responsibilities regarding property, plant and equipment.
- c) To set out standards of physical asset management, recording and internal control to ensure property plant and equipment are safeguarding against loss and inappropriate utilisation
- d) To specify the process required for acquisition, transfer and disposal assets.

**8. Draft Reviewed Indigent Policy and Bylaw**

- a) Main objectives of this policy are to ensure:
- b) The provision of basic services to the community in a sustainable manner within financial and administrative capacity of council
- c) The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation

- d) Establishment of framework for the identification and management of indigent households including socio –economic analysis and an exit strategy
- e) The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households
- f) To ensure co-operative governance with other spheres of government and
- g) To enhance the institutional and financial capacity of the Municipality to implement the policy
- h) Bylaw will give effect to this policy

## 9. Supply Chain Management Policy

The MFMA required the municipality to adopt and implement a new supply chain policy by January 1<sup>st</sup> 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. This policy has been reviewed in this financial year and has been presented to council for approval.

## 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 2015/16			
	Estimated 2015/16	Estimated 2016/17	Estimated 2017/18
1) General Inflation Factor	4.8%	5.9%	5.6%
2) Interest Rates:			
Borrowing	9.6%	9.6%	9.6%
Investing	6.0%	6.0%	6.0%
3) Increases - Rates and Tariffs:			
Growth Factor	1.0%	1.0%	1.0%
Rates	6.0%	8.0%	8.0%
Electricity	12.2%	8.0%	8.0%
Refuse	8.0%	10.0%	10.0%
4) Tax Base Growth	0.0%	0.0%	0.0%
5) Billing Collection Rates:			
Rates	91.0%	92.0%	95.0%
Electricity	87.0%	90.0%	90.0%
Refuse	54.0%	54.0%	54.0%
Debtor Interest	14.6%	14.6%	14.6%
6) Bulk Electricity Purchases			
Growth Factor	0.0%	0.0%	0.0%
Bulk Cost Increases	14.24%	14.24%	5.0%
7) Salary Increases			
Salaries	6.8%	6.5%	6.9%
Overtime	6.8%	6.5%	6.9%
Contract Workers	6.8%	6.5%	6.9%
8) Equitable Share Allocation	117 676 000	115 174 000	111 362 000
9) Library Allocation	4 150 000	4 150 000	4 150 000

The above assumptions were different from what was anticipated when the planning stage of the 2015/16 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 circular 72 stipulates that municipalities use the average CPI plus 1.0 percent. Electricity tariff was expected to increase by 7.0% but by NERSA guidelines the rate will be hiked by 12.2% in 2015/16, commencing on the 1<sup>st</sup> of July 2015. Nevertheless these guidelines enable the municipality to work within set parameters.

### **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 74 and 75 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 and 72.

### **Interest rates for borrowing and investment of funds**

Based on historical trends and current market analysis we have used 9.6% 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. The actual interest rate that the municipality will be charged will at any particular time be based on the prevailing repo rate and the risk level associated with the municipality at that time.

### **Rates, tariffs, charges and timing of revenue collection**

The Municipality has completed property valuations last year 2014 and will be used for the next four years starting with the 2014/15 financial year. 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, even though there are some few issues to be sorted out with particular reference to categories. 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 6%.

The billed revenue from property tariff was R75.4 million in the 2014/15 budget from R68.6 million in the 2013/14 original budget. The 2014/15 budget was approved before the general valuation was concluded and as a result when the valuation roll was loaded it was different from what was budgeted. The municipality is anticipating collecting R79.37 million in property rates in the 2015/16 financial year. The correct tariff to be applied in order to realise the billed amount is being calculated and is shown below.

The table below shows the re – calculated Property Rates for the 2014/15

And the 6.0% increase for the 2015/16 financial year:

Household Bills					
Property Rates					
Property categories	2012/13	2013/14	2014/15	2014/15 Re- calculated	2015/16
Residential Properties	0.0069	0.00755	0.008305	0.006659	0.007059
Residential Properties - Land	0.00315	0.03317	0.03652	0.03110	0.03297
Farm Properties	0.0017167	0.0019	.0.00209	0.00170	0.001802
Industrial Properties	0.00858	0.00944	0.010384	0.00842	0.008925
Business Properties	0.00858	0.00944	0.010384	0.00842	0.008925
Public Services	0.00173	0.0019	0.0021	0.00170	0.001802

### Electricity tariffs

Billed revenue for the 2014/15 budget was R178.9 million. Electricity tariff will be increased by an average of 12.2% in 2015/16 financial years contained in circular 75 that was issued March 2015. As a result of that increase, revenue to be realised from electricity tariff will increase to R202 832 952. It must be noted that this is the billed revenue from which a reasonable provision for bad debt will be deducted. The municipality is putting plans in place this year to maximise the collection of the billed amount and to reduce the bad debt that will occur at the end of the year.

### Cost Reflective tariffs

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. Circular 70 from the National Treasury, urges municipalities to adopt cost reflective tariffs.

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. Circular 74 stipulates that cost reflective tariffs be set in order to ensure continuity and sustainability of service delivery.

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 14.24% increase in the cost of bulk electricity purchases, the tariffs charged to customers will increase this year by 12.2% margin. Indigent customers will be subsidized as follows:

0 – 50kw	free
51kw onwards	12.2% Increase

## 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 conscientious effort to address in the future. There are however glimpses of improve collection rate of billed services in the first half of the 2014/15 when the revenue enhancement team started checking meters and monitoring electricity consumption. It is hoped that this trend will continue into 2015/16 financial year.

Collection rates for services that are billed to the community are usually very different from 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 this 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 35% of the operating budget. This has taken the municipality to the National Treasury threshold of the salary budget not exceeding 35.0% of its operating budget. This will affect further employment of staff as the municipality will not like to exceed the 35.0% threshold. 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 2015/16 salaries are projected to increase 6.8%, for 16/17 to 17/18 a projected 6.4% increase is also used.

## 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 there solutions. Over the past years the municipality has been required to take on large number 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 that 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 2015/16 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.

### 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. These were part of the strategies presented to the Budget Steering committee in September 2014 as part of the budget process.

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 74 and 75 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 2015/16 budget year reflects that cash receipts for the year will be sufficient to place a small surplus into working operating capital. It is anticipated that a cash surplus of R25.7 million will be realised by the end of the 2015/16 financial year. This is shown in the supporting table SA30 attached to this report.

Table SA 10 also shows that the budget is fully funded.

EC134 Lukhanji Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	236,464	391,016	77,227	240,787	266,876	266,733	266,733	196,875	226,774	266,572
Cash + investments at the yr end less applications - R'000	18(1)b	2	271,093	288,239	126,998	313,230	229,708	229,708	229,708	121,827	138,703	163,002
Cash year end/monthly employees/supplier payments	18(1)b	3	9.9	11.0	1.8	6.9	7.2	7.2	7.2	4.5	5.2	5.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	74,750	43,692	17,637	67,361	69,395	69,395	69,395	76,702	68,795	68,618
Service charge rev % change - macro CPIX target exclusive	18(1)a.(2)	5	N.A.	29.1%	10.9%	(18.3%)	(5.8%)	(6.0%)	(6.0%)	4.9%	3.9%	1.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a.(2)	6	104.0%	106.7%	94.1%	105.1%	99.2%	99.2%	99.2%	86.0%	84.9%	84.3%
Debt impairment expense as a % of total billable revenue	18(1)a.(2)	7	14.0%	27.4%	23.8%	19.2%	20.3%	20.3%	20.3%	18.3%	18.1%	18.5%
Capital payments % of capital expenditure	18(1)c:19	8	117.5%	202.7%	99.7%	90.7%	99.7%	99.7%	99.7%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	301.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								358.6%	333.8%	321.6%
Current consumer debtors % change - incr/(decr)	18(1)a	11	N.A.	19.5%	(53.4%)	74.6%	(31.1%)	0.0%	0.0%	(27.1%)	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)(vi)	13	0.9%	1.9%	0.0%	1.5%	1.6%	1.6%	1.8%	1.5%	1.6%	1.6%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	45.8%	21.9%	20.9%	20.9%	0.0%	26.1%	16.0%	5.8%

1. The positive cash balances shown in table 10A are an indication of funding compliance. Cash + investment at year end will be 121.6 million.
2. The budget has sufficient liquidity to meet average monthly operating payments. The ratio for 2015/16 financial year is +4.7 increasing to +5.3 and +5.8 in 2016/17 and 2017/18 respectively.

3. The budget also reflects a surplus before depreciation offsets. Surplus for 2016/16 shows 71.5 million.
4. Service charge revenue percentage changes showed 4.9% macro CPIX target. This is indicative of adherence to macro – economic target.
5. Cash receipts as a % of ratepayers and other revenue showed that the municipality's own funding is at 85.6% of total operating revenue.
6. Debt impairment as a % of total billable revenue is at 18.3% and remains in the same range in the medium term revenue and expenditure framework.
7. Repairs and maintenance % of property, plant and equipment is at 1.5% of total operating expenditure
8. Asset renewal % of capital budget is 25.1%. This means the municipality has committed 25.1% of its capital budget to repairs and maintenance of its infrastructure assets.
9. Table 10A shows that the 2015/16 budget is fully funded

## 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.

EC134 Lukhanji - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Borrowing Management</b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.7%	2.3%	0.3%	0.5%	0.3%	0.3%	0.3%	0.2%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.4%	3.3%	0.4%	0.7%	0.5%	0.5%	0.5%	0.3%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>											
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%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	4.9	4.7	2.4	5.7	3.7	3.7	3.7	1.4	1.6	1.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	4.9	4.7	2.4	5.7	3.7	3.7	3.7	1.4	1.6	1.8
Liquidity Ratio	Monetary Assets/Current Liabilities	2.8	2.5	1.5	3.1	2.5	2.5	2.5	0.9	1.0	1.2
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		104.0%	106.6%	94.1%	105.1%	99.2%	99.2%	99.2%	86.0%	84.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		104.0%	106.7%	94.1%	105.1%	99.2%	99.2%	99.2%	86.0%	84.9%	84.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	37.1%	32.7%	13.8%	28.3%	18.5%	18.5%	18.5%	11.6%	11.5%	11.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	34.3%	29.0%	23.7%							
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	78.5%	69.4%	88.7%							
Creditors to Cash and Investments		11.1%	8.4%	81.0%	0.3%	8.2%	8.2%	8.2%	11.1%	9.6%	8.2%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	0.1478	0.185	0.293							
	Total Cost of Losses (Rand '000)	9,375	12,244	45,899							
	% Volume (units purchased and generated less units sold)/units purchased and generated	0.3948	0.1437	0.3909							
Water Distribution Losses (2)	Total Volume Losses (kℓ)	3,584	428	691							
	Total Cost of Losses (Rand '000)	0	0.284645099	0.305							
	% Volume (units purchased and generated less units sold)/units purchased and generated	0.01395267	0.028236412	0.024							
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.2%	21.6%	26.3%	29.2%	27.3%	27.3%	27.3%	30.8%	32.3%	32.4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	29.4%	0.0%	33.6%	31.5%	31.5%	31.5%	34.7%	36.4%	36.4%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.8%	2.9%	0.0%	2.5%	2.8%	2.8%	2.8%	2.6%	3.0%	3.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	5.8%	6.3%	4.5%	6.7%	5.0%	5.0%	5.0%	4.8%	4.9%	4.9%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	7.7	9.0	43.7	27.1	27.1	27.1	41.9	52.0	49.5	52.4
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	63.9%	56.7%	22.7%	45.0%	31.0%	31.0%	31.0%	20.4%	18.6%	17.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	9.9	11.0	1.8	6.9	7.2	7.2	7.2	4.5	5.2	5.9

## Sources of Funding

### 11.3 Rates, tariffs and other charges

The detailed listings of all of the proposed tariffs and rates for the 2015/16 financial year are contained in appendix A. In this section we will highlight only the major changes proposed. We will concentrate on the two major tariffs of the municipality along with the property rates.

These three revenue sources will account for an almost R262.3 million in billed revenue for the municipality in 2015/16 and will account for an estimated R201.4 million in actual cash collection. The breakdown is as follows:

• <u>Item</u>	<u>Billed (000's)</u>	<u>Cash (000's)</u>
• Property Rates	80,147	75,403
• Electricity	202,832	170,464
• Refuse Collection	33,040	19,282
• Total	<u>316,019</u>	<u>265,149</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 will hopefully be resolved and will enable the municipality to raise its rates correctly on 1 July 2016.

As shown in appendix A levied rates are proposed to be increased by 6.0% this budget year. This will increase the 2014/15 budget from R75 million to R80.147 million. However the tariffs per category have been reduced by 15%. Details of the tariffs applicable to the 2015/16 budget are shown in supporting table SA13a.

### Electricity Tariffs

The single largest revenue source for the municipality is the electricity tariff (R202.8 million next year). It is also the source of the single largest expenditure – bulk electricity purchases (budgeted at R188.4 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 why the collection rate 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 charges to these customers are broken down into several components including fixed component and several usage based components.

The tariff increase put forth in the budget for electricity is 12.2%.

### 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. This usually applies our commercial customers.

For 2015/16 financial year we are proposing an 8.0% increase in average refuse tariffs across the board. The tariff could have been reduced this year as a result of the service breaking even after the previous increases, but the 52.0% collection rate made it impossible to lower rates.

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

#### **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**

EC134 Lukhanji - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>										
<b>Parent municipality</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		103,260	108,408	113,843	119,734	119,734	119,734	40,332	57,879	82,568
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										
<b>Municipality sub-total</b>	<b>1</b>	<b>103,260</b>	<b>108,408</b>	<b>113,843</b>	<b>119,734</b>	<b>119,734</b>	<b>119,734</b>	<b>40,332</b>	<b>57,879</b>	<b>82,568</b>
<b>Entities</b>										
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										
<b>Entities sub-total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>		<b>103,260</b>	<b>108,408</b>	<b>113,843</b>	<b>119,734</b>	<b>119,734</b>	<b>119,734</b>	<b>40,332</b>	<b>57,879</b>	<b>82,568</b>

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
		Yrs/Months												
Name of institution & investment ID	1													
Parent municipality														
Call investment deposit									N/A	119,734	N/A	(79,402)		40,332
														-
														-
														-
Municipality sub-total										119,734		(79,402)	-	40,332
Entities														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									119,734		(79,402)	-	40,332

#### 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.

#### **INFRASTRUCTURE SKILLS DEVELOPMENT GRANT**

This grant is allocated to strengthen Technical capacity of the municipality. It aims addressing the skills shortage particularly in the technical departments. Skills such as artisans, millwrights, electricians and plumbers are trained with this grant. It was introduced in 2012/13 Financial year.

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



## EXPANDED PUBLIC WORKS PROGRAMME

Initially this was an incentive grant. It has since been converted to a conditional Grant since there are conditions attached to the use of this fund to the extent that it has to be used for employing the community for public works. Conditions attached include regular reporting to the transferring authority every month.

### 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.

EC134 Lukhanji - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		98,352	116,354	-	124,749	126,213	126,213	124,610	120,941	118,040
Local Government Equitable Share		96,062	109,210		118,301	118,301	118,301	117,676	115,174	111,362
Finance Management		1,500	1,500		1,600	1,600	1,600	1,675	1,810	2,145
Municipal Systems Improvement		790	800		934	1,710	1,710	930	957	1,033
EPWP Incentive		-	2,844		1,714	1,715	1,715	1,529	-	-
Integrated National Electrification Programme										
Infrastructure Skills Development Grant		-	2,000		2,200	2,887	2,887	2,800	3,000	3,500
Provincial Government:		-	-	-	4,262	4,262	4,262	4,260	4,150	4,150
Sport and Recreation										
Library Subsidy					4,150	4,150	4,150	4,150	4,150	4,150
LED Assistance Grant					112	112	112	110		
District Municipality:		36,500	42,574	-	-	-	-	-	-	-
Water and Sanitation Provider		36,500	42,574							
Other grant providers:		-	-	-	1,880	2,164	2,164	1,949	2,022	2,132
MIG PMU Fees					1,880	1,880	1,880	1,949	2,022	2,132
Thina Sinako Hawkers Stalls						285	285			
<b>Total Operating Transfers and Grants</b>	5	134,852	158,928	-	130,891	132,639	132,639	130,819	127,113	124,322
<b>Capital Transfers and Grants</b>										
National Government:		27,480	32,122	-	38,711	38,711	38,711	39,022	43,415	43,503
Municipal Infrastructure Grant (MIG)		26,480	32,122		35,711	35,711	35,711	37,022	38,415	40,503
Neighbourhood Development Partnership		1,000								
INEP					3,000	3,000	3,000	2,000	5,000	3,000
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	1,000	1,550	1,550	-	-	-
Fencing of Cemetery					1,000	1,050	1,050			
Paving of sidewalks in Whittlesea						500	500			
Other grant providers:		-	-	-	-	-	-	-	-	-
MIG PMU Fees										
<b>Total Capital Transfers and Grants</b>	5	27,480	32,122	-	39,711	40,261	40,261	39,022	43,415	43,503
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		162,332	191,050	-	170,602	172,900	172,900	169,841	170,528	167,825

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>EXPENDITURE:</b>										
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		98,352	-	-	124,749	126,213	126,213	124,610	120,941	118,040
Local Government Equitable Share		96,062			118,301	118,301	118,301	117,676	115,174	111,362
Finance Management		1,500			1,600	1,600	1,600	1,675	1,810	2,145
Municipal Systems Improvement		790			934	1,710	1,710	930	957	1,033
EPWP Incentive		-			1,714	1,715	1,715	1,529	-	-
Integrated National Electrification Programme										
Infrastructure Skills Development Grant		-			2,200	2,887	2,887	2,800	3,000	3,500
Provincial Government:		-	-	-	4,262	4,262	4,262	4,260	4,150	4,150
Sport and Recreation										
Library Subsidy					4,150	4,150	4,150	4,150	4,150	4,150
LED Assistance Grant					112	112	112	110		
District Municipality:		36,500	-	-	-	-	-	-	-	-
Water and Sanitation Provider		36,500								
Other grant providers:		-	-	-	1,880	2,164	2,164	1,949	2,022	2,132
MIG PMU Fees					1,880	1,880	1,880	1,949	2,022	2,132
Thina Sinako Hawkers Stalls						285	285			
<b>Total operating expenditure of Transfers and Grants</b>		<b>134,852</b>	<b>-</b>	<b>-</b>	<b>130,891</b>	<b>132,639</b>	<b>132,639</b>	<b>130,819</b>	<b>127,113</b>	<b>124,322</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		27,480	-	-	38,711	38,711	38,711	39,022	43,415	43,503
Municipal Infrastructure Grant (MIG)		26,480			35,711	35,711	35,711	37,022	38,415	40,503
Neighbourhood Development Partnership		1,000								
INEP					3,000	3,000	3,000	2,000	5,000	3,000
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	1,000	1,050	1,050	-	-	-
Fencing of Cemetery					1,000	1,050	1,050			
Other grant providers:		-	-	-	-	-	-	-	-	-
MIG PMU Fees										
<b>Total capital expenditure of Transfers and Grants</b>		<b>27,480</b>	<b>-</b>	<b>-</b>	<b>39,711</b>	<b>39,761</b>	<b>39,761</b>	<b>39,022</b>	<b>43,415</b>	<b>43,503</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>162,332</b>	<b>-</b>	<b>-</b>	<b>170,602</b>	<b>172,400</b>	<b>172,400</b>	<b>169,841</b>	<b>170,528</b>	<b>167,825</b>

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year						1,464	1,464			
Current year receipts					124,749	124,749	124,749	124,610	120,941	118,040
Conditions met - transferred to revenue		-	-	-	124,749	126,213	126,213	124,610	120,941	118,040
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts					4,150	4,150	4,150	4,260	4,150	4,150
Conditions met - transferred to revenue		-	-	-	4,150	4,150	4,150	4,260	4,150	4,150
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		-	-	-	128,899	130,363	130,363	128,870	125,091	122,190
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts					40,591	40,591	40,591	38,971	40,437	42,635
Conditions met - transferred to revenue		-	-	-	40,591	40,591	40,591	38,971	40,437	42,635
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts					1,000	1,550	1,550			
Conditions met - transferred to revenue		-	-	-	1,000	1,550	1,550	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts						285	285			
Conditions met - transferred to revenue		-	-	-	-	285	285	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		-	-	-	41,591	42,426	42,426	38,971	40,437	42,635
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		-	-	-	170,490	172,788	172,788	167,841	165,528	164,825
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	-	-	-	-	-	-	-

#### 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 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 year.

#### 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 2015/16 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 2014/15 financial year to the 2015/16 financial year will not be included in the budget that will be presented to council. Such unspent funds will have to be applied for by August 2015. 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 such 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. At this stage the municipality does not anticipate having any unspent grant at the end of the 2014/15 financial year.

A full listing of all cash roll overs will be provided in an adjustment budget to be tabled after December 2015.

#### 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 2015/2016 financial year.

#### 11.15 - TABLE SA17 - New Borrowing

The table on the following page outlines anticipated payments to borrowings for the year. The amounts shown are the repayments of previously contracted long term loans which will be paid up fully by 2015/16. This consists of one term loan, a drawn down akin to an overdraft and three finance leases all contracted in 2010/2011 financial year.

The municipality has not taken any new loan in the current year and does not intend taken one in the coming year. The existing annuity loans and the three finance leases will be fully paid up by 2016.

EC134 Lukhanji - Supporting Table SA17 Borrowing

Borrowing - Categorised by type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>										
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)					388			560	143	-
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases			3,283		1,428	1,605	1,605	534	-	-
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	1	-	3,283	-	1,816	1,605	1,605	1,094	143	-
<b>Entities</b>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Entities sub-total</b>	1	-	-	-	-	-	-	-	-	-
<b>Total Borrowing</b>	1	-	3,283	-	1,816	1,605	1,605	1,094	143	-

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

The municipality currently makes allocations to individuals in respect of services or goods delivered. This are paid out from grants paid vote. The municipality does not allocations to other municipalities.

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Organisations</b>											
<i>Insert description</i>	4										
<b>Total Cash Transfers To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Groups of Individuals</b>											
<i>Insert description</i>	5	7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810
<b>Total Cash Transfers To Groups Of Individuals:</b>		7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	6	7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810
<b>Non-Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Non-Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Non-Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Non-Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Grants to Organisations</b>											
<i>Insert description</i>	4										
<b>Total Non-Cash Grants To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Groups of Individuals</b>											
<i>Free Basic Services to Indigents - Operating Grant</i>	5										
<b>Total Non-Cash Grants To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS</b>	6	7,280	1,660	5,978	4,734	6,426	6,426	6,426	7,464	7,789	8,810



## 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

EC134 Lukhanji - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum	No.		1.				2.
<b>Councillors</b>	3						
Speaker	4	478,950		208,906			687,856
Chief Whip		449,016		198,928			647,944
Executive Mayor		598,488		248,819			847,307
Deputy Executive Mayor		-		-			-
Executive Committee		4,019,196		1,783,036			5,802,232
Total for all other councillors		9,870,157		3,680,507			13,550,664
<b>Total Councillors</b>	8	-	-	6,120,196			21,536,003
<b>Senior Managers of the Municipality</b>	5						
Municipal Manager (MM)		1,200,000	299,642	120,000			1,619,642
Chief Finance Officer		888,014	1,866	391,600			1,281,480
Director - Human Settlements		650,198	192,133	83,316			925,647
Director - Technical Services							-
Director - Community Services		746,669	198,958		77,178		1,022,805
Director - Corporate & Human Resources		998,985	37,873	60,000	83,988		1,180,846
<i>List of each official with packages &gt;= senior manager</i>							
Director - IPED		937,139	1,866	-	77,138		1,016,143
SEO		660,501	192,133	83,316	-		935,950
Director: Public Safety		624,940	157,785	-	72,238		854,963
Snr Manager Electricals		945,707	218,764	-	78,809		1,243,280
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
<b>Total Senior Managers of the Municipality</b>	8,10	-	1,301,020	738,232	389,351		10,080,756

EC134 Lukhanji - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	1	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages			10,389		14,177	14,177	14,177	14,717	15,350	15,990
Pension and UIF Contributions			-		-	-	-	-	-	-
Medical Aid Contributions			-		-	-	-	-	-	-
Motor Vehicle Allowance			3,463		4,980	4,980	4,980	5,110	5,783	6,295
Cellphone Allowance			760		1,010	1,010	1,010	1,709	1,610	1,709
Housing Allowances			-		-	-	-	-	-	-
Other benefits and allowances			-		-	-	-	-	-	-
<b>Sub Total - Councillors</b>			14,612		20,167	20,167	20,167	21,536	22,743	23,994
% increase	4		-	(100.0%)	-	-	-	6.8%	5.6%	5.5%
<b>Senior Managers of the Municipality</b>										
Basic Salaries and Wages	2		4,325		5,766	5,399	5,399	7,687	9,487	9,897
Pension and UIF Contributions			502		463	434	434	1,020	1,052	1,101
Medical Aid Contributions			228		504	501	501	300	300	300
Overtime			-		-	-	-	-	-	-
Performance Bonus			443		571	505	505	505	505	505
Motor Vehicle Allowance	3		332		398	397	397	441	441	441
Cellphone Allowance	3		-		-	-	-	-	-	-
Housing Allowances	3		22		15	15	15	50	50	50
Other benefits and allowances	3		-		11	11	11	79	79	79
Payments in lieu of leave			-		-	-	-	-	-	-
Long service awards			-		-	-	-	-	-	-
Post-retirement benefit obligations	6		-		-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>			5,852		7,727	7,262	7,262	10,081	11,913	12,372
% increase	4		-	(100.0%)	-	(6.0%)	-	38.8%	18.2%	3.9%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages			84,166		87,392	86,791	86,791	105,194	111,243	118,226
Pension and UIF Contributions			12,985		10,977	10,045	10,045	17,914	20,064	22,014
Medical Aid Contributions			9,442		9,531	9,896	9,896	12,346	12,346	14,346
Overtime			5,823		7,531	7,936	7,936	9,126	9,126	9,126
Performance Bonus			3,626		3,151	2,945	2,945	7,660	7,660	7,660
Motor Vehicle Allowance	3		2,999		3,310	2,942	2,942	4,427	4,427	4,427
Cellphone Allowance	3		1		1	1	1	-	-	-
Housing Allowances	3		245		262	262	262	494	494	494
Other benefits and allowances	3		2,628		2,881	2,500	2,500	1,332	1,332	1,332
Payments in lieu of leave			-		-	-	-	-	-	-
Long service awards			489		524	620	620	714	714	714
Post-retirement benefit obligations	6		-		-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>			122,404		125,559	123,940	123,940	159,206	167,405	178,338
% increase	4		-	(100.0%)	-	(1.3%)	-	28.5%	5.1%	6.5%
<b>Total Parent Municipality</b>			142,868		153,453	151,368	151,368	190,824	202,062	214,705

EC134 Lukhanji - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2013/14			Current Year 2014/15			Budget Year 2015/16		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)		54	-	54	54	-	54	54		54
Board Members of municipal entities	4									
<b>Municipal employees</b>	5									
Municipal Manager and Senior Managers	3	9		8	9	-	9	9		9
Other Managers	7									
<b>Professionals</b>		612	598	12	452	417	35	513	511	2
Finance		65	63	2	50	48	2	61	61	
Spatial/town planning		46	42	2	34	34	-	50	50	
Information Technology		4	4		4	4		2	2	
Roads		55	55		9	9		62	62	
Electricity		50	50		59	50	9	63	63	
Water		25	25					-	-	
Sanitation		26	26					-	-	
Refuse		117	117		47	47		58	58	
Other		224	216	8	249	225	24	217	215	2
<b>Technicians</b>		-	-	-	-	-	-	-	-	-
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)		53	48	8	183	183	-	187	187	
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
<b>TOTAL PERSONNEL NUMBERS</b>	9	728	646	82	698	600	98	763	698	65
% Increase					(4.1%)	(7.1%)	19.5%	9.3%	16.3%	(33.7%)
Total municipal employees headcount	6, 10	674	646	28	644	600	44	763	698	65
Finance personnel headcount	8, 10	66	63	3	51	48	3	61	60	1
Human Resources personnel headcount	8, 10	22	19	3	22	19	3	23	22	1

- 14 Table SA 25 - Budgeted monthly revenue and expenditure
- 15 Table SA 26 - Budgeted monthly revenue and expenditure (Municipal Vote)
- 16 Table SA 27 - Budgeted monthly revenue and expenditure (Standard Classification)
- 17 Table SA 28 - Budgeted monthly capital expenditure (Municipal Vote)
- 18 Table SA 29 - Budgeted monthly capital expenditure (Standard Classification)
- 19 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.

EC134 Lukhanji - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>																
Property rates		7,680	5,727	6,375	5,391	5,933	5,265	5,848	5,199	9,733	6,912	5,136	10,948	80,147	86,558	90,886
Property rates - penalties & collection charges													-	-	-	-
Service charges - electricity revenue		14,950	15,828	15,495	18,884	15,731	12,078	20,523	19,753	20,005	15,932	14,684	18,968	202,832	224,508	241,595
Service charges - water revenue													-	-	-	-
Service charges - sanitation revenue													-	-	-	-
Service charges - refuse revenue		2,611	2,301	2,904	2,204	2,088	2,492	2,548	2,915	3,862	2,568	3,201	3,310	33,002	36,297	39,196
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		471	471	471	471	471	471	471	471	471	471	471	471	5,650	5,650	5,650
Interest earned - outstanding debtors		723	723	723	723	723	723	723	723	723	723	723	723	8,681	9,474	10,221
Dividends received													-	-	-	-
Fines		29	29	29	29	29	29	29	29	29	29	29	29	348	348	348
Licences and permits		331	331	331	331	331	331	331	331	331	331	331	331	3,971	3,971	3,971
Agency services		335	335	335	335	335	335	335	335	335	335	335	332	4,012	4,012	4,012
Transfers recognised - operational		46,520				42,500				41,799			(0)	130,819	127,528	124,737
Other revenue		6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	15,771	88,865	65,926	66,123
Gains on disposal of PPE													-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>80,501</b>	<b>32,596</b>	<b>33,514</b>	<b>35,218</b>	<b>74,991</b>	<b>28,576</b>	<b>37,659</b>	<b>36,607</b>	<b>84,140</b>	<b>34,151</b>	<b>31,760</b>	<b>51,089</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Expenditure By Type</b>																
Employee related costs		14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	17,804	172,984	183,279	190,710
Remuneration of councillors		1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	21,536	22,743	23,994
Debt impairment		4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	4,831	57,973	62,991	68,877
Depreciation & asset impairment		2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	2,221	26,652	27,943	28,652
Finance charges		5	5	5	5	5	5	5	5	5	5	5	5	57	3	-
Bulk purchases		15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	188,770	172,871	172,184
Other materials													-	-	-	-
Contracted services		430	430	430	430	430	430	430	430	430	430	430	430	5,159	5,223	5,290
Transfers and grants		622	622	622	622	622	622	622	622	622	622	622	622	7,464	7,789	8,810
Other expenditure		6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	11,568	80,207	83,906	90,698
Loss on disposal of PPE													-	-	-	-
<b>Total Expenditure</b>		<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>45,981</b>	<b>55,007</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Surplus/(Deficit)</b>																
Surplus/(Deficit)		34,520	(13,385)	(12,468)	(10,763)	29,010	(17,405)	(8,322)	(9,374)	38,158	(11,830)	(14,221)	(3,918)	(0)	(0)	0
Transfers recognised - capital		3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	5,201	40,971	43,415	43,503
Contributions recognised - capital													-	-	-	-
Contributed assets		2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	5,958	35,731	25,380	25,114
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>40,478</b>	<b>(7,427)</b>	<b>(6,509)</b>	<b>(4,805)</b>	<b>34,968</b>	<b>(11,447)</b>	<b>(2,364)</b>	<b>(3,416)</b>	<b>44,117</b>	<b>(5,872)</b>	<b>(8,262)</b>	<b>7,241</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>40,478</b>	<b>(7,427)</b>	<b>(6,509)</b>	<b>(4,805)</b>	<b>34,968</b>	<b>(11,447)</b>	<b>(2,364)</b>	<b>(3,416)</b>	<b>44,117</b>	<b>(5,872)</b>	<b>(8,262)</b>	<b>7,241</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>

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

Description	Ref	Budget Year 2015/16											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue by Vote</b>																
Vote 1 - EXECUTIVE AND COUNCIL		8,468	8,468	8,468	8,468	8,468	8,468	8,468	8,468	8,468	8,468	8,468	8,469	101,618	97,614	93,878
Vote 2 - FINANCE AND ADMINISTRATION		13,836	13,836	13,836	13,836	13,836	13,836	13,836	13,836	13,836	13,836	13,836	24,738	176,937	159,416	164,259
Vote 3 - PLANNING AND DEVELOPMENT		368	368	368	368	368	368	368	368	368	368	368	368	4,421	4,621	5,121
Vote 4 - HEALTH																
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	15,124	13,515	6,120
Vote 6 - COMMUNITY SAFETY		846	846	846	846	846	846	846	846	846	846	846	846	10,154	10,235	10,298
Vote 7 - SPORT AND RECREATION		317	317	317	317	317	317	317	317	317	317	317	317	3,809	217	29,220
Vote 8 - WASTE WATER MANAGEMENT																
Vote 9 - WASTE MANAGEMENT		3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	7,776	47,111	50,050	53,175
Vote 10 - ROADS TRANSPORT		3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	38,161	31,617	19,270
Vote 11 - WATER																
Vote 12 - ELECTRICITY		19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,050	238,241	266,241	276,491
Vote 13 - OTHER		0	0	0	0	0	0	0	0	0	0	0	3	3	3	
Vote 14 - HOUSING																
Vote 15 - IPED		161	161	161	161	161	161	161	161	161	161	161	1,926	2,015		
<b>Total Revenue by Vote</b>		<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>66,164</b>	<b>637,505</b>	<b>635,543</b>	<b>657,833</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - EXECUTIVE AND COUNCIL		4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	4,589	5,439	55,913	58,400	61,252
Vote 2 - FINANCE AND ADMINISTRATION		5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	5,666	9,970	72,294	73,869	77,099
Vote 3 - PLANNING AND DEVELOPMENT		1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	2,344	22,325	23,425	24,859
Vote 4 - HEALTH																
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	14,813	16,648	17,710
Vote 6 - COMMUNITY SAFETY		3,002	3,002	3,002	3,002	3,002	3,002	3,002	3,002	3,002	3,002	3,002	3,002	36,023	39,273	41,749
Vote 7 - SPORT AND RECREATION		1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	13,756	14,651	15,580
Vote 8 - WASTE WATER MANAGEMENT																
Vote 9 - WASTE MANAGEMENT		3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	40,734	44,879	47,875
Vote 10 - ROADS TRANSPORT		2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	31,773	33,433	34,564
Vote 11 - WATER																
Vote 12 - ELECTRICITY		21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	23,711	265,486	254,240	260,224
Vote 13 - OTHER		12	12	12	12	12	12	12	12	12	12	12	12	146	149	157
Vote 14 - HOUSING																
Vote 15 - IPED		494	494	494	494	494	494	494	494	494	494	494	2,105	7,540	7,781	8,144
<b>Total Expenditure by Vote</b>		<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>45,982</b>	<b>55,006</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>11,158</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Taxation																
Attributable to minorities																
Share of surplus/ (deficit) of associate																
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>5,959</b>	<b>11,158</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>

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

Description	Ref	Budget Year 2015/16											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		22,465	22,465	22,465	22,465	22,465	22,465	22,465	22,465	22,465	22,465	22,465	33,366	280,482	259,046	258,137
Executive and council		8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,628	103,545	99,629	93,878
Budget and treasury office		13,674	13,674	13,674	13,674	13,674	13,674	13,674	13,674	13,674	13,674	13,674	24,575	174,990	157,469	162,311
Corporate services		162	162	162	162	162	162	162	162	162	162	162	163	1,947	1,947	1,947
<i>Community and public safety</i>		2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,423	29,086	23,967	45,637
Community and social services		1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	15,124	13,515	6,120
Sport and recreation		317	317	317	317	317	317	317	317	317	317	317	317	3,809	217	29,220
Public safety		846	846	846	846	846	846	846	846	846	846	846	846	10,154	10,235	10,298
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		3,549	3,549	3,549	3,549	3,549	3,549	3,549	3,549	3,549	3,549	3,549	3,548	42,581	36,237	24,390
Planning and development		368	368	368	368	368	368	368	368	368	368	368	368	4,421	4,621	5,121
Road transport		3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	3,180	38,161	31,617	19,270
Environmental protection													-	-	-	-
<i>Trading services</i>		23,502	23,502	23,502	23,502	23,502	23,502	23,502	23,502	23,502	23,502	23,502	26,829	285,352	316,290	329,666
Electricity		19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	19,927	238,241	266,241	276,491
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	3,576	7,779	47,111	50,050	53,175
<i>Other</i>													3	3	3	3
<b>Total Revenue - Standard</b>		<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>51,940</b>	<b>66,169</b>	<b>637,505</b>	<b>635,543</b>	<b>657,833</b>
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		10,749	10,749	10,749	10,749	10,749	10,749	10,749	10,749	10,749	10,749	10,749	17,513	135,747	140,050	146,699
Executive and council		5,083	5,083	5,083	5,083	5,083	5,083	5,083	5,083	5,083	5,083	5,083	7,544	63,453	66,181	69,396
Budget and treasury office		3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	6,361	46,634	47,273	49,431
Corporate services		2,005	2,005	2,005	2,005	2,005	2,005	2,005	2,005	2,005	2,005	2,005	3,609	25,660	26,596	27,872
<i>Community and public safety</i>		4,883	4,883	4,883	4,883	4,883	4,883	4,883	4,883	4,883	4,883	4,883	11,409	65,119	71,257	75,040
Community and social services		1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	14,813	17,333	17,710
Sport and recreation		1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,673	14,283	14,651	15,580
Public safety		2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	8,502	36,023	39,273	41,749
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		4,464	4,464	4,464	4,464	4,464	4,464	4,464	4,464	4,464	4,464	4,464	4,465	53,571	56,858	59,221
Planning and development		1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,816	1,817	21,797	23,425	24,656
Road transport		2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	2,648	31,773	33,433	34,564
Environmental protection													-	-	-	-
<i>Trading services</i>		25,374	25,374	25,374	25,374	25,374	25,374	25,374	25,374	25,374	25,374	25,374	27,106	306,220	298,433	308,099
Electricity		21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	21,980	23,711	265,486	254,240	260,224
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	3,395	40,734	44,194	47,875
<i>Other</i>		12	12	12	12	12	12	12	12	12	12	12	12	146	149	157
<b>Total Expenditure - Standard</b>		<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>45,482</b>	<b>60,506</b>	<b>560,802</b>	<b>566,748</b>	<b>589,215</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>5,663</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>6,458</b>	<b>5,663</b>	<b>76,702</b>	<b>68,795</b>	<b>68,618</b>



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

Description	Ref	Budget Year 2015/16											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - EXECUTIVE AND COUNCIL													-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION													-	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT													-	-	-	-
Vote 4 - HEALTH													-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES			1,800		2,500	1,000		2,005	1,200				925	9,430	7,400	-
Vote 6 - COMMUNITY SAFETY													-	-	-	-
Vote 7 - SPORT AND RECREATION			550		1,000		600		645				797	3,592	-	29,003
Vote 8 - WASTE WATER MANAGEMENT													-	-	-	-
Vote 9 - WASTE MANAGEMENT				4,200									-	4,200	4,200	4,200
Vote 10 - ROADS TRANSPORT		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	4,000	31,500	25,000	12,500
Vote 11 - WATER													-	-	-	-
Vote 12 - ELECTRICITY		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	2,500	19,000	19,000	18,000
Vote 13 - OTHER													-	-	-	-
Vote 14 - HOUSING													-	-	-	-
Vote 15 - IPED				500					500				-	1,000	2,015	-
<b>Capital multi-year expenditure sub-total</b>	2	4,000	6,350	8,700	7,500	5,000	4,600	6,005	6,345	4,000	4,000	4,000	8,222	68,722	57,615	63,703
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - EXECUTIVE AND COUNCIL													-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION		125	125	125	125	125	125	125	125	125	125	125	1,125	2,500	1,500	1,500
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					612								0	612	-	-
Vote 10 - ROADS TRANSPORT													383	383	-	-
Vote 11 - WATER													-	-	-	-
Vote 12 - ELECTRICITY			550		1,000		600		645				873	3,668	9,680	3,414
Vote 13 - OTHER													-	-	-	-
Vote 14 - HOUSING													-	-	-	-
Vote 15 - IPED						320			250				246	816	-	-
<b>Capital single-year expenditure sub-total</b>	2	125	675	125	1,737	445	725	125	770	375	125	125	2,628	7,980	11,180	4,914
<b>Total Capital Expenditure</b>	2	4,125	7,025	8,825	9,237	5,445	5,325	6,130	7,115	4,375	4,125	4,125	10,850	76,702	68,795	68,618

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

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		125	125	625	125	775	125	125	791	125	125	125	1,125	4,316	3,515	1,500
Executive and council				500		650			666				0	1,816	2,015	-
Budget and treasury office		125	125	125	125	125	125	125	125	125	125	125	1,125	2,500	1,500	1,500
Corporate services													-	-	-	-
<i>Community and public safety</i>		-	2,350	-	3,500	1,000	600	2,005	1,845	-	-	-	5,922	17,222	11,600	33,203
Community and social services			1,800		2,500	1,000		2,005	1,200				5,125	13,630	11,600	4,200
Sport and recreation			550		1,000		600		645				797	3,592	-	29,003
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	4,383	31,883	25,000	12,500
Planning and development													-	-	-	-
Road transport		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	4,383	31,883	25,000	12,500
Environmental protection													-	-	-	-
<i>Trading services</i>		-	-	2,400	1,507	1,500	1,800	1,500	3,500	4,500	2,800	2,000	1,773	23,280	28,680	21,414
Electricity				2,400	895	1,500	1,800	1,500	3,500	4,500	2,800	2,000	1,773	22,668	28,680	21,414
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management					612								0	612	-	-
<i>Other</i>													-	-	-	-
<b>Total Capital Expenditure - Standard</b>	2	2,625	4,975	5,525	7,632	5,775	5,025	6,130	8,636	7,125	5,425	4,625	13,204	76,702	68,795	68,618
<b>Funded by:</b>																
National Government		10,254				17,515				13,202			(0)	40,971	45,437	45,635
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		10,254	-	-	-	17,515	-	-	-	13,202	-	-	(0)	40,971	45,437	45,635
Public contributions & donations													-	-	-	-
Borrowing													-	-	-	-
Internally generated funds		2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	7,745	35,731	23,358	22,983
<b>Total Capital Funding</b>		12,799	2,544	2,544	2,544	20,059	2,544	2,544	2,544	15,746	2,544	2,544	7,744	76,702	68,795	68,618

EC134 Lukhanji - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17
<b>Cash Receipts By Source</b>													1		
Property rates	7,680	5,727	6,375	5,391	5,933	5,265	5,848	5,199	9,733	6,912	5,136	6,204	75,403	81,435	85,507
Property rates - penalties & collection charges													-		
Service charges - electricity revenue	11,950	10,828	15,495	18,884	15,731	12,078	14,523	12,753	13,005	15,932	14,684	14,600	170,464	188,903	201,646
Service charges - water revenue													-		
Service charges - sanitation revenue													-		
Service charges - refuse revenue	1,611	1,301	1,904	1,204	2,088	1,492	1,548	1,915	1,862	1,568	1,201	1,497	19,190	21,109	22,797
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	471	471	471	471	471	471	471	471	471	471	471	471	5,650	5,650	5,650
Interest earned - outstanding debtors	140	140	140	140	140	140	140	140	140	140	140	140	1,680	2,474	3,221
Dividends received													-		
Fines	29	29	29	29	29	29	29	29	29	29	29	29	348	348	348
Licences and permits	331	331	331	331	331	331	331	331	331	331	331	331	3,971	3,971	3,971
Agency services	335	335	335	335	335	335	335	335	335	335	335	332	4,012	4,012	4,012
Transfer receipts - operational	47,193					45,201			38,425				0	130,819	124,737
Other revenue	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	6,645	15,771	88,865	65,927	66,124
<b>Cash Receipts by Source</b>	<b>76,591</b>	<b>26,013</b>	<b>31,930</b>	<b>33,635</b>	<b>77,108</b>	<b>26,993</b>	<b>30,076</b>	<b>28,024</b>	<b>71,182</b>	<b>32,568</b>	<b>29,177</b>	<b>39,581</b>	<b>502,877</b>	<b>503,831</b>	<b>520,488</b>

<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	10,254				17,515				13,202			(0)	40,971	45,437	45,635
Contributions recognised - capital & Contributed a	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	2,707	5,958	35,731	25,380	25,114
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												-			
<b>Total Cash Receipts by Source</b>	<b>89,552</b>	<b>28,719</b>	<b>34,637</b>	<b>36,341</b>	<b>97,330</b>	<b>29,699</b>	<b>32,782</b>	<b>30,730</b>	<b>87,091</b>	<b>35,274</b>	<b>31,884</b>	<b>45,539</b>	<b>579,579</b>	<b>574,648</b>	<b>591,238</b>
<b>Cash Payments by Type</b>															
Employee related costs	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	14,107	17,804	172,984	183,279	190,710
Remuneration of councillors	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	21,536	22,743	23,994
Finance charges	5	5	5	5	5	5	5	5	5	5	5	5	57	3	-
Bulk purchases - Electricity	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	15,731	188,770	172,871	172,184
Bulk purchases - Water & Sewer												-			
Other materials												-			
Contracted services	430	430	430	430	430	430	430	430	430	430	430	430	5,159	5,223	5,290
Transfers and grants - other municipalities												-			
Transfers and grants - other	622	622	622	622	622	622	622	622	622	622	622	622	7,464	7,789	8,810
Other expenditure	4,919	4,919	4,919	4,919	4,919	4,919	4,919	4,919	4,919	4,919	4,919	11,281	65,393	67,090	64,387
<b>Cash Payments by Type</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>37,609</b>	<b>47,667</b>	<b>461,363</b>	<b>458,997</b>	<b>465,375</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	5,959	11,159	76,702	68,795	68,618
Repayment of borrowing	86	86	86	86	86	86	86	86	86	86	86	86	1,036	140	
Other Cash Flows/Payments	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	1,234	14,813	16,816	17,447
<b>Total Cash Payments by Type</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>44,888</b>	<b>60,146</b>	<b>553,915</b>	<b>544,749</b>	<b>551,440</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>44,663</b>	<b>(16,169)</b>	<b>(10,251)</b>	<b>(8,547)</b>	<b>52,442</b>	<b>(15,189)</b>	<b>(12,106)</b>	<b>(14,158)</b>	<b>42,203</b>	<b>(9,614)</b>	<b>(13,004)</b>	<b>(14,607)</b>	<b>25,664</b>	<b>29,899</b>	<b>39,798</b>
Cash/cash equivalents at the month/year begin:	171,211	215,874	199,706	189,454	180,908	233,350	218,161	206,055	191,898	234,100	224,487	211,482	171,211	196,875	226,774
Cash/cash equivalents at the month/year end:	215,874	199,706	189,454	180,908	233,350	218,161	206,055	191,898	234,100	224,487	211,482	196,875	196,875	226,774	266,572

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).

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 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	Total
R thousand																	
<b>Revenue By Source</b>																	
Property rates			80,147														80,147
Property rates - penalties & collection charges																	-
Service charges - electricity revenue													202,832				202,832
Service charges - water revenue																	-
Service charges - sanitation revenue																	-
Service charges - refuse revenue								55		32,948	38						33,040
Service charges - other																	-
Rental of facilities and equipment			1,946			395		132							3		2,476
Interest earned - external investments			5,650														5,650
Interest earned - outstanding debtors			3,736							2,566			2,379				8,681
Dividends received																	-
Fines			0			2	346										348
Licences and permits						6	3,964										3,971
Agency services							4,012										4,012
Other revenue		190	77,261	1,621		1,140	1,661	30		111			403				88,656
Transfers recognised - operational		101,539	5,698	2,800		4,150	171			6,673			9,959				130,990
Gains on disposal of PPE																	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>101,728</b>	<b>174,438</b>	<b>4,421</b>	<b>-</b>	<b>5,694</b>	<b>10,154</b>	<b>217</b>	<b>-</b>	<b>42,298</b>	<b>6,276</b>	<b>-</b>	<b>215,573</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>560,802</b>
<b>Expenditure By Type</b>																	
Employee related costs		20,171	30,649	14,313		12,799	28,111	12,602		20,337	11,673		22,213	116			172,984
Remuneration of councillors		21,536															21,536
Debt impairment			10,969							13,758			33,245				57,973
Depreciation & asset impairment		6,152	6,553								8,226		5,721				26,652
Finance charges			39							19							57
Bulk purchases													188,770				188,770
Other materials		55	1,481	37		560	448	368		1,787	4,947		5,116	15			14,812
Contracted services			1,467				3,686						6				5,159
Transfers and grants		1,040	1,675	2,800									1,949				7,464
Other expenditure		13,648	20,838	4,648		1,454	3,778	785		4,834	6,927		8,466	15			65,394
Loss on disposal of PPE																	-
<b>Total Expenditure</b>		<b>62,603</b>	<b>73,671</b>	<b>21,797</b>	<b>-</b>	<b>14,813</b>	<b>36,023</b>	<b>13,756</b>	<b>-</b>	<b>40,734</b>	<b>31,773</b>	<b>-</b>	<b>265,486</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>560,802</b>
<b>Surplus/(Deficit)</b>		<b>39,126</b>	<b>100,767</b>	<b>(17,377)</b>	<b>-</b>	<b>(9,119)</b>	<b>(25,869)</b>	<b>(13,539)</b>	<b>-</b>	<b>1,564</b>	<b>(25,497)</b>	<b>-</b>	<b>(49,912)</b>	<b>(143)</b>	<b>-</b>	<b>-</b>	<b>(0)</b>
Transfers recognised - capital																	-
Contributions recognised - capital																	-
Contributed assets																	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>39,126</b>	<b>100,767</b>	<b>(17,377)</b>	<b>-</b>	<b>(9,119)</b>	<b>(25,869)</b>	<b>(13,539)</b>	<b>-</b>	<b>1,564</b>	<b>(25,497)</b>	<b>-</b>	<b>(49,912)</b>	<b>(143)</b>	<b>-</b>	<b>-</b>	<b>(0)</b>

## 16 Disclosure on Implementation of MFMA & Other Legislation

The MFMA (Municipal Finance Management Act) became effective July 1<sup>st</sup> 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 1<sup>st</sup> of 2006. That deadline was met with the establishment of the Budget & Treasury Office and a supply chain management unit.

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.

## 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.



**Service Delivery Budget Implementation Plan 2015/16**

LED/IDP

**Executive Councilor:** N. Pambo

**IPED Director** I. Sondlo

<b>Service Delivery Unit</b>	<b>Government Financial Statistic (Vote) Classification</b>
LED/SPU Unit	1150-00 Executive and Council

**Summary of 201 2015/16 Budget**

<b>Municipal Manager</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	7,539,862	7,539,862	628,322	628,322	628,322	628,322	628,322	628,322	628,322	628,322	628,322	628,322	628,322	628,322
Operating Grant Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Operating Expenditures</b>	<b>7,539,862</b>	<b>7,539,862</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>	<b>628,322</b>
Direct Operating Income														
Operating Grant Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grant Income	110,000	110,000	110,000											
<b>Total Direct Operating Income</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>1,879,550</b>	<b>1,879,550</b>	<b>156,631</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>

<b>Service Delivery Budget Implementation Plan 2015/16</b>													
Council General													
<b>Executive Mayor:</b>		N .Makanda											
<b>Municipal Manager:</b>		M. Nofemela											
<b>Service Delivery Unit</b>				<b>Government Financial Statistic (Vote) Classification</b>									
Council General				1120-00		Executive and Council							

**Summary of : 2015/16 Budget**

<b>Council General</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	32,918,787	32,918,787	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232	2,743,232
Operating Grant Expenses														
<b>Total Direct Operating Expenditure</b>	<b>32,918,787</b>	<b>32,918,787</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>	<b>2,743,232</b>
Direct Operating Income	99,159,454	99,159,454	41,054,324	764	764	764	33,199,339	764	764	764	24,898,918	764	764	764
Operating Grant Income														
Capital Grant Income														
<b>Total Direct Operating Income</b>	<b>99,159,454</b>	<b>99,159,454</b>	<b>41,054,324</b>	<b>764</b>	<b>764</b>	<b>764</b>	<b>33,199,339</b>	<b>764</b>	<b>764</b>	<b>764</b>	<b>24,898,918</b>	<b>764</b>	<b>764</b>	<b>764</b>
<b>Total Capital Expenditure</b>														

<b>Service Delivery Budget Implementation Plan 2015/16</b>															
Community Safety Directorate															
<b>Executive Councillor:</b>		Cllr. Lungisa													
<b>Community Services Director:</b>		Vacant													
<b>Service Delivery Unit</b>			<b>Government Financial Statistic (Vote) Classification</b>												
Fire Brigade			1140-18			Public Safety									
Municipal Security			1140-50			Public Safety									
Pound and Commonage			1140-62			Public Safety									
Control Room			1140-04			Public Safety									
Emergency & Disaster Planning			1140-16			Public Safety									
Traffic Administration & Control			1140-64			Public Safety									
<b>Summary of 2015/16 Budget</b>															
<b>Public Safety</b>		<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses		36,022,842	36,022,842	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904	3,001,904
Operating Grant Expenses															
<b>Total Direct Operating Expenditures</b>		<b>36,022,842</b>	<b>36,022,842</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>	<b>3,001,904</b>
Direct Operating Income		10,153,847	84,615	811,626	811,626	811,626	811,626	811,626	811,626	811,626	811,626	811,626	811,626	811,626	811,626
Operating Grant Income															
Capital Grant Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Operating Income</b>		<b>10,153,847</b>	<b>10,153,847</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>	<b>846,154</b>
<b>Total Capital Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Service Delivery Budget Implementation Plan 2015/16**

Municipal Manager

**Executive Mayor:** N.Makanda

**Municipal Manager:** M. Nofem **Acting**

**Service Delivery Unit** Government Financial Statistic (Vote) Classification

Office of the Municipal Manager 1105-00 Executive and Council

**Summary of 201 2015/16 Budget**

<b>Municipal Manager</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	20,535,241	14,382,911	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576	1,198,576
Operating Grant Expenses	2,459,000	2,459,000	204,917	204,917	204,917	204,917	204,917	204,917	204,917	204,917	204,917	204,917	204,917	204,917
<b>Total Direct Operating Expenditures</b>	<b>22,994,241</b>	<b>16,841,911</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>	<b>1,403,493</b>
Direct Operating Income								0	0	0	0	0	0	0
Operating Grant Income	2,459,000	2,459,000	1,529,000	0	0	0	930,000	0	0	0	0	0	0	0
<b>Total Direct Operating Income</b>	<b>2,459,000</b>	<b>2,459,000</b>	<b>1,529,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>930,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Service Delivery Budget Implementation Plan 2015/16														
Technical Services Directorate														
Executive Councillor: M.Z.Gwantshu														
Technical Services Director: G. Zabalungu Acting Director														
Service Delivery Unit			Government Financial Statistic (Vote) Classification											
Technical Services Administration		1130-00	Electricity											
Electricity Distribution		1130-06	Electricity											
Vehicle Fleet		1130-22	Finance & Administrative											
Mechanics Workshop		1130-12	Finance & Administrative											
Aerodrome		1130-02	Other											
Infrastructure Development Unit		1130-10	Planning & Development											
Streets		1130-20	Road Transport											
Sewerage Disposal Works	(agency)	1130-16	Wastewater Management											
Water Distribution	(agency)	1130-26	Water											
Summa 2015/16 Budget														
Electricity	Original Budget	Cash Budget	July 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Direct Operating Expenses	251,073,490	217,828,170	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348	18,152,348
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>251,073,490</b>	<b>217,828,170</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>	<b>18,152,348</b>
Direct Operating Income	206,095,984	172,850,664	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222	14,404,222
Operating Grant Income														
Capital Grant Income	8,010,264	8,010,264	8,010,264	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Operating Income</b>	<b>214,106,248</b>	<b>180,860,928</b>	<b>22,414,486</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>	<b>14,404,222</b>
<b>Total Capital Expenditure</b>	<b>22,668,000</b>	<b>22,668,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>	<b>1,889,000</b>

<b>Finance &amp; Administration</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	14,412,133	14,412,133	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011	1,201,011
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>14,412,133</b>	<b>14,412,133</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>	<b>1,201,011</b>
Direct Operating Income														
Operating Grant Income														
Capital Grant Income														
<b>Total Direct Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	146,225	146,225	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>146,225</b>	<b>146,225</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>	<b>12,185</b>
Direct Operating Income	2,840	2,840	237	237	237	237	237	237	237	237	237	237	237	237
Operating Grant Income														
Capital Grant Income														
<b>Total Direct Operating Income</b>	<b>2,840</b>	<b>2,840</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>	<b>237</b>
<b>Total Capital Expenditure</b>														

3	Planning & Development	Original Budget													
		Cash Budget	July 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	
	Direct Operating Expenses	4,870,880	4,870,880	405,907	405,907	405,907	405,907	405,907	405,907	405,907	405,907	405,907	405,907	405,907	405,907
	Operating Grant Expenses	2,800,000	2,800,000	233,333	233,333	233,333	233,333	233,333	233,333	233,333	233,333	233,333	233,333	233,333	233,333
	<b>Total Direct Operating Expenditures</b>	<b>7,670,880</b>	<b>7,670,880</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>	<b>639,240</b>
	Direct Operating Income	1,609,850	1,609,850	409,850	0	0	0	1,000,000	0	0	0	0	0	0	0
	Operating Grant Income	2,800,000	2,800,000	1,000,000	0	0	0	1,200,000	0	0	0	600,000	0	0	0
	Capital Grant Income			0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total Direct Operating Income</b>	<b>4,409,850</b>	<b>4,409,850</b>	<b>1,409,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>600,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total Capital Expenditure</b>	<b>1,879,550</b>	<b>1,879,550</b>	<b>156,629</b>	<b>156,633</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>	<b>156,629</b>
12	Road Transport	Original Budget													
		Cash Budget	July 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	
	Direct Operating Expenses	31,773,323	23,547,003	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250	1,962,250
	Operating Grant Expenses														
	<b>Total Direct Operating Expenditures</b>	<b>31,773,323</b>	<b>23,547,003</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>	<b>1,962,250</b>
	Direct Operating Income	6,277,456	6,277,456	523,121	523,121	523,121	523,121	523,121	523,121	523,121	523,121	523,121	523,121	523,121	523,121
	Operating Grant Income														
	Capital Grant Income	31,883,408	31,883,408	10,627,803	0	0	0	10,627,803	0	0	0	10,627,803	0	0	0
	<b>Total Direct Operating Income</b>	<b>38,160,864</b>	<b>38,160,864</b>	<b>11,150,924</b>	<b>523,121</b>	<b>523,121</b>	<b>523,121</b>	<b>11,150,924</b>	<b>523,121</b>	<b>523,121</b>	<b>523,121</b>	<b>11,150,924</b>	<b>523,121</b>	<b>523,121</b>	<b>523,121</b>
	<b>Total Capital Expenditure</b>	<b>31,883,408</b>	<b>31,883,408</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>	<b>2,656,951</b>

**Service Delivery Budget Implementation Plan 2015/16**

Human Settlements Directorate

**Executive Councillor:** A.E. Hulushe

**Human Settlements Director:** O.L. Nomeva

Service Delivery Unit	Government Financial Statistic (Vote) Classification	
Queenstown Civic Centre	1270	Community & Social Services
Ashley Wyngaard Civic Centre	1274	Community & Social Services
Ekuphumleni Civic Centre	1276	Community & Social Services
Sada Civic Centre	1279	Community & Social Services
Mendi Civic Centre	1280	Community & Social Services
Mlungisi Civic Centre	1281	Community & Social Services
Ezibeleni Civic Centre	1284	Community & Social Services
Villages Civic Centre	1291	Community & Social Services
Fairview/Uitsig Flat	1180	Finance & Administrative
Art Gallery	1268	Finance & Administrative
Arts and Culture Centre	1269	Finance & Administrative
Municipal Buildings	1275	Finance & Administrative
50 Municipal Houses	1283	Finance & Administrative
Public Convenience	1285	Finance & Administrative
Rowell Old Age Home	1286	Finance & Administrative
Sunshine Municipal Buildings	1288	Finance & Administrative
Vet Diagnostic Building	1290	Finance & Administrative
Estates Administration	1020	Planning & Development
Housing Infrastructure Projects (agency)	CAPEX	Housing Projects

**Summary of 2015/16 Budget**

Community & Social Services	Original Budget	Cash Budget	July 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Direct Operating Expenses	4,183,340	4,183,340	348,612	348,612	348,612	348,612	348,612	348,612	348,612	348,612	348,612	348,612	348,612	348,612
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>4,183,340</b>	<b>4,183,340</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>	<b>348,612</b>
Direct Operating Income	396,930	396,930	33,078	33,078	33,078	33,078	33,078	33,078	33,078	33,078	33,078	33,078	33,078	33,078
Operating Grant Income														
Capital Grant Income	5,830,000	5,830,000	5,830,000	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Operating Income</b>	<b>6,226,930</b>	<b>6,226,930</b>	<b>5,863,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>	<b>33,078</b>
<b>Total Capital Expenditure</b>	<b>5,830,000</b>	<b>5,830,000</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>	<b>485,833</b>



<b>Finance &amp; Administration</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	7,480,309	927,109	77,259	77,259	77,259	77,259	77,259	77,259	77,259	77,259	77,259	77,259	77,259	77,259
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>7,480,309</b>	<b>927,109</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>	<b>77,259</b>
Direct Operating Income	1,947,420	1,947,420	162,285	162,285	162,285	162,285	162,285	162,285	162,285	162,285	162,285	162,285	162,285	162,285
Operating Grant Income														
Capital Grant Income		0												
<b>Total Direct Operating Income</b>	<b>1,947,420</b>	<b>1,947,420</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>	<b>162,285</b>
<b>Total Capital Expenditure</b>														
<b>Planning &amp; Development</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	14,126,588	14,126,588	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216	1,177,216
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>14,126,588</b>	<b>14,126,588</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>	<b>1,177,216</b>
Direct Operating Income	10,750	6,750	563	563	563	563	563	563	563	563	563	563	563	563
Operating Grant Income														
Capital Grant Income														
<b>Total Direct Operating Income</b>	<b>10,750</b>	<b>6,750</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>
<b>Total Capital Expenditure</b>														

<b>Service Delivery Budget Implementation Plan 2015/16</b>	
Community Services Directorate	
<b>Executive Councillor:</b>	Cllr. Dyan
<b>Community Services Director:</b>	G. Judeel

Service Delivery Unit	Government Financial Statistic (Vote) Classification	
Cemeteries	1125-02	Community & Social Services
Comm Services Administration	1125-00	Community & Social Services
Ezibeleni Library	1125-40	Community & Social Services
Queenstown Library	1125-46	Community & Social Services
Mlungisi Library	1125-42	Community & Social Services
Parkvale Library	1125-44	Community & Social Services
Whittlesea Library	1125-48	Community & Social Services
Nature Reserve	1125-52	Community & Social Services
Berry Dam Recreation Ground	1125-16	Sport & Recreation
Parks	1125-58	Sport & Recreation
Sportsfields	1125-60	Sport & Recreation
Bonkolo Dam Recreation Ground	1125-66	Sport & Recreation
Refuse Disposal (Landfill)	1125-10	Waste Management
Refuse Removal	1125-12	Waste Management
Cleaning Services	1125-08	Waste Management
Street Cleaning	1125-14	Waste Management

**Summary of 2015/16**

Community & Social Services	Original Budget	Cash Budget	July 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Direct Operating Expenses	10,629,478	10,629,478	885,790	885,790	885,790	885,790	885,790	885,790	885,790	885,790	885,790	885,790	885,790	885,790
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>10,629,478</b>	<b>10,629,478</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>	<b>885,790</b>
Direct Operating Income	1,146,652	1,146,652	95,554	95,554	95,554	95,554	95,554	95,554	95,554	95,554	95,554	95,554	95,554	95,554
Operating Grant Income	4,150,000	4,150,000	4,150,000											
Capital Grant Income	3,600,000	3,600,000	1,000,000	1,600,000	0	0	500,000	0	0	0	500,000	0	0	0
<b>Total Direct Operating Income</b>	<b>8,896,652</b>	<b>8,896,652</b>	<b>5,245,554</b>	<b>1,695,554</b>	<b>95,554</b>	<b>95,554</b>	<b>595,554</b>	<b>95,554</b>	<b>95,554</b>	<b>95,554</b>	<b>595,554</b>	<b>95,554</b>	<b>95,554</b>	<b>95,554</b>
<b>Total Capital Expenditure</b>	<b>3,600,000</b>	<b>3,600,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>

<b>Sport &amp; Recreation</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	13,755,564	13,755,564	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297	1,146,297
Operating Grant Expenses		0												
<b>Total Direct Operating Expenditures</b>	<b>13,755,564</b>	<b>13,755,564</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>	<b>1,146,297</b>
Direct Operating Income	216,550	216,550	18,046	18,046	18,046	18,046	18,046	18,046	18,046	18,046	18,046	18,046	18,046	18,046
Operating Grant Income														
Capital Grant Income	3,592,450	3,592,450	3,592,450	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Operating Income</b>	<b>3,809,000</b>	<b>3,809,000</b>	<b>3,610,496</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>	<b>18,046</b>
<b>Total Capital Expenditure</b>	<b>3,592,450</b>	<b>3,592,450</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>	<b>299,371</b>
<b>Waste Management</b>	<b>Original Budget</b>	<b>Cash Budget</b>	<b>July 15</b>	<b>Aug 15</b>	<b>Sep 15</b>	<b>Oct 15</b>	<b>Nov 15</b>	<b>Dec 15</b>	<b>Jan 15</b>	<b>Feb 15</b>	<b>Mar 15</b>	<b>Apr 15</b>	<b>May 15</b>	<b>Jun 15</b>
Direct Operating Expenses	37,588,052	23,826,225	1,956,113	1,956,113	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400	1,991,400
Operating Grant Expenses														
<b>Total Direct Operating Expenditures</b>	<b>37,588,052</b>	<b>23,826,225</b>	<b>1,956,113</b>	<b>1,956,113</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>	<b>1,991,400</b>
Direct Operating Income	41,557,769	24,811,048	1,449,738	1,171,457	2,606,685	1,978,979	4,099,645	1,343,172	1,839,492	1,721,289	3,341,386	1,409,784	1,797,105	2,052,317
Operating Grant Income														
Capital Grant Income	612,309	612,309	612,309											
<b>Total Direct Operating Income</b>	<b>42,170,078</b>	<b>25,423,357</b>	<b>2,062,047</b>	<b>1,171,457</b>	<b>2,606,685</b>	<b>1,978,979</b>	<b>4,099,645</b>	<b>1,343,172</b>	<b>1,839,492</b>	<b>1,721,289</b>	<b>3,341,386</b>	<b>1,409,784</b>	<b>1,797,105</b>	<b>2,052,317</b>
<b>Total Capital Expenditure</b>	<b>4,812,309</b>	<b>4,812,309</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>	<b>401,026</b>

18 Budgets and SDBIPs - Entities & Other External Mechanisms

The municipality has no entities.

## 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 SA35 – Future financial implications of capital budget  
                  Table SA 36 - Detailed Capital Budget

The following pages contain the listing of capital by category.

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

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	<b>1</b>									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		24,647	11,019	17,396	27,300	24,894	24,894	35,164	42,680	29,914
Infrastructure - Road transport		18,717	7,633	8,069	-	450	450	11,883	14,000	8,500
<i>Roads, Pavements &amp; Bridges</i>		18,717	7,633	8,069		450	450	11,883	14,000	8,500
<i>Storm water</i>										
Infrastructure - Electricity		4,929	2,945	2,610	19,000	17,100	17,100	22,668	28,680	21,414
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>		2,189	2,945	2,610	19,000	17,100	17,100	22,668	28,680	21,414
<i>Street Lighting</i>		2,741								
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		1,000	442	6,717	8,300	7,344	7,344	612	-	-
<i>Waste Management</i>								612		
<i>Transportation</i>	2			6,717	8,300	7,344	7,344			
<i>Gas</i>										
<i>Other</i>	3	1,000	442							
<b>Community</b>		-	1,936	16,184	20,660	25,121	25,121	14,839	9,415	29,003
Parks & gardens										
Sportsfields & stadia			958	6,616	6,920	12,903	12,903	3,592		29,003
Swimming pools										
Community halls			333	7,029	8,860	8,252	8,252	5,830	4,900	
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries				2,539	3,000	2,150	2,150	3,600	2,500	
Social rental housing	8									
Other			644		1,880	1,817	1,817	1,816	2,015	
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	11,565	2,701	4,650	4,850	4,850	6,700	5,700	5,700
General vehicles								1,000		
Specialised vehicles	10	-	-	-	-	-	-	4,200	4,200	4,200
Plant & equipment			11,540							
Computers - hardware/equipment			2							
Furniture and other office equipment				2,701	2,770	2,770	2,770	1,500	1,500	1,500
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other			24		1,880	2,080	2,080			
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Capital Expenditure on new assets</b>	<b>1</b>	<b>24,647</b>	<b>24,520</b>	<b>36,281</b>	<b>52,610</b>	<b>54,865</b>	<b>54,865</b>	<b>56,702</b>	<b>57,795</b>	<b>64,618</b>

EC134 Lukhanji - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>R thousand</b>	1									
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	-	-	14,751	14,531	14,531	20,000	11,000	-
Infrastructure - Road transport		-	-	-	14,751	14,531	14,531	20,000	11,000	-
<i>Roads, Pavements &amp; Bridges</i>					9,000	8,440	8,440	12,000		
<i>Storm water</i>					5,751	6,091	6,091	8,000	11,000	
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>										
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>	3									
<i>Other</i>										
<b>Community</b>		-	-	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	-	-	-	-	-	-	-	-
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other	10									
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Capital Expenditure on renewal of existing</b>	1	-	-	-	14,751	14,531	14,531	20,000	11,000	-

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

Vote Description R thousand	Ref	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
<b>Capital expenditure</b>	1							
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-				
Vote 2 - FINANCE AND ADMINISTRATION		2,500	1,500	1,500				
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-				
Vote 4 - HEALTH		-	-	-				
Vote 5 - COMMUNITY AND SOCIAL SERVICES		9,430	7,400	-				
Vote 6 - COMMUNITY SAFETY		-	-	-				
Vote 7 - SPORT AND RECREATION		3,592	-	29,003				
Vote 8 - WASTE WATER MANAGEMENT		-	-	-				
Vote 9 - WASTE MANAGEMENT		4,812	4,200	4,200				
Vote 10 - ROADS TRANSPORT		31,883	25,000	12,500				
Vote 11 - WATER		-	-	-				
Vote 12 - ELECTRICITY		22,668	28,680	21,414				
Vote 13 - OTHER		-	-	-				
Vote 14 - HOUSING		-	-	-				
Vote 15 - IPED		1,816	2,015	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		76,702	68,795	68,618	-	-	-	-
<b>Future operational costs by vote</b>	2							
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								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		-	-	-	-	-	-	-
<b>Future revenue by source</b>	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
<b>Total future revenue</b>		-	-	-	-	-	-	-
<b>Net Financial Implications</b>		76,702	68,795	68,618	-	-	-	-



EC134 Lukhanji - Supporting Table SA36 Detailed capital budget

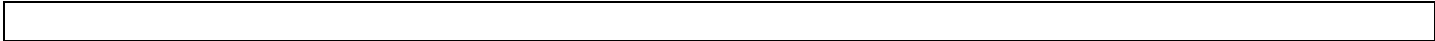
Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	GPS co-ordinates	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project Information	
										Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality:																
<i>List all capital projects grouped by Municipal Vote</i>																
Vote 10 - ROADS TRANSPORT		Grade of Rural Gravel Roads for cluster A, B & C		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges			4,497	5,751	8,000	11,000	-	all	Renewal
Vote 10 - ROADS TRANSPORT		Completion of the inter-modal transport facility		E	Yes	Infrastructure - Road transport	Transportation	31°53'55.90"S		6,289	8,300	11,000	14,000	-	all	New
Vote 10 - ROADS TRANSPORT		Road from Railway line to Ezibeleni - 1Km		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°54'40.76"S				3,250				New
Vote 10 - ROADS TRANSPORT		Top Street Mlungisi		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°54'39.43"S				1,800				New
Vote 10 - ROADS TRANSPORT		Alexandra Street CBD		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°53'32.84"S				1,800				New
Vote 10 - ROADS TRANSPORT		Sada Main Taxi Road		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	32°11'55.96"S				2,200				New
Vote 10 - ROADS TRANSPORT		Bushell Street CBD		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°53'47.33"S				1,000				New
Vote 10 - ROADS TRANSPORT		Dalamba Street Mlungisi		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°54'18.02"S				1,000				New
Vote 10 - ROADS TRANSPORT		Big Street SADA		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	32°11'38.53"S				600				New
Vote 10 - ROADS TRANSPORT		Bell & Woodhouse Streets CBD		E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°54'17.67"S				850				New
Vote 10 - ROADS TRANSPORT				E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges					-		4,000		
Vote 12 - ELECTRICITY		Installation of No. high-mast lights		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					3,000	3,000	3,000		New
Vote 12 - ELECTRICITY		Refurbishment of the switch gear at .		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					3,000	3,000	3,000		New
Vote 12 - ELECTRICITY		Refurbishment of Mlungisi KV and LV network		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					3,000	3,000	3,000		New
Vote 12 - ELECTRICITY		Supply and commissioning of 20 MVA transformer		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					3,000	3,000	3,000		New
Vote 12 - ELECTRICITY		Upgrading of 22/11kV cable feed in Unathi Mkela		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					3,000	3,000	3,000		New
Vote 12 - ELECTRICITY		Ezibeleni 11kV Open Wire ringfeed network		G	Yes	Infrastructure - Electricity	Transmission & Reticulation				3,000	2,156				New
Vote 12 - ELECTRICITY		Town Hall Sanlam T 11kV Cable		G	Yes	Infrastructure - Electricity	Transmission & Reticulation					1,512				New
Vote 12 - ELECTRICITY		New 20MVA 66/11kV transformer for Edden Subst		G	Yes	Infrastructure - Electricity	Transmission & Reticulation						5,376	3,415		New
Vote 12 - ELECTRICITY		Mlungisi MV strengthening (Phase 1)		G	Yes	Infrastructure - Electricity	Transmission & Reticulation						1,994			New
Vote 12 - ELECTRICITY		Mlungisi LV Refurbishment (Phase 2)		G	Yes	Infrastructure - Electricity	Transmission & Reticulation						2,310			New
Vote 5 - COMMUNITY AND SOCIAL SER		Community Hall in Ward 1		F	Yes	Community	Community halls	32°00'42.52"S		4,021	4,100	4,830	-	-	1	new
Vote 5 - COMMUNITY AND SOCIAL SER		Community Hall in Ward 7		F	Yes	Community	Community halls	31°55'17.39"S		120	4,760				7	new
Vote 5 - COMMUNITY AND SOCIAL SER		linge Cemetery		D	Yes	Community	Cemeteries	31°58'51.32"S		250	1,000	1,800	500	-	1,2	new
Vote 5 - COMMUNITY AND SOCIAL SER		Lesseyton Cemetery		D	Yes	Community	Cemeteries	31°50'37.97"S			1,000	1,800	500		27	new
Vote 5 - COMMUNITY AND SOCIAL SER		Whitesea Cemetery		D	Yes	Community	Cemeteries	32°10'27.07"S		250			1,500	-	17	new
Vote 5 - COMMUNITY AND SOCIAL SER		linge Sports field		H	Yes	Community	Sportsfields & stadia	31°58'21.62"S		2,000	8,800	3,592	-	-	1,2	new
Vote 5 - COMMUNITY AND SOCIAL SER		Fencing of Grazing Camps in various areas		C	Yes	Community	Other	MANY COORDINATES		825	-	1,000	1,215	-	all	new
Vote 12 - ELECTRICITY		Lukhanji community Lighting		G	Yes	Infrastructure - Electricity	Transmission & Reticulation	MANY COORDINATES		2,900	2,000	4,000	4,000	3,000	all	new
Vote 5 - COMMUNITY AND SOCIAL SER		Community Hall in ward 17		F	Yes	Community	Community halls	32°10'00"S				1,000	4,900	-	17	new
Vote 5 - COMMUNITY AND SOCIAL SER		Construction of shearing shed		C	Yes	Community	Other	THE HAS BEEN IDENTIFIED					800	-		new
Vote 5 - COMMUNITY AND SOCIAL SER		Lesseyton sportfield		H	Yes	Community	Sportsfields & stadia	31°50'34.72"S						-	11,000	27

Vote 5 - COMMUNITY AND SOCIAL SERV	McBride sportfield	H	Yes	Community	Sportsfields & stadia	MANY COORDINATES				-	-	11,000	14	new
Vote 10 - ROADS TRANSPORT	Roads & Stormwater projects in Ezibeleni, llinge, s	E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	32°02'07.89"S				-	-	4,500	Various	new
Vote 10 - ROADS TRANSPORT	Qwabi Bridge over Kuziungu River Phase 2	E	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	31°53'58.23"S				-	-	4,000	13	Renewal
Vote 5 - COMMUNITY AND SOCIAL SERV	Rehabilitation of Ezibeleni Stadium ablution block	H	Yes	Community	Sportsfields & stadia	32°11'48.18"S				-	-	3,003	4	Renewal
Vote 5 - COMMUNITY AND SOCIAL SERV	Renovation and extension of the sadAa stadium at	H	Yes	Community	Sportsfields & stadia					-	-	4,000	10	Renewal
	Whittlesea Ex14 Roads and Stormwater(Old Grant)	E	Yes	Infrastructure - Road transport	Storm water					383			17	Renewal
	Conaught Substation LV Switchgear	G	Yes	Infrastructure - Electricity	Transmission & Reticulation				267					New
	66kV T-Off switchyard	G	Yes	Infrastructure - Electricity	Transmission & Reticulation				1,400					New
	Ezibeleni Distribution transformer strengthening & U	G	Yes	Infrastructure - Electricity	Transmission & Reticulation				1,747					New
	Purchase of Refuse Skips	C	Yes	Community	Waste Management					612				Renewal
	Refuse trucks	C	Yes	Other Assets	Specialised vehicles - Refuse					4,200	4,200	4,200		New
	Revitalization of small business centres	C	Yes	Community	Other					350				Renewal
	Construction of hawker stalls,	C	Yes	Community	Other					466			26	New
	Small Capital and Equipment(Hall Chairs)	A	Yes	Other	Furniture and other office equipment				2,770	1,500	1,500	1,500		None
Vote 5 - COMMUNITY AND SOCIAL SERV	Feasibility study Shiloh Agricultural	C	Yes	Community	Other				306					
Vote 5 - COMMUNITY AND SOCIAL SERV	Hawkers Stalls	C	Yes	Community	Other				285					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Machibini Shearing Shed	C	Yes	Community	Other				800					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Ezibeleni Sport Complex	H	Yes	Community	Sportsfields & stadia	26°52'03.61"E			3,700					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Rehabilitation & Extension Sada Stadium	H	Yes	Community	Sportsfields & stadia	26°54'37.18"E			3,200					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Dumpy Adams Sport Complex 2	H	Yes	Community	Sportsfields & stadia	26°51'45.16"E			519					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Community Hall in Ward 4	F	Yes	Community	Community halls	26°52'13.81"E	199		4,720					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Upper Machibini Community Gall	F	Yes	Community	Community halls	26°48'48.53"E			63					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Upgrade Machibini Telecente	F	Yes	Community	Community halls	26°51'52.73"E			88					new
Vote 5 - COMMUNITY AND SOCIAL SERV	Community Hall in Ward 5	F	Yes	Community	Community halls	26°52'01.37"E	194		4,421					new
Vote 10 - ROADS TRANSPORT	Surfacing of Lukhanji Roads	E	No	Infrastructure - Road transport	Roads, Pavements & Bridges	26°49'19.19"E			25,000	9,000				new
Vote 5 - COMMUNITY AND SOCIAL SERV	Fencing of Mlungisi Cemetery	D	Yes	Community	Cemeteries	26°52'17.67"E				1,000				new
Vote 12 - Electricity Distribution	Five year - Electricity Master Plan	G	Yes	Infrastructure - Electricity	Transmission & Reticulation				5,000	14,000				new
Votd 2 - Finance	Fleet Replacement	A	Yes	Infrastructure - Other	Specialised vehicles - Refuse				2,500					new
Vote 12 - Electricity Distribution	Vote 12 - Refurbishment of Switchgear	G	Yes	Infrastructure - Electricity	Street Lighting			1,285	793					new
Vote 12 - Electricity Distribution	New Rathwick Electrification	G	Yes	Infrastructure - Electricity	Transmission & Reticulation				189					new
Vote 8 - Waste Water Management	Phola Park Prject	D	Yes	Infrastructure - Sanitation	Sewerage purification			1,828	1,047					new
Votd 2 - Finance	May of's Car			Other Assets	General vehicles					1,000				new
Parent Capital expenditure	1							73,781	68,896	76,702	68,795	68,618		



Lukhanji Municipality  
BUDGET  
APPENDIX A  
RATES AND TARIFFS

2015/16 – 2017/18



Tariff	Ref #	Sub #
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**Listing of Adopted Tariffs**

**ALL TARIFFS ARE EXCLUSIVE OF VAT**

2015/16	2015/16
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**TECHNICAL SERVICES**

1	<b>AVAILABILITY FEES</b>	-
	Monthly availability fee for electricity, water or sewerage point not connected to the reticulation network	
2	<b>STORMWATER PIPES ACROSS FOOTPATHS : RESIDENTIAL BUILDINGS</b>	
	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	<b>PAVING OF SIDEWALKS : COMMERCIAL AND BUSINESS PREMISES</b>	
	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.	
8	<b>BUILDING PLAN AND PLAN PRINTING FEES</b>	
	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 :	
	Building under tile	2626.20
	Building under iron	2477.54
	Outbuildings	2477.54
	Open buildings (verandas etc.)	1413.15
	Shell buildings	2063.45
	Internal alterations	900.40
	Underground tanks	7003.20
	Porta pools	6006.77
	Swimming pools	6606.77
	Carports	10429.75
	Scrutiny fee (Excluding Government Housing Projects) - Minimum Basic Charge	51.30

Fee - m2 x rate x 0.00275 + basic charge

9	Plan printing fees :	
	Paper A2	18.60
	Paper A1	21.90
	Paper A0	35.80
	Paper A3	350
	Paper A4	100

10	<b>ROAD PATCHING</b>	
	<p>To replace Kerbing - Zone 1          To replace Kerbing - Zone 2          Road patching on work done by WSSA and the Post Office be as follows : Zone 1          Road patching on work done by WSSA and the Post Office be as follows : Zone 2          Road patching on work done by Electrical section as follows : Zone 3</p>	
	<p>Road patching on work done by Electrical Section be as follows : Zone 1          Road patching on work done by Electrical Section be as follows : Zone 2          Road patching on work done by Electrical section as follows : Zone 3</p>	

11	<b>PLANT AND VEHICLES</b>		
	CAT	DESCRIPTION	PRIVATE USE (VAT EXCL)
	a	MOTOR CARS	R4.66/KM
	b	1/2 TON LDVS	R4.66/KM
	c	1 TON LDVS	R6.25/KM
	d	2 - 3 TON TRUCKS	R12.50/KM
	e	4 - 7 TON TRUCKS	R20.76 R214.00/H
	f	REFUSE TRUCKS	
	g	TRAILERS	R35.62/H

h	TRACTORS	R265.20/H
i	FIRE BRIGADE VEHICLES F1	R12.83/KM +R288.00/H
	F2	
	F3	
	F4	
j	MOTOR CYCLES	R2.70/H
k	TRACTOR DRAWN MOTORS	R47.92/H
l	WATER TRAILERS (TANKERS)	R36.70/H
m	DUMPERS	R131.60/H
n	TLB	R377.96/H
o	COMPRESSORS	R431.00/H
p	CONCRETE MIXERS	R161.26/H
q	FRONT END LOADERS	R457.88/H
r	WATER PUMPS AND GEN SETS	R51.40/H
s	CHAIN SAWS	R80.74/H
t	GRADERS	R734.88/H
u	ROLLERS	R208.36/H
v	SEWER JET CLEANING MACHINES	R338.06/H
w	VIBRATORS AND COMPACTORS	R54.70/H
x	LAWN MOWERS	R38.54/H
y	TANAKA BRUSH CUTTERS	R38.54/H
z	TAR CUTTER	R77.02/H R77.02/H

ELECTRICITY CONNECTION FEES			
12	a	TYPE	
		KVA Range	
		Type of Consumer	
		Type of Connection	
	b	TYPE	
		KVA Range	
		Type of Consumer	
		Type of Connection	
	c	TYPE	
		KVA Range	
		Type of Consumer	
		Type of Connection	
d	TYPE		
	KVA Range		
	Type of Consumer		
	Type of Connection		
12	e	TYPE	
		KVA Range	
		Type of Consumer	
		Type of Connection	
	f	TYPE	
		KVA Range	
		Type of Consumer	
		Type of Connection	
g	TYPE		
	KVA Range		
	Type of Consumer		
	Type of Connection		

12

<b>h</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>i</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>j</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>k</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>l</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>m</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>n</b>	TYPE	
	KVA Range	
	Type of Consumer	
	Type of Connection	
<b>o</b>	Enermet Ripple Relay	

**NOTES**

- (i) All material required to make the supply available is normally supplied by the Municipality. A customer could however, supply all material and carry out the entire work, but on the day of commissioning of the supply point, the entire 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 from Eskom, by switching the geyser on or off. Hence there is no benefit to the customer, therefore the Municipality is responsible for supplying the relay free of charge.
(iii)	No conventional metering will be allowed for any single phase domestic and or commercial supplies, except for government 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.

13	<b>ATTENDANCE TO FAILURE OF SUPPLY COMPLAINTS</b> Call-out during office hours : Rural Call-out during office hours : Town Call-out after office hours : Rural Call-out after office hours : Town
14	<b>FEE FOR DISCONNECTION FOR NON-PAYMENT</b> Additional deposit Administration fee Paper Cut - Administration fee
15	<b>TESTING OF ELECTRICITY METERS</b> Single Phase Three Phase MD meter (KVA/KWH combination meter)
16	<b>SPECIAL METER READINGS</b> Town Rural
17	<b>ALTERATIONS AND ADDITIONS TO EXISTING SERVICES</b>
18	<b>FAILURE TO KEEP APPOINTMENTS FOR INSPECTION AND FAILURE TO SUBMITT COMMENCEMENT FORMS</b>

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

20	<b>ELECTRICITY TARIFFS</b>		
	a	T1 DOMESTIC QUEENSTOWN	
		SERVICE CHARGE	143.0325
		Block 1 (0-50KWh)	0.8325
		Block 2 (51-350KWh)	1.04625
		Block 3 (351-600KWh)	141.75
		Block 4 (>600KWh)	166.5
	b	T2 PREPAYMENT	
		Block 1 (0-50KWh)	0.8325
		Block 2 (51-350KWh)	1.04625
		Block 3 (351-600KWh)	1.4175
		Block 4 (>600KWh)	1.665
	c	T3 SMALL USERS	
		(CONSUMPTION NOT EXCEEDING 80 KVA OR 20 000 KWH PER MONTH)	
		SERVICE CHARGE	597.8475
		KWH<=500	1.7143875
		KWH>=500	1.3334625
			0
d	T4 PREPAYMENT - BUSINESS		
	KWH (Inclusive of Vat)	1.74375	
		0	
		0	
e	T5 NON DOMESTIC LARGE POWER USERS		
	CONSUMPTION NOT EXCEEDING 40 (KVA)		
	SERVICE CHARGE	1137.27375	
	KWH	0.78075	
	KVA	211.23	
	MINIMUM KVA	8449.1325	
		0	
f	TX TIME OF USE	0	

(MINIMUM CONSUMPTION OF 100 000 KWH PER MONTH/ABOVE 80 KW-MAX)

**LOW DEMAND**

BASIC

0

545.38875

PEAK 07:00 - 10:00; 18:00 - 20:00

2.7675

STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00 SAT 07:00 - 12:00;

18:00 - 20:00

0

OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK

0.6233625

kvaRH (only applicable for KvaRh exceeding 30% of TOTAL kvh 0.96pf)

0.1321875

**HIGH DEMAND**

BASIC

0

545.38875

PEAK 07:00 - 10:00; 18:00 - 20:00

2.8125

STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00

1.24875

OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK

0.61875

kvaRH (only applicable for KvaRh exceeding 30% of TOTAL kvh 0.96pf)

0.1323

**g T7 TIME OF USE**

(MINIMUM CONSUMPTION OF 200 000 KWH PER MONTH/ABOVE 150 KVA)

**LOW DEMAND**

BASIC

0

1045.8225

DEMAND KW

84.61125

PEAK 07:00 - 10:00; 18:00 - 20:00

1.65375

STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00 SAT 07:00 - 12:00;

18:00 - 20:00

1.0256625

OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK

0.5788125

kvaRH (only applicable for KvaRh exceeding 30% of TOTAL kvh 0.96pf)

0.1323

**HIGH DEMAND**

BASIC

0

1045.8225

DEMAND KW

90.93375

PEAK 07:00 - 10:00; 18:00 - 20:00

1.83375

STANDARD 06:00 - 07:00; 10:00 - 18:00; 20:00 - 22:00

1.02375

OFF PEAK 22:00 - 06:00; SUNDAY = OFF PEAK

0.61875

kvaRH (only applicable for KvaRh exceeding 30% of TOTAL kvh 0.96pf)

0.1323

All units include an additional 1.5 cent charge approved by the NER for upgrading the electrical network.

This tariff is not applicable to consumers receiving 50kw free electricity.

**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  
In excess of 100 KW

7% Increase  
7% Increase



**INFRASTRUCTURE DEVELOPMENT UNIT**

2	<b>PERSONNEL CHARGES</b>		
1	Senior Professional/Technical/Management staff	1200	hour
	Professional/Technical/Management staff	820	hour
	Supervisory staff	315	hour
	Clerical and administrative staff	268	hour
<b>DISBURSEMENTS CHARGES</b>			
	Typing	R21.62	
	Duplication	R0.88	
	Duplication	R2.15	
2	Binding and Documents	R8.72	
2	Plan Plotting (Mono)	R3.51	
	Plan Plotting (Colour)	R6.20	
	Telephone Calls	R4.33	
	Faxes (Outgoing)	R0.46	
	Faxes (Incoming)	R0.59	
2	<b>TRANSPORT</b>		
3			
2	<b>LABOUR (Skilled/Semi Silled)</b>		
4			
2	<b>OUTSIDE DISBURSEMENTS</b>		
5			
2	<b>BULK SERVICES CONTRIBUTION LEVY</b>		
	For any rezoning, subdivision and departure application approvals, as calculated		
2	Additional Vehicle Trips /day @	R1243.41	Rand/trip/day
6	Additional Stormwater /HA*Runoff Factor @	R75392.63	Rand/HA* C
	Additional kl Sewerage /day @		
	Additional kl Water /day @		
	Additional Waste collection services /week @		
<b>COMMUNITY SERVICES</b>			
2	<b>REFUSE TARIFFS</b>	2015/20	2015/201

7				16	6
				CHARGE	ADDITIONAL
			REMOVALS PER WEEK	PER BIN	BINS
		DESCRIPTION			
		DOMESTIC	1	94.68	94.68
		BUSINESS/OTHER	2	147.53	110.7
		BUSINESS/OTHER	3	221.35	166.05
		BUSINESS/OTHER	4	295.15	213.6
		BUSINESS/OTHER	5	368.93	276.55
		BUSINESS/OTHER	6	442.65	289.97
		BUSINESS/OTHER	6	0	0
		INDIGENTS	1	94.68	94.68
		OLD AGE HOMES	1	260.39	175.2
		BULK CONTAINER - SMALL		372.32	175.68
	BULK CONTAINER - LARGE		457.78	259.8	
	4.5M CONTAINERS		705.74	378.37	
	18M CONTAINERS		282.89	143.08	
	770 LITRE CONTAINER				
2	REFUSE DISPOSAL SITE				
8	Tip Site Ticket (Per Load)				
	SALE OF PLANTS				
2 9	Seedlings		R 0.80		
	Shrubs		R30-00		
	Trees (In containers)		R50-00		
	Trees (ex open grounds)		R40-00		
	Hire of Large plants		R30-00		
	Hire of Small plants		R20-00		
	Potting soil bag (small)		R15-00		
	Potting soil bag (large)		R80-00		
	Potplants 7.5cm		R30-00		
	Potplants 10cm		R35-00		
	Potplants 12.5cm		R40-00		
	Potplants 15cm		R45-00		
	Potplants 20cm		R60-00		
	3	SEWAGE REMOVAL FEES			
0	Sewage Pump				
	Tractor				
	Sewer Tractor				

	Driver Staff (1)		
	<b>SWIMMING POOL FEES : VAT Inclusive</b>		
3	Entrance fee (Adults)		R10-00
1	Entrance fee (Children)		R5-00
	Season Tickets		R150-00
	<b>BERRY &amp; BONKOLO DAM USAGE FEES : VAT Inclusive</b>		
3	Entrance fees : per vehicle with 5 people		R40-00
2	Entrance fees : additional per person		R8-00
	Season Tickets		R200-00
	<b>GAME RESERVE ENTRANCE FEES : VAT Inclusive</b>		
3	Entrance fees : per vehicle with 5 people		R45-00
3	Entrance fees : additional per person		R9-00
	Season Tickets		R150-00
	<b>GAME RESERVE LAPA HIRE FEES</b>		
	Hire of Lapa		R400-00
	Deposit of Lapa (refundable under conditions)		R350-00
	Overtime		
3	Hire of Sunnyside during office hours		R450-00
4	Guided Vehicle Tour		R150-00
	Caravan or Tent		R150-00
	Electricity		R70-00
	Only educational tours are free of charge.		

**CEMETERY CHARGES EXCLUDING VAT**

35

Adult Plot

R185-00

	Casket Plot	R225-00
	Baby Plot	R130-00
	Digging of Baby Plot	R160-00
	Digging of Adult Grave	R280-00
	Digging of Casket Grave	R330-00
	Closing of Grave	R170-00
	Closing of Baby Grave	R125-00
	<b>CEMETRIES - NEW</b>	
	<b>BERM SECTION</b>	
36	Adult Plot	R255-00
	Digging of Adult Grave	R290-00
	Digging of Casket Grave	R360-00
	Closing of Grave	R230-00
	Exhumation of Body	R1500-00
	Funerals on Saturday additional	
	Funerals on Sunday and Public Holidays	
	<b>CEMETERY - MONUMENTAL SECTION</b>	
	Digging of Adult Grave	R500-00
	Single Plot	R450-00
	Double Plot	R900-00
	Digging of Casket Grave	Extra R250
	Extra Deep Grave	extra R240-00
	Outsize Casket Grave	extra R300-00
	Funerals on Saturday additional	
	Funerals on Sunday and Public Holidays	
37	Closing of Grave	R250-00
	Wall of Remembrance	R300-00
	Ash Grave	R150-00
	Burial of Ashes in existing grave	R140-00
	Erection of monuments : Single Grave	R200-00
	Erection of monuments : Double Grave	R400-00
	Outsize Baby Grave	
	Closing of Baby Grave	
	<b>CEMETERY - BABY SECTION</b>	
	Digging of Baby Grave	R235-00
	Outsize Baby Grave	extra
38	Closing of Baby Grave	R130-00
	Baby Plot	R200-00
	<b>EXHUMATION OF BODY</b>	
39	Exhumation	R1500-00

**LIBRARY FEES**


40	<b>LIBRARIES FINES : VAT Inclusive</b>		<b>2015/2016</b>
	1. Books, CD's, Art prints		R 1.50
	2. Lost member pocket		R 2.50
	3 Lost member card (SLIMS)		R 10.00
	4. Visitors		R 25.00
	5. Internet/30min (Municipal Internet)		R 20.00
	7. Photocopies & Printing		
	A4 Black		R 1.00
	A3 Black		R 2.00
	A4 Colour		R 6.00
	A3 Colour		R 12.00
	8. Membership fees		R 50.00
41	<b>LIBRARY HALL HIRE FEES</b>		
	Hall hire during office hours		R 50.00
	After hours (plus caretakers overtime)		R 60.00
	Cups & Saucers per 50 persons or part thereof		R 40.00
	Plates		R 35.00
	Cleaning		R 125.00
	Admin Costs		R 0.10
	Use of Kitchen		R 100.00
	Urn		R 40.00
Stove		R 60.00	
<b>POUND FEES</b>			
42	<b>RATE OF COMPENSATION</b>		
		R7-00	
		R16-00	
	Use of commonage for initiation school		R350-00
Deposit of initiation site		R50-00	
Price of Lucern		Actual	
43	<b>TRESPASSING FEE</b>		
	Horses, cattle, and pigs per head		R75-00
	Goats & Sheep per head		R55-00
44	<b>POUND FEES</b>		



	Horses, cattle, and pigs per head	R85-00
	Goats & Sheep per head	R55-00
45	<b>SUSTENANCE FEES</b>	
	Horses, cattle, and pigs per head	R90-00
	Goats & Sheep per head	R55-00
46	<b>OTHER CHARGES</b>	
	Dipping Fees - (Cattle)	R60-00
	Dosing Fees - (Goats, Sheep per Head)	R50-00
47	<b>CALL OUTS</b>	
	(To be paid by owner of animals)	R395-00
48	<b>CLINICS</b>	
	Patient Health Books - VAT Inclusive	
49	Actual Hire (per hall)	R90-00
	Kitchen	R60-00
	Stove	R350-00
	Complete sound system	R90-00
	Urn	
	Administration fee	10% of invoice
	Cleaning Fees (Per Day)	R75-00
		R90-00
	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	R1000-00
	R4000-00	
	Dances / Discos	R4000-00
	Competitions / Contests of any nature	R4000-00
	Parties	R2500-00
	Graduation Ceremonies	R2500-00
	Weddings	R3000-00
	Use of floodlights at the stadiums	R40-00 per hour
	Use of Athletic track	R350-00 per day
	Use of Rugby Soccer Fields	R90-00 per session
	Other forms of entertainment	R2000-00
50	Business License Application fee Private Kitchen Application fee Keeping of animal Application fee Condemnations fee	
<b>FIRE BRIGADE FEES</b>		
51	<b>TURNOUT</b> Machines Each service vehicle used Veld fire units Hazchem trailer	
52	<b>TRAVELLING : KILOMETERS</b> Machines Veld fire units Each service vehicle	
53	<b>OPERATING</b> Operating of pump and equipment F4 Veld fire units	
54	<b>STANDBY</b> All vehicles per hour Service vehicles Fire extinguishers and foam	
55	Sprinkler system	

56	Hose (All diameters) Pressure testing per length Vulcanising per patch Big Suction Big Suction (all diameters) Wire bending each type Big Suction Truing couplings (all diameters) Hose per pair Suction per pair
57	<b>FIRE PERSONNEL FEES</b> <input type="checkbox"/> Chief Fire Officer Each Officer Each Fireman
58	<b>FIRE STANDBY FEES</b> Chief Fire Officer Each Officer Each Fireman
59	<b>FIRE CASUAL FEES</b> Fire Fighting <input type="checkbox"/>
60	<b>BREATHING OF APPARATUS</b> Compressed air type
61	<b>FIRE - OTHER CHARGES</b> Recharging cylinders <input type="checkbox"/>  Smoke extrator - Whilst in operation  Portable foam apparatus Generator or branch per hour  Medium expansion generator



	Portable tank Chemicals  Water  Large bore hose Small bore hose Floating pumps Event compliance  Fitness certificates Bulk depot Dry cleaning Spray rooms
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<b>TRAFFIC FEES</b>
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62	Search fees Lost ticket Licensing Section
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63	Serving of Summonses Non-personal serving Personal serving
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64	Impounding of vehicles Pound fees to:
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65	Sport and Races (a) Issuing of permit  (c) Tariff per km per vehicle    
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66	Funerals Per funeral (weekdays) Per funeral (weekends)
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	Events (Fun Runs, Marathons)	
67	Parking meter fees DPS	
	Accidental Report OAR	
<b>FINANCIAL SERVICES</b>		
68	VOTERS ROLL Per copy per ward	
69	INFORMATION TO THE PUBLIC [REDACTED]	
70	[REDACTED] A4 Size per page (Black & White) A3 Size per page (Black & White) Duplicated statements per statements	
71	FACSIMILE TRANSMISSION International per A4 page National per A4 page Local per A4 page	
72	[REDACTED] Interest will be levied in terms of the standard rates.	
1	ALLOCATION TO SPCA Allocation to SPCA R48000 - R150000	
73	<b>PROPERTY RATES</b>  Residential Businesses, Commercial, Industrial Educational Public Service Infrastructure Vacant Land  R94.20	
74	CATEGORIES OF REBATES GRANTED	

	<p>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</p>	
75	<p><b>REFUSE BAGS</b></p>	
<p><b>HUMAN SETTLEMENT &amp; LAND AFFAIRS</b></p>		
	<p><b>CIVIC CENTER RENTALS</b></p>	
76	<p>CIVIC CENTRE : QUEENSTOWN  CIVIC CENTRE : ASHLEY WYNGAARDT  CIVIC CENTRE : MLUNGISI  CIVIC CENTRE : EZIBELENI  CIVIC CENTRE : SKWEIYA  CIVIC CENTRE : SADA &amp; EKUPHUMLENI  CIVIC CENTRE : KAMASTONE, MCEULA,  LESSYTON  CIVIC CENTRE : ILINGE &amp; TAMBO VILLAGE</p>	
77	<p><b>DEPOSITS</b></p> <p>Political Parties  Funtions where entrance fees are charged  Dances / Discos  Competitions / Contests of any nature  Parties  Graduation Ceremonies  Weddings  Other forms of entertainment</p>	
	<p><b>OTHER FACILITIY RENTALS</b></p>	

78	<p>Side Hall (Queenstown, Ezibeleni, Skweyiya, Sada &amp; Ekuphumleni)  Kitchen - Queenstown  Kitchen (Ezibeleni, Skweyiya, Ekuphumleni Ashley Wyngaardt)  Administration fee  Samro (Civic Centres of Queenstown, Ashley Wyngaardt &amp; Skweyiya)  Sound system  Urn  Stove  Bainmarie  Crockery Deposit ( Additional to rental of crockery)  Cups &amp; Saucers  Milk Jugs  Sugar Bowls  Serving Dishes  Plates  Side Plates  Pudding Bowls  Knives, Forks &amp; Spoons  Tea Pots  Piano  Grand Piano  Table Cloth Large  Table Cloth Medium  Table Cloth Small  Fridge Sidehall  Warming Tray  Cleaning levy per function  Monday to Friday 15H00  Friday 15H01 to Sunday, incl. Public Holidays</p>	
<p>Nominal Rate of R10-00 per hour</p>		
<p>LAND USE MATTERS</p>		
79	<p>Administration Costs  Rezoning fee  Advertisement Costs  Bed and Breakfast Applications  House Business</p>	

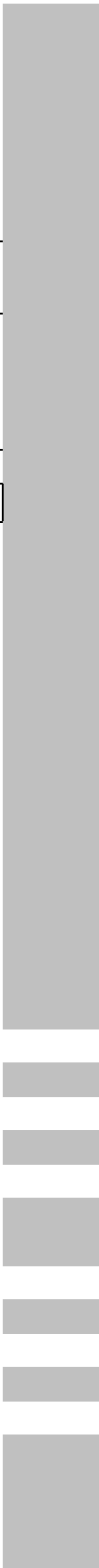
	Land Use Penalty Subdivision Lease of Containers Encroachment Infrastructure impact cost
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<table border="1"> <tr> <td>ADMINISTRATIVE MATTERS</td> </tr> </table>		ADMINISTRATIVE MATTERS
ADMINISTRATIVE MATTERS		

80	Copy of Title Deed Deed searches per individual search Photocopies A4 Size per page (Black & White)
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<table border="1"> <tr> <td>MUNICIPAL BUILDINGS : RENTALS</td> </tr> </table>		MUNICIPAL BUILDINGS : RENTALS
MUNICIPAL BUILDINGS : RENTALS		

81	Business Tariff: Queenstown Ilinge Van Other Villages Whittlesea Ezibeleni & Mlungisi Residential Tariff : Queenstown Ilinge Van Other Villages Whittlesea Ezibeleni & Mlungisi [Redacted] Whittlesea CBD [Redacted] Ezibeleni & Mlungisi [Redacted] Residential Tariff : Queenstown & VAN [Redacted] Whittlesea [Redacted] Ezibeleni & Mlungisi [Redacted] Municipal Flats & Houses: Uitsig Flats Fairview Flats Municipal Houses @ 82 PA Street
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Municipal Houses @ 1 Horwood  
Square  
Municipal Houses @ 1 New Street

82

**ACCESS TO INFORMATION**  
Request fee

83

**FEES FOR REPRODUCTION :**  
A4 Size per page (Black & White)  
Computer readable form - Stiffy disc  
Computer readable form - Compact  
disc  
Transcription of visual images, A4 or part thereof  
Copy of visual images  
Transcription of an audio record, A4 or part thereof  
Copy of audio record  
Advertising



**Lukhanji Municipality  
BUDGET  
APPENDIX B  
NEW AND REVISED POLICIES**

**2015/16 – 2017/18**

## **FINAL REVIEWED BUDGET POLICY**

LUKHANJI MUNICIPALITY  
BUDGET AND TREASURY DIRECTORATE



FINAL REVIEWED BUDGET POLICY

*Prepared by Chief Financial Officer*  
*045 807 2001/2*  
*nntshanga@lukhanji.gov.za*

**"Accounting Officer"-**

- (a) means the Municipal Manager;

**"Allocation", means-**

- (a) a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution  
(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution  
(c) an allocation of money to a municipality in terms of a provincial budget; or  
(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

**"Annual Division of Revenue Act"** means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

**"Approved budget,"** means an annual budget-

- (a) approved by a municipal council, or  
(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

**"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;

**"Budget-related Policy"** means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;  
(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or  
(c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

**"Budget Transfer"** means transfer of funding within a function / vote.

**"Budget Year"** means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

**"Chief Financial Officer"** means a person designated in terms of section 80(2) (a) of the MFMA;

**"Councillor"** means a member of a municipal council;

**"Creditor",** means a person to whom money is owed by the municipality;

**"Current year"** means the financial year, which has already commenced, but not yet ended;

**"Delegation",** in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

**"Financial recovery plan"** means a plan prepared in terms of section 141 of the MFMA

**"Financial statements",** means statements consisting of at least-

- (a) a statement of financial position;

- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"*Financial year*" means a twelve months period commencing on 1 July and ending on 30 June each year

"*Financing agreement*" includes any loan agreement, lease, and installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"*Fruitless and wasteful expenditure*" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"*Irregular expenditure*", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"*investment*", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"*Lender*", means a person who provides debt finance to a municipality;

"*Local community*" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"*Municipal Structures Act*" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

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

"*Long-term debt*" means debt repayable over a period exceeding one year;

"*Mayor*" means the councillor elected as the mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"*Municipal council*" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"*Municipal debt instrument*" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialized or electronic evidence of indebtedness intended to be used in trade;

"*Municipal entity*" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"*Municipality*"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"*Accounting Officer*" means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act;

"*Municipal service*" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"*Municipal tariff*" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"*Municipal tax*" means property rates or other taxes, levies or duties that a municipality may impose;

"*National Treasury*" means the National Treasury established by section 5 of the Public Finance Management Act;

"*Official*", means-

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"*Overspending*"-

- (a) 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 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"*Past financial year*" means the financial year preceding the current year;

"*Quarter*" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"*Service delivery and budget implementation plan*" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of-
  - (i) revenue to be collected, by source; and
  - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(1) (c) of the MFMA;

"*Short-term debt*" means debt repayable over a period not exceeding one year;

"*Standards of generally recognised accounting practice*," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"*Virement*" means transfer of funds between functions / votes

"*Vote*" means-

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

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

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

"*virement*" means transfer of funds between functions/vote

"vote" means ;

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



## 1. INTRODUCTION

The purpose of this policy is to ensure that policy is in line with the provisions of the Constitution S160(6) and the Municipal Systems Act S11(3)(h), a sound and sustainable management of the budget compilation and approval process.

The Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

## 2. OBJECTIVE

The objective of the budget policy is to set out:

- a) The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other Directors in compiling the budget
- c) To establish and maintain procedures to ensure adherence to Lukhanji's IDP review and budget processes

## 3. BUDGET PRINCIPLES

- a) The budget will be funded from realistically anticipated revenues to be collected, cash backed accumulated funds not committed for other purposes and borrowed funds.
- b) Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- c) Incremental based budgeting shall be used, except in cases of new programmes where zero based budget shall apply .
- d) A three-year budget (medium term revenue and expenditure framework (MTREF)) shall be prepared, reviewed annually and approved by Council.

- e) The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.
- f) *The municipality shall not budget for a deficit.*
- g) *The maintenance budget shall be based on the submissions made by various departments but shall not be less than a particular proportion of the total value of property, plant and equipment, which shall be determined by Council from to time.*
- h) *Tariff increases shall respond to DORA allocations and population growth in the Lukhanji area of jurisdiction.*

#### 4. BUDGET PREPARATION PROCESS

##### 5.1 Formulation of the budget

The Accounting Officer with the assistance of the Director responsible for IDP and Chief Financial Officer shall draft the IDP and Budget process plan timetable for the municipality for the ensuing financial year.

- (b) The executive mayor shall table the IDP and Budget process plan to Council by 31 August each year for approval (10 months before the start of the next budget year).
- (c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- (d) The Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- (g) The Chief Financial Officer shall issue budget instructions in September to all Head of Departments based on the approved process plan.
- (h) The Chief Financial Officer and senior managers undertake the technical preparation of the budget. The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (i) The budget must reflect the realistically expected revenues by major source for the budget year concerned
- (j) The expenses reflected in the budget must be divided into line items.

- (k) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

## 5.2 Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organizations, to make representation at the council hearings and to submit comments in response to the draft budget.

## 5.3 Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval may not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and performance measures be adopted.
- (c) The annual budget must be approved before the start of the budget year. Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance **in the Province** that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
  - i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
  - ii. Draft resolutions;
  - iii. Measurable performance objectives for each budget vote, taking into account the municipality's IDP;
  - iv. The projected cash flows for the financial year by revenue sources and expenditure votes;
  - v. any proposed amendments to the IDP;
  - vi. Any proposed amendments to the budget-related policies;
  - vii. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councilors, the accounting officer, the chief financial officer, and other senior managers;
  - viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organizations such as Non-governmental Organizations, welfare institutions and so on;
  - ix. particulars of the municipality's investments; and
  - x. Resolutions be crafted in line with National Treasury Budget guidelines

#### 5.4 Publication of the budget

- (a) Within time frames stipulated to circular 75 immediately after the draft annual budget has been tabled, the budget and other budget-related documentation must advertise for comments in a local newspaper, posted onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury .
- (b) The Chief Financial Officer must within 10 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as advertise to local newspaper and post it on the municipal website.

#### 5. CAPITAL BUDGET

- (a) *Expenditure shall be included in the capital budget if it meets the asset definition as defined in GRAP 17.* The threshold value will also be used to determine which items need to be capitalized and included in the fixed asset register. The threshold value will be reviewed on an annual basis.
- (b) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (c) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the Council must consider:

- i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
  - ii. Future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
  - iii. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
  - iv. depreciation of fixed assets,
  - v. maintenance of fixed assets, and
  - vi. any other ordinary operational expenses associated with any item on such capital budget.
- (f) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

- (g) The capital expenditure shall be funded from the following sources:
- a. **Revenue or Surplus**
    - (a) If any project is to be financed from revenue this financing must be included in the
    - (b) Operation budget to raise sufficient cash for the expenditure.
    - (c) If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.
  - b. **External loans**
    - (a) External loans can be raised only if it is linked to the financing of an asset;
    - (b) A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
    - (c) The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure
  - (d) Interest payable on external loans shall be included as a cost in the revenue budget;
  - (e) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
  - c. **Grant Funding**
    - (a) Non capital expenditure funded from grants
      - o must be budgeted for as part of the revenue budget;
      - o Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
      - o Capital expenditure must be budgeted for in the capital budget;
    - Interest earned on investments of Conditional Grant Funding shall be capitalized if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts.
    - Grant funding does not need to be cash backed but cash should be secured before spending can take place.

## 2. OPERATING BUDGET

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
  - i. provision for accrued leave entitlements equal to 100% of the accrued leave

- ii. Provision for bad debts in accordance with its rates and tariffs policies
  - iii. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
  - vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- (b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
  - (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
  - (d) The operating budget shall reflect the impact of the capital component on:
    - depreciation charges
    - repairs and maintenance expenses
  - (c) interest payable on external borrowings
  - (d) Other operating expenses.
  - (e) The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

### **3. FUNDING OF OPERATING BUDGET**

- (a) The budget may be financed only from:
  - i. realistically expected revenues, based on current and previous collection levels;
  - ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
  - iii. *Allocations from other spheres of government.*

### **4. UNSPENT FUNDS / ROLL OVER OF BUDGET**

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year

- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds in line with guidelines set in circular 74 and 75 of National Treasury
- (d) Adjustments to the rolled over budget shall be done during the 2<sup>nd</sup> budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.

(f) No funding for projects funded from the own funds shall be rolled over to the next budget year except in cases where a commitment has been made before the end of the financial year.

(g) No unspent operating budget shall be rolled over to the next budget year except for vacant funded position which shall remain in the personnel budget until the position is filled

## 5. DELEGATION OF BUDGET ADJUSTMENT POWERS AND DUTIES

10.1 The council hereby delegates such additional powers and duties to the *accounting officer* so as to enable the *accounting officer* –

- a) to discharge the financial management responsibilities conferred on him in terms of –
  - i. chapter 8 of the *MFMA*; and
  - ii. ensuring an effective control system for this Budget Adjustment policy;
- b) to maximise administrative and operational efficiency in the implementation of the Budget policy;
- c) Sections 79 and 106 of the *MFMA* apply to the sub-delegation of powers and duties delegated to an *accounting officer* in terms of paragraph 3.1 of this policy.
- d) There can be no budget adjustment between capital and operating budgets, at any level, unless approved in advance by the council.
- e) *Budget adjustments* from an employee budget (salary or benefit related) to a non-employee budget, and vice versa, is not permitted without the specific prior approval of the Accounting Officer.
- f) The council or *accounting officer* may not delegate or sub-delegate any virement powers or duties to a person who is not an official of the municipality.

## 6. SUB-DELEGATIONS

- a. The council hereby delegates authority to the *accounting officer* to approve budget adjustments within and between *sub-votes* up to a cumulative value for the financial year of R1 million or 25% of the total *sub-vote* (whichever is the lesser amount). Above this level requires council approval.
- b. The *accounting officer* may in terms of section 79 or 106 of the *MFMA* sub-delegate any budget adjustment responsibilities, including those delegated to the *accounting officer* in terms of this policy, but any such sub-delegation must be consistent with other provisions within this policy.
- c. The power to approve a budget adjustment –
  - i. between *votes* may not be sub-delegated except as outlined in paragraph 5.1;



- ii. between different departments or within the same department, and within the same vote, may be sub-delegated by the *accounting officer*, but only to the *CFO* and only in line with this policy.;

#### 7. BUDGET ADJUSTMENT PROCESS

- a. Budget adjustments between *votes* must be approved by the council in advance of their implementation, except in the case of an emergency as determined by the *accounting officer* including, but not limited to, –
  - i. unforeseen and unavoidable expenditure for which no provision was made in the budget and in line with the adopted policy; and
  - ii. Expenditure in relation to cases of emergency as described in the municipality's supply chain management policy; in which case the *accounting officer* must agree the budget adjustment with the mayor and report it to the next council meeting as per policy.
- b. All budget adjustments must be reported to council as required in terms of sections 71 and 72 of the *MFMA* and, if required, as part of the adjustments budget in accordance with section 28 of the *MFMA*.
- c. All budget adjustments must be reported to, and recorded by, the *CFO*. *Senior managers* must provide the *CFO* with relevant and timely information in accordance with the prescribed format as determined by the *CFO*.
- d. APPENDIX TO ADJUSTMENTS PROCESS

#### Section

##### 15 Appropriation of funds for expenditure

A municipality may, except where otherwise provided in this Act, incur expenditure only –

- a. In terms of the approved budget; and
- b. Within the limits of the amounts appropriated for the different votes in the approved budget.

##### 28 Municipal adjustments budget

(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustments budget -

- c. must adjust the revenue and expenditure estimates downwards if there is material

- under-collection of revenue during the current year;
- d. may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
  - e. may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
  - f. may authorise the utilisation of projected savings in one vote towards spending under another vote;
  - g. may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
  - h. may correct any errors in the annual budget; and
  - i. may provide for any other expenditure within a prescribed framework.
- (3) An adjustments budget must be in a prescribed form.
- (4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency. adjustments budget must be in a prescribed form.
- (5) When an adjustments budget is tabled, it must be accompanied by-
- a. an explanation how the adjustments budget affects the annual budget;
  - b. a motivation of any material changes to the annual budget;
  - c. an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - d. any other supporting documentation that may be prescribed.
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

**69 Budget implementation**

(1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure –

- a. that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and
- b. that revenue and expenditure are properly monitored.

(2) When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.

(3) The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor-

- a. a draft service delivery and budget implementation plan for the budget year; and
- b. drafts of the annual performance agreements as required in terms of section 57(1) (b) of the Municipal Systems Act for the municipal manager and all senior managers

**71 Monthly budget statements**

(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 –

- a. actual revenue, per revenue source;
- b. actual borrowings;
- c. actual expenditure, per vote;
- d. actual capital expenditure, per vote;
- e. the amount of any allocations received;
- f. actual expenditure on those allocations, excluding expenditure on –
  - i. any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
  - ii. any material variances from the service delivery and budget implementation plan; and
  - iii. any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

(2) The statement must include-

- a. a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and
- b. the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).

(3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved budget.

(4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.

(5) The accounting officer of a municipality which has received an allocation referred to in subsection (1) (e) during any particular month must, by no later than 10 working days after the end of that month, submit that part of the statement reflecting the particulars referred to in subsection (1) (e) and (f) to the national or provincial organ of state or municipality which transferred the allocation.

(6) The provincial treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.

(7) The provincial treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.

## **72 Mid-year budget and performance assessment**

(1) The accounting officer of a municipality must by 25 January of each year-

- a. assess the performance of the municipality during the first half of the financial year, taking into account-
  - i. the monthly statements referred to in section 71 for the first half of the financial year;
  - ii. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - iii. the past year's annual report, and progress on resolving problems identified in the annual

report; and

iv. the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and

b. submit a report on such assessment to-

i. the mayor of the municipality;

ii. the National Treasury; and

iii. the relevant provincial treasury.

(3) The accounting officer must, as part of the review-

a. make recommendations as to whether an adjustments budget is necessary; and

b. recommend revised projections for revenue and expenditure to the extent that this may be necessary.

## 8. BUDGET IMPLEMENTATION

### Monitoring

(a) The Accounting Officer with the assistance of the Chief Financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

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

(b) The Accounting Officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

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

**12. FINAL ADOPTION**

Council is the formulator of, and decision maker where, policies are concerned. The final approval of this policy rests with the Lukhanji Council on recommendation of the Executive Mayor.

**13. IMPLEMENTATION AND REVIEW OF THIS POLICY**

- a) This policy shall be implemented once approved by Council. All future budget preparation must be made in accordance with this policy.
- b) In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

**14. AUTHENTICATION**

The policy was adopted by council on the \_\_\_\_\_ and be reviewed for adoption on the \_\_\_\_\_

as per resolution number \_\_\_\_\_.

Sign-off

# LUKHANJI MUNICIPALITY

## BUDGET AND TREASURY DIRECTORATE



## FINAL REVIEWED WRITE OFF POLICY

*Reviewed Policy by Chief Financial Officer*

*045 807 2001/2*

*[nntshanga@lukhanji.gov.za](mailto:nntshanga@lukhanji.gov.za)*

*Adopted 28 May 2015*

## 1 INTRODUCTION

- 1.1 To ensure that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services, the Council of LUKHANJI Municipality approved a revised Indigent Policy and Bylaw.
- 1.2 However, the Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services. The Council approved a revised Credit Control and Debt Collection Policy and Bylaw.
- 1.3 Despite strict enforcement of the above policies and Bylaws, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the approved Credit Control Policy, inter alia, stipulated that:-
  - 1.3.1 The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.
- 1.4 In addition, the policy further stipulates that:-
  - 1.4.1 Council must appoint use Finance Standing Committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.

## 2 PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

## 3 RESPONSIBILITY / ACCOUNTABILITY

- 3.1 The Council has the overall responsibility for adopting and approving the Policy on Writing Off of irrecoverable debt.

## 4 POLICY PRINCIPLES

- 4.1 The following are the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:-
  - 4.1.1 The policy has been compiled in accordance with the Local Government Municipal Finance Management Act (MFMA), 2003, Local Government Municipal Systems Act (MSA), 2000, as amended and other related legislation.
  - 4.1.2 Before any debt is written off it must be proved that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as debt where:-
    - 1. The tracing of the debtors is unsuccessful; and
    - 2. All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt.



- 4.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are remote, a write off should be considered.
- 4.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.
- 4.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.
- 4.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves.

## 5 CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITING OFF OF IRRECOVERABLE DEBT

### 5.1 Approved Indigent Household Consumers in terms of the Municipality's Indigent Policy

- 5.1.1 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval is written off at the expiry of six months since registration as an indigent.
- 5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Credit Control and Debt Collection Policy and Bylaw and the Indigent Consumer Policy and Bylaw

### 5.2 Balances too small to recover considering the cost for recovery

- 5.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalisation of any final readings and other administrative costs results in a balance of one hundred rand (R100) or less, such account must be forwarded once to the consumer for payment.
- 5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days such amounts will automatically be written off subject to the provisions of paragraph 6.4 below.

### 5.3 Insolvency of the Debtor and Insolvent Deceased Estates

- 5.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off subject to the provisions of paragraphs 6.4, 6.5 and 6.6 below.
- 5.3.2 In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off subject to the provisions of paragraphs 6.4, 6.5 and 6.6 below.

#### 5.4 Untraceable Debtors

5.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

5.4.2 Any amount owed by a debtor that has become untraceable must, after notification, be written off or sold to a debt collection agency at a discount.

5.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

#### 5.6 Special Incentives introduced to the arrear debt as at 30 June 2010 by Council for Household Consumers in terms of the Credit Control and Debt Collection Policy

5.6.1 Notwithstanding the Municipality's Credit Control Policy the council may determine an incentive scheme to encourage the payment of the current account by giving various discounts or rebates on arrear amounts(30 June 2010). Such discounts and rebates will be determined by the council when such a scheme is implemented. The debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

- The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
- The current monthly amount must be paid in full; and
- The written agreement has to be signed on behalf of the Municipality by a duly authorised officer(CFO).

5.6.2 In order to determine monthly instalments, a comprehensive statement of assets and liabilities and income and expenditure, must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (i.e. amount not to exceed 25% of gross income), taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

5.6.3 Due to ineffective implementation of credit control measures in the past, the majority of household consumers have accumulated significant arrear amounts and these consumers are not in a position to pay off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the Municipality has resolved to implement special incentives to address the arrear debt dating back to June 2010.

5.6.4 To encourage consumers to pay off arrear debt Council will enter into a once-off arrangement, with a household consumer only, to pay off his/ her arrear debt over a period of time in terms of specific incentives. The main aim of this agreement will be to promote full payment of the current account and to address the arrears on a consistent basis.

5.6.5 Writing off any debt in terms of such an agreement will be strictly in accordance with the provisions set out in the Municipality's Credit Control and Debt Collection Policy.

Where a debtor pays 50% or more on the principal portion of his/her arrear account of debt 30 June 2010 or settles the principal portion of the arrear account in full through a once-off payment, all interest penalties on arrear amounts will be written off immediately. All arrears after 30 June 2010 meaning 01 July 2010 must be paid in instalments after entered into payment arrangements.

5.6.6 Where arrangements are made to pay off the principal portion of the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. Such an arrangement should be honoured for at least a six-month consecutive period where-after interest on arrear amounts will be written off on a monthly basis. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.

5.6.7 Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.

5.6.8 The arrangement referred to in paragraph 5.6.4 may be extended to other Poverty Alleviation & Job Creation Strategies that the Municipality may implement. Such strategies may include:-

- The casual/contract employment of a debtor in a particular Municipal project (i.e. refuse collection, road maintenance, verge cutting etc.).
- A 50% cash payment to the debtor and 50% payment that will be credited against the debtor's arrear account.
- The accounting treatment shall be that the project or programme will be debited (charged) full 100% as this will be the input cost of the labour (100% cost paid out as 50% cash paid to the debtor and 50% credited against the debtor's arrear account as though it were a cash payment).

5.6.9 The purpose of the above strategy/arrangement is to instil a sense of pride to the customers of the Municipality that cannot pay off their arrears, whilst extending services delivery, creating jobs and alleviating poverty and at the same time reducing the Debtors Book and enhance the financial viability and image of the Municipality.

5.6.10 any property sold after incentive is granted, 50% of the amount will be recovered from sale of the property in question

## 5.7 Registered Destitute and Indigents

A debtor who submitted building plans after the write off is granted the full amount will be recovered.

## 6. ESTABLISHMENT OF A COMMITTEE TO MONITOR ANY DEBT TO BE WRITTEN OFF

6.1 Finance Standing Committee will serve as a Committee to monitor the implementation of this Policy. And be chaired by Portfolio Head Finance.

All write off's from account balance R 1000 to R 50 000 will be considered by this committee and approved. From R 50 001 recommendation for Council approval will be done by this committee.

5.2 The Committee will consist of the following members:-

6.2.1 The Municipal Manager;

6.2.2 Chief Financial Officer;

6.2.3 Officials from the Finance Department designated by the Chief Financial Officer;

6.2.4 The above Committee will meet at least quarterly to receive and review a report from the Chief Financial Officer containing full details of any actions taken by officials with respect to this Policy and to consider any circumstances not covered by this Policy. In respect of meetings the following arrangements will prevail:-

6.3.1 The quorum for the Committee shall be 50% of the members plus one.

6.3.2 Formal minutes of Committee meetings must be prepared and submitted to Mayoral Committee and onward transmission to Council.

## 7. Details of the Debt to be written Off

Debtors Name

Debtors Address

Description of the Debt

Period of the Debt and or Debt of Invoice

Amount to be written Off

Reason for the write Off

Supporting Documentation must be retained and available that shows:

Evidence to support write off

Recovery history

Details of tracing and enquiries carried out

## 8. IMPLEMENTATION AND REVIEW OF THIS POLICY

9. This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.

10. In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## 11. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

## 12. POLICY ADOPTION

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:

Approval Date: 28 May 2015

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N Makanda  
Executive Mayor

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S Nkonki  
Acting Municipal Manager

# LUKHANJI MUNICIPALITY BUDGET AND TREASURY DIRECTORATE



## REVIEWED CASH MANAGEMENT AND INVESTMENT POLICY

Prepared By Chief Financial Officer  
057 807 2001/2  
[nntshanga@lukhanji.gov.za](mailto:nntshanga@lukhanji.gov.za)

## 1: Purpose

The purpose of this policy is to establish investment guidelines for the Lukhanji Municipality. This policy is intended to meet the requirements of the Municipal Finance Management Act (MFMA) and to be consistent with the 'Municipal Investment Regulations' issued by National Treasury.

This policy is to be adopted by the Lukhanji Council with effect from 01 July 2015.

## 2: Scope

This policy is applicable to all available cash for the Lukhanji Municipality.

All investments made by or for the Lukhanji Municipality must be made in conformance with this policy.

## 3: Objectives

The objectives of this policy are to provide guidance and direction for the investment of cash within the municipality. Specifically, priorities are established that will direct those concerned in making investment decisions. The priorities of this policy, in their order of importance, are preservation of the investments principle, diversification of investments, liquidity of investments, and lastly income from investments.

The first and foremost priority of any investment made in accordance with this policy is the preservation and safety of that investments principle amount. The preservation and safety of investments is this policy's primary aim. The municipality will not assume unreasonable investment risk to obtain current investment income.

A secondary, but related, priority contained within this policy is the need for investment diversification. Diversity of investments across institutions, types of investments, and investment maturities is to be considered to allow the municipality to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

The liquidity needs of the municipality must be given due consideration when making investment decisions for the municipality. The municipality's investment portfolio must remain sufficiently liquid to enable the municipality to meet all operating, capital, and debt service requirements that might be reasonably anticipated. The need for liquidity will be tempered to the extent that the municipality is able to utilize short-term borrowing to meet its cash flow requirements as allowed within the MFMA.

Only after the safety, diversity, and liquidity priorities of the municipal investment have been addressed will income from the investment be a decision making factor.



#### 4: Investment Maturities

To the extent possible, the municipality will attempt to match its investments to anticipated cash flow requirements. Unless matched to a specific cash flow, the municipality will not directly invest in securities with maturities greater than eighteen months. With approval of the Mayoral Committee, the municipality may invest in securities maturing in not more than three years if the investment is related to a specific cash flow or a particular capital project.

The municipality recognizes that unnecessary liquidity may adversely affect the return earned on its investment portfolio. At the same time, the municipality will maintain access to the short-term market as a liquidity buffer in order to meet unanticipated cash requirements. However, if the rate spread between short-term borrowing and portfolio yield is significant, sale of securities to meet liquidity needs is preferable.

#### 5: Standard of Care for Investments

The standard of care to be exercised when making any investment in accordance with this policy shall be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs.

No investment is to be made for speculation but only for investment purposes and no funds may be borrowed at any time to be used for investment.

All investments must be made in Rand and no investment may be in a foreign currency or in any way indexed or affected by fluctuations in the Rand.

All investments must be made in the investment types, within the limits as specified within this policy and within the minimum acceptable ratings as set forth within this policy.

Care must be taken that investments are all investments must be made in credit worthy institutions, consistent with this policy and based on the priorities set out in this policy.

Any investment of the municipality must be liquidated if it no longer has the minimum acceptable rating as specified in this policy.

#### 6: Investment Limitations

Specific investment types shall not exceed the percentages of the total investment portfolio indicated below. These specific types shall be the only allowable investments for the municipality (*see section 6 of the regulations*).

<u>Investment Type</u>	<u>Maximum % of Total Portfolio</u>
a) Securities Issued by the National Government	100%
b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency	10%
c) deposits with banks registered in terms of the Banks Act, 1990	100%
d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984	10%
e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984	10%
f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990	100%
g) guaranteed endowment policies with the intention of establishing a sinking fund	10%
h) repurchase agreements with banks registered in terms of the Banks Act, 1990	10%
i) municipal bonds issued by a municipality	10%

### Portfolio Balance

Maturing in under 90 days	25% minimum
Maturing in 91 – 180 days	50% minimum
Maturing in 181 days to 18 months	75% minimum
Maturing in under three years	100% minimum (except for decreased debt)

## 7: Competitive Selection

The Accounting Officer or his delegate shall obtain quotes before purchasing an investment. The Accounting Officer shall select the quote which provides the highest rate of return within the maturity required and within the perimeters of this policy.

## 8: Cash Management

The Accounting Officer or his delegate will maximize the municipality's investment income by monitoring cash balances. Excess cash balances will be invested.

## 9: Reporting Requirements

The Accounting Officer must within 10 working days of the end of each month submit to the mayor a report describing in accordance with generally recognized accounting practice the investment portfolio at the end of that month just ended.

The report on the portfolio will set out the beginning market value of each investment, all portfolio changes for the month being reported, the ending market value of each investment for the period, and the fully accrued interest or yield for the reporting period.

In addition the report will outline the percentage of total municipal cash that was invested and the total investment and income by maturity group (as listed in section 6).

## 10: Miscellaneous

No commission or other reward may be paid to an official or councilor of a municipality or to a spouse or close family member in respect of any investment made or referred by a municipality.

If the municipality pays any commission or other reward to an investment manager in respect to any investment it makes, both the municipality and the investment manager must declare such payment to the council of the municipality by way of a certificate disclosing full details of the payment.

This policy is to be reviewed annually by the Accounting Officer and any recommended changes to this policy are to be submitted to the council for consideration.

## 11. COMPLIANCE AND ENFORCEMENT

It will be the responsibility of the Municipal Manager to enforce compliance with this policy.

12. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

13. POLICY ADOPTION

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:

Approval Date:

Signature \_\_\_\_\_

Executive Mayor

\_\_\_\_\_

Municipal Manager

**FINAL REVIEWED ASSET MANAGEMENT  
POLICY**

# LUKHANJI MUNICIPALITY

## BUDGET AND TREASURY DIRECTORATE



## ASSET MANAGEMENT POLICY

Prepared by Chief Financial Officer  
045 807 2002/1  
nntshanga@lukhanji.gov.za

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## 1 Background

The Lukanji Local Municipality (LLM) has made a significant investment in various assets used mainly to fulfil its responsibilities for:

1. Delivery of sustainable services,
2. Social and economic development,
3. Promoting safe and healthy environments, and
4. Providing for the basic needs of the community.

As custodians on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in these assets. The purpose of this policy is to therefore ensure that the municipality's assets are acquired, safeguarded, controlled, disposed of and accounted for in accordance with the Municipal regulations, the Municipal Finance Management Act (Act no. 56 of 2003), Auditor General's requirements, applicable accounting pronouncements, such as General Recognized Accounting Practices (GRAP), and in an appropriate manner applicable to the management and control of assets.

Statutory provisions have been implemented to protect public property against arbitrary and inappropriate management or disposal by a local government. The Accounting Standards Board per instructions of the Accountant General, to ensure the appropriate financial treatment for property, plant and equipment, has adopted certain accounting standards. The requirements of these new accounting standards include:

- a) The compilation of asset registers covering all property, plant and equipment controlled by the municipality;
- b) Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment;
- c) The standards to which these financial records must be maintained.

This Asset Management Policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of property, plant and equipment. This stewardship is comprised of two components being the:

- i. Financial administration by the Chief Financial Officer; and
- ii. Physical administration by the individual Asset Controller (s)

## 2 Definitions and Terminology

Terminology	Definition
Accounting Standards Board	Was established by the Public Finance Management Act to set standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa
AMP	Asset Management Policy
AO	Accounting Officer
Acquisition cost	When a Municipality initially recognises assets such as items of property, plant and equipment, investment properties, intangible assets and heritage assets using the Standards of GRAP, it measures those assets using either cost (if the asset is acquired in an exchange transaction) or at fair value (if the asset is acquired in a non-exchange transaction). This cost or fair value on initial acquisition of an asset is the acquisition cost.
Assets	Are resources controlled by a Municipality as the result of past events and from which future economic benefits or potential service provision are expected to flow to the Municipality
Asset Categories	Are the six main asset categories defined by and GRAP 17.



Terminology	Definition
	These are:
Infrastructure assets	Are defined as any asset that is part of a network of similar assets. It is specialised in nature and does not have an alternative use. It is immovable and may be subject to constraints on disposal.
Heritage assets	Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.
Community assets	Are defined as any asset that contributes to the community's wellbeing, eg. parks, libraries and fire stations
Investment assets	Are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.
Intangible assets	Are defined as identifiable non-monetary assets without physical substance
<i>Other assets</i>	Are defined as assets utilised in normal operation, eg. plant and

Terminology	Definition
	equipment, motor vehicles and furniture and fittings
Capitalisation	Is the recognition of expenditure as an Asset or Inventory item in the Asset Register
Carrying amount	Is the amount at which an asset is included in the Statement of Financial Position after deducting any accumulated depreciation thereon
CFO	Chief Financial Officer
Cost	Is the amount of cash or cash equivalent paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction plus costs incidental to the acquisition or acquirement. Also known as historical cost/value.
Cost of acquisition	Are all the costs incurred in bringing an item of plant, property or equipment to the required condition and location for it's intended use
Deemed cost	Deemed cost is a surrogate value for the cost or fair value of an asset at its initial acquisition, and is determined by reference to the fair value of the asset at the date of adopting the Standards of GRAP measurement date).

Terminology	Definition
Deferred maintenance	Is the extent of preventative maintenance that has not been performed
Depreciation	Is the systematic allocation of the depreciable amount of an asset over its useful life
Depreciable amount	Is the cost of an asset, or the other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value
Fair value	Is the amount for which an asset could be exchanged between knowledgeable willing parties in an 'arms length' transaction
LLM	Lukanji Local Municipality
Finance Lease	<p>A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.</p> <p>An operating lease is a lease other than a finance lease.</p>
Fixed asset register	Is the controlled register recording the financial and other key details for all municipal assets recognised in accordance with this policy
GAMAP	Generally Accepted Municipal Accounting Practice

Terminology	Definition
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
Impairment	Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.
PPE - Property, plant and equipment	<p>Are tangible assets that:</p> <ul style="list-style-type: none"> <li>(a) Are held by a municipality for use in the production of goods and services, for rental to others, for administrative purposes; and</li> </ul>
Recognition	<p>The cost of an item of PPE shall be recognised as an asset only if:</p> <ul style="list-style-type: none"> <li>(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and</li> <li>(b) The cost or fair value of the item can be measured reliably</li> </ul>
Recoverable amount	Is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal
Replacement value	Is the amount which is needed in current terms to replace an asset
Residual value	Is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal

Terminology	Definition
Stewardship	Is the act of taking care of and managing property, plant or equipment on behalf of others
Useful life	Is either:
	(a) The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality, or
	(b) The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality

## Legal and Regulatory Framework

The statutory framework for this policy is:

- a) The Constitution of the Republic of South Africa, 1996
- b) Municipal Systems Act, 2000
- c) Municipal Finance Management Act, 2003.
- d) The Constitution's prime mandate for Local Government is that services are
- e) provided in a sustainable manner. (Section 152)
- f) The MSA in sections 4(2)(d) states that a municipality has the duty to -
- g) strive to ensure that municipal services are provided to the local community in
- h) a financially and environmentally sustainable manner.

Good asset management facilitates the provision of services in a financially sustainable manner.

As noted under the Scope, the MFMA (section 63) states specific duties in respect of asset management; each municipal manager must ensure that the provisions of S63 are implemented.

The accounting and reporting principles governing municipal assets are covered in more detail in standard specific guidelines and should be referred to in conjunction with the Local Government Capital Asset Management Guideline (LGCAMG). Some of the following standards were reviewed during the compilation of this policy, and they are:

- a) GRAP 17 on Property, Plant & Equipment (PPE)
- b) GRAP 16 on Investment Properties
- c) GRAP 102 on Intangible Assets
- d) GRAP 100 on Non-current Assets Held for Sale and Discontinued Operations
- e) GRAP 101 on Agricultural Activities
- f) IAS 36 on Impairment of Assets.
- g) Other relevant accounting standards are:
- h) GRAP 12 on Inventories
- i) GRAP 11 on Construction Contracts.

Together with the statutory framework and relevant accounting standards, this asset management policy covers the roles and responsibilities, asset life-cycle management processes and the accounting treatment of LLMs assets.

### **3** Introduction

An asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a Municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

An asset is thus either movable or fixed/immovable, under the control of the

Municipality, and from which the Municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

An asset held under a finance lease, shall be recognised as a Municipal asset, since the Municipality has control over the leased assets.

Legislation such as the Municipal Finance Management Act (MFMA) and the size of the Lukanji Local Municipality's (hereafter named LLM) operations highlights the critical importance of asset management.

It is therefore important to note that all assets acquired on behalf of LLM must be for the efficient, effective and economical use and aid the Municipality to attain and maintain its service delivery objectives.

The Municipality has a responsibility and an obligation to ensure that assets which require periodical maintenance are properly maintained in order to realise the intended benefit from the procured asset.

Also, assets no longer needed to deliver services, must be declared for further transfer to areas where needed or to be disposed of in the appropriate manner.

Individuals entrusted with LLM's assets have to properly utilize such assets to ensure that the intended benefit to be derived is realised.

Adequate security measures to safeguard the LLM's assets must be adhered to; and must aim to ensure that loss or theft of assets is minimized.

Assets acquisitions, movements, transfer and disposals policies and procedures must be adhered to at all times to ensure that the assets recorded in the Assets Register and funding sources are correctly identified and recorded appropriately. Disciplined asset management from the individual asset user up to top management must ensure that this is achieved.

This policy is applicable to all Customer Care Centres, Departments and all Municipal structures offices within the LLM.

The objective of this policy is to:

- a) To ensure the effective and efficient control, utilization, safeguarding and management of the LLM's property, plant and equipment are achieved.
- b) To ensure that the Functional Heads are aware of their roles and responsibilities regarding property, plant and equipment.
- c) To set out the standards of physical asset management, recording and internal controls to ensure property, plant and equipment are safeguarded against loss and/or inappropriate utilisation.
- d) To specify the processes required for acquisition, transfer and disposal of assets.

## 4 Asset Management Strategy

The goal of asset management is to achieve the required level of service in the most cost effective manner, which is achieved through management of the asset's life cycle.

To be effective, asset management in municipalities should include the following:



- a) Service level needs, identified in the IDP process, drive asset management practices and decision-making;
- b) Asset management plans that are an integral part of the municipal planning process;
- c) Asset acquisition decisions that are based upon the evaluation of alternatives, including demand management and non-asset solutions;
- d) Asset acquisition proposals that include a full business case, including costs, benefits and risks across each phase of an asset's life cycle;
- e) Defined responsibility and accountability for performance, safe custody and use.
- f) Disposal decisions based upon an analysis of disposal options, designed to achieve the best possible return for the municipality and made in accordance with the provisions of the MFMA;
- g) Sound risk-based internal controls supporting all asset management practices.
- a)

#### ***4.1 Key Strategy Principles***

Effective asset management will:

- a) maximise the service potential of existing assets by ensuring that they are appropriately used; maintained, safeguarded and that risks are mitigated;
- b) optimise the life cycle costs of owning and using these assets by seeking cost-effective options throughout an asset's life cycle;
- c) reduce the demand for new assets through optimal use of existing assets and management of demand through the use of non-asset service delivery options; and
- d) establish clear lines of accountability and responsibility for performance.

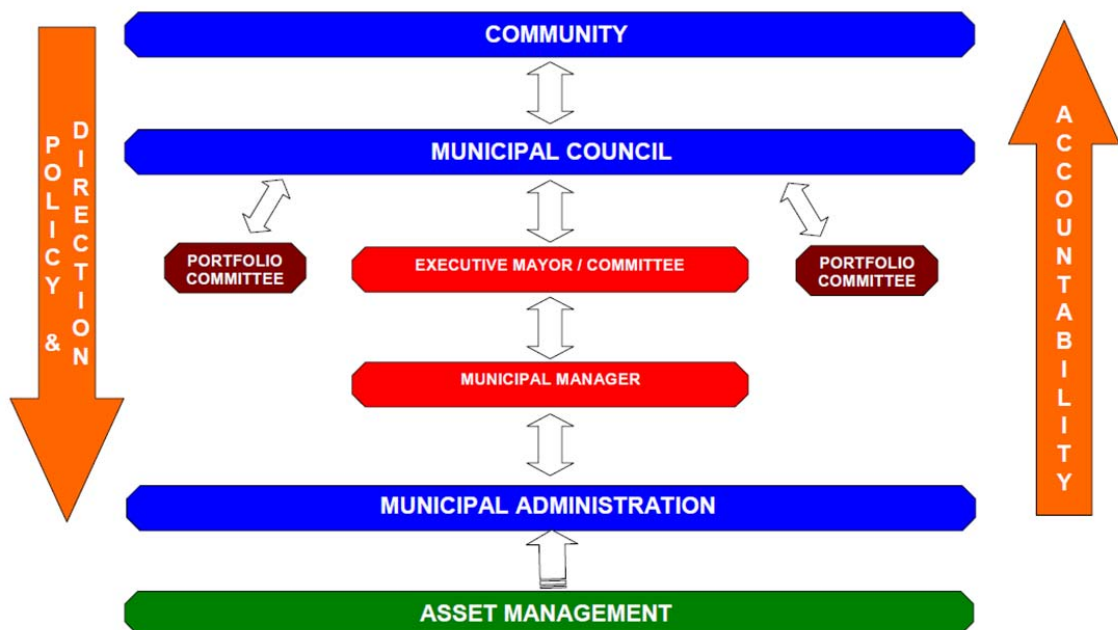
LLM is working towards adopting a fully integrated approach to asset management:

- a) taking the municipal strategy, converting that into an asset management strategy and producing plans based upon an analysis of service delivery options;

- b) formulating an asset management strategy consisting of detailed plans for acquisitions and replacements, operation and maintenance as well as disposals in terms of the municipality's policies;
- c) informing the IDP (and revised IDP) and then the annual budget, using the detailed plans;
- d) funding each approved asset management plan appropriately through the budget;
- e) including in the Service Delivery and Budget Implementation Plan (SDBIP) the measurable objectives and targets of each asset management plan;
- f) reporting on the performance of assets as measured in terms of service delivery based upon an approved SDBIP, budget and IDP.

## 5 Roles & Responsibilities

LLM has a clear and up-to-date system of delegations and accountability within the administration, and between the administration and municipal council. The council is ultimately accountable to the wider community. The municipality has clear monitoring and reporting lines between asset managers, senior managers, municipal manager, executive mayor and municipal council.



### 5.1 The Mayor must:

- Approve the temporary and/or permanent transfer of all moveable assets exceeding approved limits, as stipulated in the "Powers of Delegation" of the municipality and

- b) Approve the writing-off, disposal of obsolete or redundant assets.

## **5.2** Role of the Municipal Manager (MM)

The Municipal Manager shall ensure that the Municipality maintains an asset identification system, which shall be operated in conjunction with its computerised assets register.

The identification system shall be determined by the Municipal Manager, acting in consultation with the CFO and other Heads of Departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor General as indicated in the LLM's audit report(s), and shall be decided upon within the context of the LLM's budgetary and human resources.

Every Functional Head shall ensure that the asset identification system approved for the LLM is meticulously applied in respect of all assets controlled or used by the Department in question.

As the accounting officer of the Municipality (section 63 of the MFMA), the Municipal Manager shall be the principal custodian of all the Municipality's assets, and shall be responsible for ensuring that the asset management policy is meticulously applied and adhered to.

The Municipal Manager must ensure that:

- a) the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- b) the municipality's assets are valued in accordance with standards of generally recognised accounting practice;
- c) the municipality has and maintains a system of internal control of assets, including an asset register; and
- d) Senior managers and their teams comply with this policy and that this asset management policy is reviewed annually.

### **5.3** Role of the Chief Financial Officer (CFO)

The CFO is responsible to the municipal manager for ensuring that the financial investment in the municipality's assets is safeguarded and maintained.

The CFO must ensure that:

- a) Appropriate systems of financial management and internal control are established and carried out diligently;
- b) The financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently;
- c) Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- d) The systems, processes and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Treasury and the Auditor General;
- e) Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions;
- f) The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- g) The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- h) The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring that these activities are performed.

### **5.4** Asset Management Section (AMS)

This section consists of officials that operate at corporate level and some deployed within the finance and asset management section. The officials in this section are not accountable for physical assets dedicated to the Functional Head's or Asset Users.

Some critical duties of AMS include the following tasks:

- a) Maintain the asset register by recording all asset acquisitions purchased by LLM.
- b) Maintain asset the audit evidence for items recorded on the asset register.
- c) Perform asset verification, bi-annually.
- d) Conduct, manage and facilitate an asset disposal process annually.
- e) Facilitate and manage the transfer of LLM's assets; internally between the various units (sections) and end-users, as well as between external government bodies
- f) Facilitate and manage auctioning of LLM's assets, and/or asset donations etc.
- g) Capture and maintain accurate records and asset information on LLM's financial management system.
- h) Maintain and adhere to the internal controls enforced by the CFO and senior management
- i) Maintain and adhere to the statutes stipulated by National Treasury in terms of best practise asset management accounting

## **5.5 Heads of Departments (Functional Heads)**

Functional Heads must ensure that:

- a) The appropriate internal controls (including asset internal control processes) are established and carried out for assets in their area of responsibility.
- b) The municipal assets assigned to them are utilized effectively, efficiently, economically and transparently.
- c) Any unauthorized, irregular, fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, is prevented.
- d) The management controls that they implement and enforce can provide an accurate, reliable and up-to date account of assets under their control.

- e) They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally in order achieve the Municipality's strategic objectives.
- f) They nominate officials to support the Asset Management Unit to perform physical verification, stocktaking of all assets bi-Annually.

The Functional Head may nominate officials who shall safeguard the assets on their behalf, but they shall remain accountable for ensuring that these activities are performed.

Every Functional Head is, in terms of the employment contract, directly responsible for the physical safekeeping of any asset controlled or used by the Department in question.

In exercising this responsibility, every Functional Head shall adhere to all written directives issued by the Municipal Manager to the Department in question, or generally to all

Departments, regard the control of or safekeeping of the LLM's assets.

Every Functional Head shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the CFO, to the internal auditor and in cases of suspected theft or malicious damage, also to the South African Police Service.

#### **5.6 Asset Control Committee (ACC)**

The Asset Control Committee (ACC) does not form of the line structure in the asset control process. This committee is responsible only in an advisory capacity Municipal to assist the

Asset Management Section with the formulation of policy, procedures and updating of the Asset Management Policy and Procedures Manual.

The committee meets quarterly, and as and when necessary.

### **5.7 Loss Control Committee**

Functional Heads must forward details of asset/s loss/es or damage/s to the Loss

Control Committee for further investigation. The resultant Loss Control Committee comments must be included in assets items to serve in respective relevant Portfolios.

### **5.8 Asset Users**

Listed below are the responsibilities of all LLM's officials utilising or entrusted with assets:

- a) Each user is responsible for the assets under their control, allocated to/used by them in the performance of their duties.
  - b) Each user must sign an asset inventory list (movable assets list) containing the barcoded assets allocated to them. These lists must be visibly displayed for audit purposes, preferable at the back of the doors. The Asset Management Unit must keep copies of the movable assets lists.
  - c) Asset users are prohibited to move/transfer assets from the location recorded in the asset register without proper authorisation from the Asset Management Unit.
  - d) Each user must take all reasonable precautions to protect their assets against losses and/or damage.
  - e) Each user must maintain or take steps to maintain their assets for their useful life. Users must check and verify their physical assets against their assets lists regularly and ensure that changes in physical assets in their possession are updated in their assets lists.
  - f) Any damage to the asset items must be immediately reported to superiors as well as to Asset Management Unit who will advise on the appropriate steps to be taken in relevant incidents.
  - g) The assets users must avail assets under their control at any time, at the request of the LLM or the Asset Management Section or External Audit or Internal Audit Section for verification purposes.
- 
- b) In the event of such assets being missing stolen or lost, the responsible user shall accordingly report the incident to the SAPS. The reported case information will be the source document used



- to report missing/stolen/lost assets to their superiors, as well as to their responsible Asset Controllers who will take further appropriate action in the relevant incidents.
- c) Should it be found that users were not properly utilizing/maintaining/securing assets under their control/stewardship leading to asset/s damages/losses such users' Functional Head must recover the replacement costs of such assets from relevant users.
  - d) On resignation, the user must complete the Exit Clearance form have it signed by all the parties concerned (Functional Head, Asset Management Unit etc.), to ensure that all assets have been handed back to LLM, in working condition.

## 6 Asset Life-Cycle

A clear understanding of asset life-cycle costs is crucial for the development of cost-effective asset management plans and options. Knowledge of these asset life-cycle costs is also a legislative requirement

The analysis of life-cycle costs should cover the four broad phases, thus covering the entire life of the asset, including any environmental rehabilitation at the end of its life.

This analysis will be based upon estimates and include all cash flows such as operation, maintenance, administration, capital, and financing costs. The budget should have a split between capital and operational costs including depreciation.

These are typical asset life-cycle costs:

- a) Planning-phase costs. These costs include items such as concept design costs, scientific studies, environmental impact studies and feasibility studies. These costs are usually incurred when weighing up the different options, before deciding on the best option, and are excluded from the cost of an asset.
- b) Acquisition-phase costs & revenues. An example of these are; special levies, purchase price / construction costs (labour, materials, and components), detailed design costs (not feasibility analysis), transportation costs, installation and commissioning cost, use of own assets in construction (limited to depreciation over duration of use), freight, legal fees, warehousing costs, initial consumables (e.g. initial set of tyres for a vehicle) and all other costs required to bring that asset to its proper working condition and location for intended use (excluding training on use of the new asset, should this be required).
- c) Operation and maintenance-phase costs:
  - i. **Operation** - fuel or energy costs, operational labour, security costs, safety costs, training costs, performance monitoring costs, cleaning costs and consumables.
  - ii. **Maintenance** - spare parts and repair labour.
  - iii. **Administration (asset specific)** - insurance, rates and taxes, management fees, etc.
  - iv. **Rehabilitation and renewal** - upgrade costs, modification costs if this improves asset life (capital), re-training costs (current), etc.
  - v. **Asset-related receipts** – tariffs, rates and equitable share (only to the extent that it relates to this asset acquisition).
- d) Disposal-phase costs:
- e) An example of disposal costs (like auctioneer fees, etc.) would be; storage costs, environmental rehabilitation costs, decommissioning costs, demolition costs and etc.

Also, before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider:

- a) the projected cost covering all financial years until the project is operational; and
- b) the future operational costs and revenue on the project, including municipal tax and tariff implications.
- c) (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs,
- d) 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; the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

Asset Life-Cycle is the cycle of activities that an asset goes through – including planning, design, initial acquisition and/or construction, cycles of operation and maintenance and capital renewal, and finally disposal.

This policy will address the process LLM has adopted for all phases within the asset life cycle.

## ***6.1 Planning***

The identification of assets needs and financing options, where the requirement for a new/replacement asset is planned for and established, must be done at the planning stage.

### **6.1.1 Financial Planning**

Property, Plant and Equipment financial planning and decision making must be informed by the Integrated Development Plan (IDP) and strategic business initiatives in line with prevailing economic conditions and the Municipality's financial affordability.

### 6.1.2 Pre -Acquisition Planning

Before a capital project is included in the budget for approval, the Functional Head must demonstrate that they have considered:

- a) The projected cost over all the financial years including initial setup costs;
- b) The future operational costs and revenue on the project, including tax and tariff
- c) implications;
- d) The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- e) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and
- f) rehabilitation;
- g) The inclusion of this capital project in the IDP and future budgets: and
- h) Alternatives to this capital purchase.

### 6.1.3 Approval to Acquire Property Plant and Equipment

This can only be approved on a capital asset/project if:

- a) The funds for the project have been appropriated in the capital budget,
- b) The project, including the total cost, has been approved by the LLM Council,
- c) The CFO confirms that funding is available for that specific project. (Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed)

### 6.1.4 Capital Projects Funding Planning

Within the Municipality's on-going financial, legislative or administrative capacity, the

CFO will establish and maintain the funding strategies that optimise the Municipality's ability to achieve its strategic objectives as stated in the IDP.

The acquisition of assets shall not be funded over a period longer than the useful life of that asset.

### 6.1.5 Replacement Planning

- a) Property, Plant and Equipment are to be replaced when:

- i. They have reached the end of their useful or economic life (i.e. when the asset is fully depreciated); and the cost of maintaining such asset outweighs the economic benefit,
  - ii. they have been lost, stolen, damaged beyond repair; or
  - iii. they have been determined as obsolete, provided there is a continuing need for the services provided by such an asset.
- b) The future usefulness of an asset should be assessed continuously especially when the asset is fully depreciated. If it is found that there is no evidence of any continuing need, the asset should not be replaced, and if it still in good working condition; the asset could be transferred to where the need for such asset can still be identified. (AMS has a facility to publish on the intranet movable assets that are still in good condition on behalf of Departments) The selling of such assets should result as quickly as possible if there is no longer a need for such an asset.
- c) The asset will only be replaced if:
  - i. It has reached the end of its economic life,
  - ii. It was lost, stolen or non-repairable,
  - iii. It has become unserviceable,
  - iv. It is not economical to continue using the asset when a replacement would ultimately bring economic saving benefit,
  - v. It has been superseded by a later or more technologically superior model and;
  - vi. There is a continuing need for the service provided by the asset in question or economic benefit.

## ***6.2 Acquisition of property, plant and equipment***

The Property, Plant and Equipment acquisition phase take effect through outright purchase or development/construction. Such Property, Plant and Equipment acquisitions must only be funded out of capital budget votes in line with IDP and not through the operational budget.

### **6.2.1 Physical Receipting and Management**

The Functional Head or his/her nominee must:

- a) Ensure that the purchase of property, plant of equipment complies with all LLM's policies and procedures.

b) Ensure all movable assets received into their stewardship are appropriately identified and safeguarded or prevented from inappropriate usage or loss. This will include appropriate control over the physical access to these assets and regular stock takes to ensure any losses do not occur. Any known losses should be immediately reported to the CFO.

f)

#### 6.2.2 The date of acquisition

The date of acquisition of property, plant and equipment is deemed to be the time when legal title and control passes to the Municipality.

#### 6.2.3 Donations

The CFO must be informed about any donation to LLM and form "Asset 001" must be submitted to the AMS. Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the assets register if the fair value is greater than the recognition threshold. Where the value of the asset is known, such value shall be included in the register in line with recognition criteria. It shall be the responsibility of the Functional Head or his/her nominee to notify the CFO and AMU of such assets for capitalisation purposes.

The Municipal Manager or his/her delegated official shall authorize all capital assets donated through inter LLM Council donations, or public, individuals, private enterprises, Provincial or National Government, to the Municipality, prior to capitalisation.

### ***6.3 Maintenance of property, plant and equipment***

Accountability for the operation and maintenance of all assets is delegated from the municipal manager, through the senior managers, to the asset manager. The asset manager is accountable for ensuring that municipal resources assigned to him/her are utilised effectively, efficiently, economically and transparently. This would include:

- a) complying with systems of management and internal controls established by the municipality;
- b) preventing inappropriate losses;
- c) appropriately managing, safeguarding and maintaining assigned assets; and
- d) providing all asset-related information as and when required.

The asset manager will delegate custodianship of assets to specific users.

The custodians will be required to perform functions assigned to the asset manager in respect of their specific assets.

#### **6.3.1 Maintenance Plans**

Every Functional Head shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Municipal Manager for approval. The maintenance plans contemplated in these are subject to budgetary provision in terms of the normal budget process.

If so directed by the Municipal Manager, the maintenance plan shall be submitted to the LLM Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The Functional Head controlling or using the infrastructure asset in question, shall annually report to the Municipal Manager 5 of the LLM, not later than in July, of the extent to which the relevant maintenance plan has been complied with.

#### **6.3.2 Deferred Maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.

Such note shall also indicate any plans, which the authoritative body of the LLM has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the asset in question if necessary, in consultation with the Functional Head controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

### **6.3.3 General Maintenance of Assets**

Every Functional Head shall be directly responsible for ensuring that all assets are properly maintained and in a manner, which will ensure that such assets attain their useful operating lives.

## ***6.4 Disposal phase of property plant and equipment***

The MFMA (section 14 & 90) and the Municipal Supply Chain Management Regulations have specific requirements regarding the disposal of assets. Specifically:

- a) LLM will permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- b) Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Where assets have been identified as under-performing, or no longer functionally suited for basic service-delivery needs, consideration should be given to the possible alternatives to disposal.

A factor to consider is whether utilisation can be increased (for example by adapting the asset to another function or using it in another programme).

The cost benefit of such alternatives should be included in the disposal strategy.

Reasonable grounds for determining that a capital asset is not required for the provision of the minimum level of basic municipal services may include:



- a) The asset was acquired specifically for resale or distribution, e.g. investment property or stands held for distribution
- b) The asset is impaired (in respect of which the asset custodian can provide evidence).
- c) The municipality no longer performs the function for which the asset was purchased, e.g. the case of a clinic where the province has taken over that healthcare function.
- d) It is an immovable asset no longer located close to where the service is required, e.g. a taxi rank on a disused road.
- e) The asset has been replaced.
- f) The asset no longer performs the required level of service.
- g)

Processes should be in place to ensure that:

- a) under-utilised and under-performing assets are identified as part of a regular,
- b) systematic review process;
- c) the reasons for under-utilisation or poor performance are critically examined, and corrective action taken to remedy the situation or a decision to dispose of
- d) the asset is made;
- e) the analysis of disposal methods takes into consideration the potential market or other intrinsic values; the location and volume of assets to be disposed of; the ability to support other government programmes; and environmental implications;
- f) regular evaluation of disposal performance is undertaken.

To ensure that a disposal is fair, equitable, transparent and competitive, the

Following should happen:

- a) The supply chain management policy should state the mechanism for determining the market value for different types of assets.
- b) The process should be open to the public and public scrutiny.
- c) Consideration should be given to the fair market value of the asset, and to the economic and community value to be received in exchange for the asset.

- d) Reasonable efforts should be made to ensure that an appropriately competitive process for disposal is adopted.

Council or the municipal manager (where delegated) will need to know what the expected market price is in order to demonstrate that it has considered the market value of that asset.

In compliance with the principles and prescriptions of the MFMA, the transfer of ownership of any asset shall be fair, equitable, transparent, competitive and consistent with the Municipality's supply chain management policy.

Every Functional Head shall report in writing to the CFO on 31 October and 30 April of each financial year, on all assets controlled or used by the Department concerned which such Functional Head wishes to alienate by public auction or public tender. The CFO shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the LLM or the Municipal Manager, as the case may be, recommending the process of alienation to be adopted.

The disposal of capital assets must be dealt with in terms of Section 14 of the Municipal Finance Management Act in conjunction with the relevant delegated powers as approved by Council from time to time.

Once the assets are alienated, the CFO shall delete the relevant records from the assets register.

If the proceeds of the alienation are less than the carrying value recorded in the assets register, such difference shall be recognised as a loss in the income statement of the vote concerned.

If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the income statement of the vote concerned.

All gains realised on the alienation of assets shall be appropriated annually to the

Municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of assets shall remain as expenses on the income statement of the vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the assets of any vote, only the net gain (if any) on the alienation of such assets shall be appropriated.

Transfer of assets to other municipalities, municipal entities (whether or not under the

Municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

## **7** Transfer of property plant and equipment

### **7.1** *Permanent transfers to another Functional Head*

- a) The Functional Head retains managerial accountability and control for a particular asset unless;
  - i. Another Functional Head agrees in writing to accept responsibility for that assets, and
  - ii. The CFO or his/her nominee endorses this transfer.
- b) The Finance Department appropriately amends the Assets Register for all approved transfers.
- c) The new Functional Head assumes all the accountabilities of the previous Functional Head.

### **7.2** *Relocation or Reassignment of Property, Plant or Equipment*

The Functional Head must ensure that the asset is appropriately safeguarded for loss, damage or misuse wherever it is located. Safeguarding includes ensuring reasonable physical restrictions.

The Functional Head must advise the CFO whenever an asset is permanently relocated or reassigned from the location (or base) or cost centre recorded in the Assets Register.

The Functional Head must advise the CFO whenever an asset is temporarily relocated or reassigned from the location (or base) or cost centre recorded in the Asset Register. In this case, the Functional Head must also advise the CFO when this asset is returned.

## 8 Assets to be Written Off

An asset, even though fully depreciated shall be written off only on the recommendation of the Functional Head controlling or using the asset concerned, and with the approval of the LLM Council.

Every Functional Head shall provide the CFO, before year end, with a list of all assets, which they wish to have written off, stating in full the reason for such recommendation.

The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the LLM Council on the assets to be written off.

The normal disposal of written-off assets is through auction but the LLM Council may decide on any other method as deemed fit in line with LLM's supply chain management policy. Writing off of assets not fully depreciated should be avoided since there is direct financial implication on operating revenue. Preferably, fully depreciated assets may be written off. In every instance where a not fully depreciated asset is written off, the CFO shall effect such accounting adjustments in terms of appropriate accounting standards.

## 9 The Required format of the Asset Register

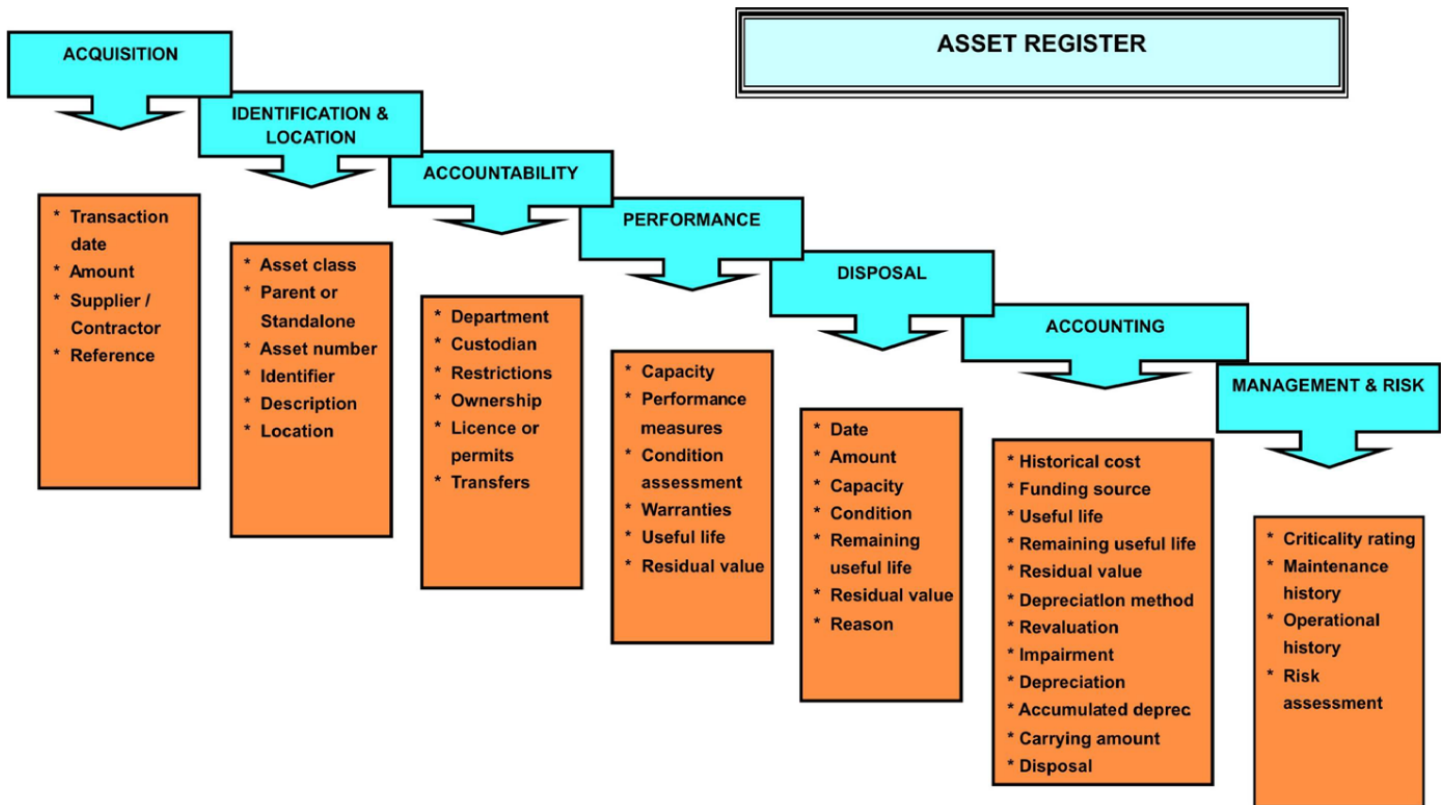
The assets register shall be maintained in the format determined by the CFO, which format shall comply with the requirements of generally recognised accounting practice (GRAP).

The assets register shall reflect the following information:

- a) A brief but meaningful description of each asset.
- b) The date on which the asset was acquired or brought into use.
- c) The location of the asset.
- d) The vote(s) within which the assets will be used.
- e) The title deed number, in the case of property.
- f) The stand number, in the case of property.
- g) The original cost, or the re-valued amount determined in compliance or the fair value if no costs are available.
- h) The (last) revaluation date of the assets subject to revaluation.
- i) The re-valued value of such assets.
- j) References to supporting documentation to support re-valuation
- k) Accumulated depreciation to date.
- l) The depreciation charge for the current financial year.
- m) The carrying value of the asset.
- n) The method and rate of depreciation.
- o) Impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- p) The source of financing.
- q) The current insurance arrangements.
- r) Whether the asset is required to perform basic municipal services.
- s) Whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements.
- t) The date on which the asset is disposed of.

- u) The disposal price.
- v) The date on which the asset is removed from operations, if not disposed of.

These fields have been depicted in pictorially to indicate and show their importance



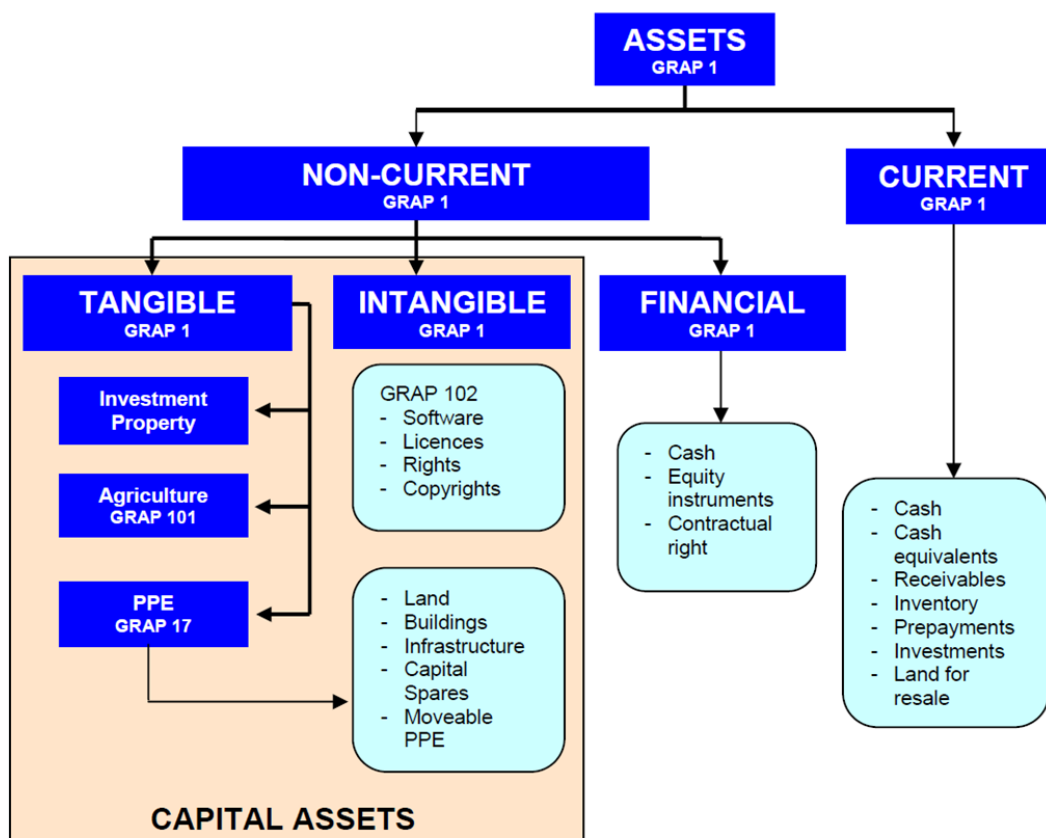
An asset shall be capitalised, that is, recorded in the assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as Work In Progress until it is available for use, where after it shall be appropriately capitalised as an asset.

An asset shall remain in the assets register for as long as it is in physical existence.

The fact that an asset has been fully depreciated shall not in itself be a reason for writing off such an asset.

## 10 Classification of Assets

When accounting for capital assets, municipalities should follow the various standards of GRAP relating to the capital assets. The diagram below indicates the various standards that impact the accounting for capital assets as well as the relation between the capital assets and other assets.





Class of Property, Plant and Equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements. (GRAP 17) (This definition of class applies to all capital assets.)

Class of assets is also sometimes referred to as the asset hierarchy.

In compliance with the requirements of the National Treasury, the CFO shall ensure that all assets are classified under the following headings in the assets register, and

Functional Heads shall in writing provide the CFO with such information or assistance as is required to compile the proper classification

***10.1 Property, Plant and Equipment***

- a) Land (not held as investment assets)
- b) Infrastructure assets (assets which are of a network of similar assets)
- c) Community assets (resources contributing to the general wellbeing of the community)
- d) Heritage assets (culturally significant resources)
- e) Movable assets (ordinary operational resources)
  - i. vehicles
  - ii. furniture
  - iii. office equipment
  - iv. computer equipment
  - v. mobile plant

***10.2 Inventory (Housing (rental stock or housing stock not held for capital gain))***

Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall

be accounted for as inventory, and not included in either property, plant and equipment or investment property in the Municipality's statement of position.

Such inventories shall, however, be recorded in the assets register in the same manner as other assets, but a separate section of the assets register shall be maintained for this purpose.

**10.3 Investment Property** (*Investment assets /resources held for capital or operational gain*)

The CFO shall adhere to the classifications and useful lives stipulated in the Local Government Capital Asset Management Guideline, and in the case of an asset not appearing under the asset lives listing, the CFO shall use the classification applicable to the asset most closely comparable to the asset in question.

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the Municipality's statement of position.

Investment assets shall comprise land or buildings (or s of buildings) or both held by the Municipality, as the owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the assets register in the same manner as other assets, but a separate section of the assets register shall be maintained for this purpose.

Investment assets shall not be depreciated, but shall be annually valued on the balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the service controlling the assets concerned.

An expert valuer shall be engaged by the Municipality to undertake such valuations.

If the LLM Council resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

**10.4 Heritage Assets**

If no original costs or fair values are available in the case of one or more or all heritage assets, the CFO may, if it is believed that the determination of a fair value for the assets in question will be a laborious or

expensive undertaking, record such asset or assets in the assets register without an indication of the costs or fair value concerned. For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

### ***10.5 Movable Assets***

Movable assets are all assets with a life cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment and intangible assets.

### ***10.6 Donated Assets***

Where an asset is donated to the Municipality or an asset is acquired by means of an exchange of assets between the Municipality and entities, the asset concerned shall be recorded in the assets register at its fair value, as determined by the CFO.

## **11 Assets Accounting and Reporting**

### ***11.1 Definition and recognition criteria for assets***

A capital asset should be recognised as an asset in the financial and asset records when:

- a. it is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- b. the cost or fair value of the item to the municipality can be measured reliably;
- c. the cost is above any municipal capitalisation threshold (if any); and
- d. the item is expected to be used during more than one financial year.

### ***11.2 Capitalisation Criteria: Material Value***

- a) Buildings, infrastructure, all fixtures and other tangible and non-tangible assets of a non – consumable nature of which the value is R1 000 and more, and the normal expected life of which is one year and more will be treated as fixed assets and be capitalised as such; and
- b) All tangible property with a value of less than R1 000 will be funded from the capital budget and included in the fixed asset register for control purposes, but depreciated in full in the year of acquisition. These assets will therefore be recorded in the fixed asset register at a carrying value of R1.

### **11.3 Capitalisation Criteria: Reinstatement, Maintenance and other expenses**

Only expenses incurred in the enhancement of an asset (in the form of improved or increased services or benefits flowing from the use of such asset) or expenses incurred in the material extension of the useful operating life of an asset shall be capitalised.

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 capitalised, irrespective of the quantum of the expenses concerned.

Expenses, which are reasonably ancillary to bringing into operation of an asset, may be capitalised as of such asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, and installation, assembly and communication costs.

### **11.4 Depreciation of Assets**

All assets, except land and heritage assets, shall be depreciated or amortised in the case of intangible 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.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which an asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

Each Functional Head, acting in consultation with the CFO, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the Department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other assets.

### **11.5** Rate of Depreciation

The CFO shall assign a useful operating life to each depreciable asset recorded on the Municipality's assets register. In determining such a useful life, the CFO shall adhere to the useful lives set out in terms of The Local Government Capital Asset Management Guideline.

In the case of an asset which is not listed in this annexure, the CFO shall determine a useful operating life, if necessary in consultation with the Functional Head who shall control or use the asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

### **11.6** Method of Depreciation

The CFO shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

### **11.7** *Impairment Review*

Impairment is a loss in the future economic benefits or service potential of an asset, over and above depreciation.

Impairment means the carrying amount of an asset exceeds its recoverable amount or recoverable service amount. Indications for impairment should be assessed at each reporting date.

Cash-generating assets are those that are held to generate a commercial return.

An asset generates a commercial return when it is deployed in a manner consistent with that Non-cash-generating assets are assets other than cash-generating assets

The municipality will undertake the following when determining or considering impairing their assets:

- a) Review External Sources to determine if there are significant long-term changes in technology, market, economic, government or legal environment have taken place or will take place in the near future.
- b) Review internal Sources to determine if;
  - i. There is evidence of the obsolescence of or physical damage to an asset.

- ii. Significant long-term changes in the operational environment will impact on the future expected use of the asset, e.g. discontinued operations, early disposal or reassessment of useful life.
- iii. There is internal reporting that indicates worse than expected economic and/or service performance in respect of an asset or specific assets.
- iv. Assets with significantly decreased remaining useful lives (includes various types of obsolesces);
- v. Assets with significantly decreased residual values;
- vi. Asset with significantly decreased replacement costs.

#### 11.7.1 Specific to non-cash-generating assets

- a) Review external sources to determine if there is cessation, or near cessation, of the demand or need for services provided by the asset.
  
- b) Review internal sources to determine if a decision was taken to halt the construction of the asset before it is complete or in a usable condition.

#### 11.7.2 Specific to cash-generating assets

- a) Review external sources to determine the following:
  - i. The market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and materially decrease the asset's recoverable amount.
  - ii. If an asset's market value has declined significantly during the reporting period, more than would have been expected as a result of the passage of time or normal use.

The impairment reduction should be recognised as an immediate expense, unless it reverses a previous revaluation in which case it should be charged to a "revaluation surplus". It is then necessary to link each asset to its impact on the "revaluation surplus" because a revaluation is usually based upon a class of assets whereas impairment could affect a single asset or class of assets. If an asset is impaired it should be written down to its recoverable amount.

**11.8** Amendment of Asset Useful lives

Only the CFO may amend the useful operating life assigned to any asset.

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

If the value of an asset has been diminished to such an extent that, it has no or a negligible further useful operating life or value, such asset shall be dealt with in terms of the appropriate accounting standards.

Similarly, if an asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the asset has physically ceased to exist, it shall be written off from the assets register.

In all the foregoing instances, any accounting adjustments shall be dealt with in terms of the appropriate accounting standards.

If any of the foregoing events arises in the case of a normally non-depreciable asset, and such asset has been capitalised at a value other than a purely nominal value, such asset shall be fully depreciated, as the case may be, as though it were an ordinary depreciable asset.

**11.9** *Alternative Methods of Depreciation in Specific Instances*

The CFO may employ the sum of units method of depreciation in the case of assets which are physically wasted in providing economic benefits or delivering services.

The CFO shall only employ this method of depreciation if the Functional Head controlling or using the asset in question gives a written undertaking to the Municipal

Manager to provide:

- a) estimates of statistical information required by the CFO to prepare estimates of depreciation expenses for each financial year; and
- b) actual statistical information, for each financial year.

The Functional Head concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the CFO.

Where the CFO decides to employ the sum of units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the CFO shall inform the LLM of such decision.

***11.10 Creation of Non-Distributable Reserves for Future Depreciation***

The CFO shall ensure that in respect of all assets financed from the Municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of assets donated to the Municipality, non-distributable reserve for future depreciation is created equal in value to the capitalised value of each asset in question.

The CFO shall thereafter ensure that in the case of depreciable assets an amount equal to the monthly depreciation expenses of the asset concerned is transferred each month from such non-distributable reserve to the Municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the CFO shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

***11.11 Carrying Value for Assets***

All assets shall be carried in the assets register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

The only exceptions to this rule shall be re-valued assets and heritage assets in respect of which no value is recorded in the assets register.

***11.12 Revaluation of Assets***

All land and buildings recorded in the LLM's assets register shall be re-valued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another Municipality, with the adoption by such Municipality of each new valuation roll).

The CFO shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the asset as recorded in the valuation roll, provided the CFO is satisfied that such value reflects the fair value of the asset concerned.



The CFO shall also, where applicable, create a revaluation reserve for each such asset equal to the difference between the values as recorded in the valuation roll and the carrying value of the asset before the adjustment in question.

The asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its re-valued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the vote controlling or using the asset in question.

The CFO shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such asset before the revaluation in question is transferred each month from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary.

If the amount recorded on the valuation roll is less than the carrying value of the asset recorded in the assets register, the CFO shall adjust the carrying value of such asset by increasing the accumulated depreciation of the asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the vote controlling or using the asset in question.

Re-valued land and buildings shall be carried in the assets register, and recorded in the annual financial statements, at their re-valued amount, less accumulated depreciation (in the case of buildings).

### ***11.13 Asset Verification***

Every Functional Head shall at least twice during every financial year undertake a comprehensive verification of all assets controlled or used by the Department concerned.

Physical verification procedures:

- a) Prior identification of all locations at which assets are located.
- b) Areas to be counted are allocated to teams of counters.
- c) A systematic approach is taken to ensure a full physical verification (assets should not be omitted or double counted).
- d) All assets are verified at the same time to ensure no movement takes place to cover irregularities and avoid any double counting or omissions.
- e) In the event that verification cannot be performed at the same time, processes are put into place to ensure as little movement of the assets as possible and very strict written authorisation where movements are required.
- f) Before physical verification commences counters should be given written instructions on the verification procedures. Verbal instructions are given to reinforce the written instructions and to ensure that the counters understand the procedures, know what is required and are familiar with follow-up procedures for resolving variances.
- g) The instructions clearly delineate the roles and responsibilities of all involved in the physical verification process. A practice asset verification session to illustrate the procedures may be helpful for those who have not previously participated in a physical count.
- h) Responsibility for the control of the physical verification rests with the asset count supervisor. The supervisor oversees the process to ensure that counting is carried out and that counters are following the procedures laid down.
- i) The asset count supervisor, together with the asset manager, secures (in advance to ensure availability) staff (other than members of the Asset Management Team (AMT)) to participate in the physical verification procedure as well as independent observers (individuals not ordinarily involved in asset management, for example the internal auditors).
- j) The master listing of assets should be available for verification and includes the following information:
  - i. Asset number;
  - ii. Description;
  - iii. Serial number;
  - iv. Last known location;
  - v. Custodian;
  - vi. Space for condition assessment.

- k) On the day prior to the physical verification procedure, the responsible AMT member verifies that:
- i. all assets received on the day are entered into the system and, where applicable, a barcode label affixed;
  - ii. all movements in the assets under their control throughout the period of review are updated and fully accounted for on the system, and that barcode labels are affixed.
- l) On the day of the count:
- i. staff conducting the physical verification:-
    - are assigned areas to count;
    - are provided with the master listing of the assets;
    - verify the assets within the assigned areas, taking care to identify the assets correctly;
    - mark assets/attractive items once they have been counted to ensure they are only counted once;
    - investigate discrepancies as directed by the supervisor and recount assets as requested

#### ***11.14 Replacement Norms***

The Municipal Manager, in consultation with the CFO and other Heads of Departments, shall formulate norms and standards for the replacement of all normal operational assets.

Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the LLM Council for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain.

#### ***11.15 Insurance of Assets***

Movable assets shall be insured from date of delivery. The Municipal manager shall ensure that all movable assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

If the Municipality operates a self-insurance reserve (assuming such reserve to be allowed), the CFO shall annually determine the premiums payable by the Departments or votes after having received a list of the assets and insurable values of all relevant assets from the Functional Heads concerned.

The Municipal Manager shall recommend to the LLM Council, after consulting with the CFO, the basis of the insurance to be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

The CFO shall annually submit a report to the LLM Council on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

## 12 Asset Useful lives

Local Government Capital Asset Management Guideline has the following asset useful lives as a guideline for municipalities. These should be used as a guide to the minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.

- a) Each Asset Controller, verifying assets, needs to determine the useful life of a particular item of property, plant and equipment (using these recommendations as a guide);
- b) The useful life of the item of property, plant and equipment should be reviewed annually.

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
INFRASTRUCTURE ASSETS	30	POWER STATIONS	360
	30	COOLING TOWERS	360
	30	TRANSFORMER KIOSKS	360
	20	ELECTRICITY METERS	240
	20	LOAD CONTROL EQUIPMENT	240
	20	SWITCHGEAR EQUIPMENT	240
	20	ELECTRICITY SUPPLY AND RETICULATION	240
	20	ELECTRICITY MAINS	240
	15	MOTORWAYS	180
	10	ROADS GRAVEL	120
	10	TRAFFIC ISLANDS	120
	20	TRAFFIC LIGHTS	240
	25	STREET LIGHTING	300
	30	OVERHEAD BRIDGES	360
	20	STORMWATER DRAINS	240
	30	BRIDGES SUBWAYS AND CULVERTS	360
	20	CAR PARKS	240
	20	BUS TERMINALS	240
15	WATER METERS	180	

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
	20	WATER MAINS	240
	20	WATER RIGHTS	240
	20	WATER SUPPLY AND RETICULATION	240
	20	WATER RESERVOIRS AND TANKS	240
	20	GAS METERS	240
	20	GAS MAINS	240
	20	GAS STORAGE TANKS	240
	20	GAS SUPPLY AND RETICULATION	240
	20	SEWERS	240
	20	OUTFALL SEWERS	240
	20	PURIFICATION WORKS	240
	15	SEWERAGE PUMPS	180
	15	SEWERAGE SLUDGE MACHINES	180
	20	FOOTWAYS	240
	20	KERBING	240
	20	PAVING	240
	20	APRONS	240
	20	RUNWAYS	240
	20	TAXIWAYS	240

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
	20	RADIO BEACONS	240
	3	FENCING	36
	5	SECURITY SYSTEMS	60
	5	ACCESS CONTROL	60

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
COMMUNITY ASSETS	30	AMBULANCE STATIONS	360
	30	AQUARIUMS	360
	30	BEACH DEVELOPMENTS	360
	30	CARE CENTRES	360
	30	CEMETERIES	360
	30	CIVIC THEATRES	360
	30	CLINICS AND HOSPITALS	360
	30	COMMUNITY CENTRES	360
	30	FIRE STATIONS	360
	30	GAME RESERVES AND REST CAMPS	360
	30	INDOOR SPORTS FACILITIES	360

30	LIBRARIES	360
30	MUSEUMS AND ART GALLERIES	360
30	PARKS	360
30	PUBLIC CONVENIENCES & BATHHOUSES	360
30	RECREATION CENTRES	360
30	STADIUMS	360
30	ZOOS	360
20	BOWLING GREENS	240
20	TENNIS COURTS	240
20	SWIMMING POOLS	240
20	GOLF COURSES	240
20	JUKSKEI PITCHES	240
20	OUTDOOR SPORTS FACILITIES	240
20	ORGAN AND CASE	240
20	LAKES AND DAMS	240
20	FOUNTAINS	240
20	FLOODLIGHTING	240

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
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ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
OTHER ASSETS	30	ABATTOIRS	360
	30	ASPHALT PLANT	360
	30	CABLE STATIONS	360
	30	CARAVAN PARKS	360
	30	CINEMAS	360
	30	COMPACTING STATIONS	360
	30	HOSTELS - PUBLIC AND TOURIST	360
	30	HOSTELS WORKERS	360
	30	HOUSING SCHEMES	360
	30	KILNS	360
	30	LABORATORIES	360
	30	MARKETS	360
	30	NURSERIES	360
	30	OFFICE BUILDINGS	360
	30	OLD AGE HOMES	360
	30	QUARRIES	360
	30	TIP SITES	360
	30	TRAINING CENTRES	360
30	TRANSPORT FACILITIES	360	

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
	30	WORKSHOPS AND DEPOTS	360
	5	COMPUTER HARDWARE	60
	5	COMPUTER SOFTWARE	60
	5	FFICE MACHINES	60
	7	AIR CONDITIONERS	84
	10	CHAIRS	120
	10	TABLES AND DESKS	120
	10	CABINETS AND CUPBOARDS	120
	10	FURNITURE AND FITTINGS OTHER	120
	5	HOUSEHOLD REFUSE BINS	60
	10	BULK CONTAINERS	120
	15	FIRE EQUIPMENT	180
	10	AMBULANCE EQUIPMENT	120
	5	FIRE HOSES	60
	5	EMERGENCY LIGHTS	60
	20	FIRE ENGINES	240
	15	BUSES	180
	7	MOTOR VEHICLES	84
	3	MOTOR CYCLES	36

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
	7	LDV's	84
	15	AIRCRAFT	180
	15	WATERCRAFT	180
	15	GRADERS	180
	15	TRACTORS & SELF PROPELLED MOWERS	180
	15	MECHANICAL HORSES	180
	5	FARM EQUIPMENT	60
	2	LAWNMOWERS	24
	5	COMPRESSORS	60
	5	LABORATORY EQUIPMENT	60
	5	RADIO EQUIPMENT	60
	5	FIRE ARMS	60
	5	TELECOMMUNICATION EQUIPMENT	60
	5	PLANT AND EQUIPMENT GENERAL	60
	15	CABLE CARS	180
	15	IRRIGATION SYSTEMS	180
	15	CREMATORS	180
	15	LATHES	180
	15	MILLING EQUIPMENT	180

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
	15	CONVEYORS	180
	15	FEEDERS	180
	15	TRUCKS & TIPPERS	180
	15	PULVERISING MILLS	180

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
INVESTMENTS	30	LAND MAIN INVESTMENT	360
	30	FARMS	360
	30	MINERAL RIGHTS	360
	30	OFFICE PARKS	360
	30	SHOPPING CENTERS	360
	30	HOUSING SCHEMES	360

ASSET CLASS	YEARS	CLASS DESCRIPTION	MONTHS
HERITAGE ASSETS	0	MUSEUM EXHIBITS	0
	0	PUBLIC STATUES	0

0	HISTORICAL BUILDINGS & STRUCTURES	0
0	HISTORICAL SITES	0
0	PAINTINGS	0
0	SCULPTURES	0

# FINAL REVIEWED VIREMENT POLICY

LUKHANJI LOCAL MUNICIPALITY  
BUDGET AND TREASURY DIRECTORATE



VIREMENT POLICY  
(TRANSFER OF FUNDS)

*Prepared by Chief Financial Officer  
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## 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.

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## 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

“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 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**

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;”

### **Unauthorized 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;”
- 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.

### 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 –*  
*(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;
- (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 be permitted;
  - 5.6.4 Virements towards personnel expenditure should not be permitted;
  - 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.
- 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
- 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 virement are permitted between capital projects.
- 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 via adjustment budget.
- 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.

## 7. ACCOUNTABILITY

1. Approval of virement lies with the Chief Financial Officer or such other senior delegated officials in Financial Services Department.

## 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:

**FINAL REVIEWED CREDIT CONTROL AND DEBT  
COLLECTION POLICY AND BYLAW**

# LUKHANJI MUNICIPALITY

## BUDGET AND TREASURY DIRECTORATE



## CREDIT CONTROL AND DEBT MANAGEMENT POLICY AND BYLAW

Reviewed Policy by Chief Financial Officer  
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## 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;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive;

and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority;

AND WHEREAS Chapter 8, section 64 of the Municipal Finance Management Act stipulates that an Accounting Officer of a municipality is responsible for effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy.

IT IS HEREBY ADOPTED: a credit control and debt management policy of the Lukhanji Municipality.

### ***DEFINITIONS***

*For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:*

"Act"                                 The Local Government Acts: Systems Act, 2000 (Act No 32 of 2000), The Municipal Finance Management Act (MFMA) (Act No 56 of 2003), as amended from time to time;

"Arrangement"                     A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed.

"Arrears"                             Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

"Authorized Representative"                     Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

"billing"                             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"> <li>• Signing of a valid service agreement, the payment of a service deposit and the verification of the customers creditworthiness.</li> <li>• Accurate meter readings at fixed intervals</li> <li>• Accurate and regular billing</li> <li>• Regular communication to customers</li> <li>• Provision of Indigent support</li> <li>• Maintain efficient and affordable service levels and standards within Councils financial constraints and capacity</li> <li>• Provide appropriate payment terms and options</li> <li>• Provide an effective and efficient enquiry system</li> <li>• 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.</li> <li>• Furnish monthly reports to Council on the performance of revenue collection.</li> </ul>
<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;
<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>	

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-

- 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).

*"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.
- 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 and ratepayers in line with financial capability of council.
- 2.1.2. To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

- 2.1.3. To facilitate sufficient funds to give access to basic services for the poor.
- 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.<sup>2</sup>
- 2.1.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.<sup>3</sup> (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.
- 2.1.8. To revise the budget should Council's targets for credit control and debt collection not be met;
- 2.1.9. 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.

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<sup>3</sup> 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.

- 2.1.13. To delegate the required authorities to monitor and execute the 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-laws<sup>1</sup>.
- 2.2.2 To monitor the performance of the Municipal Manager in implementing the policy and by-laws<sup>2</sup>.
- 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 processes<sup>3</sup>.
- 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.

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Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive Mayor must –

a) Oversee and monitor -

<sup>1</sup> (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

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

<sup>3</sup> (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

- 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.
- 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.

## 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.

## 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.

Customers who illegally consume services without this agreement will be subject to punitive action.

No tenant accounts are allowed.

4.4 If an existing 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 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 one month's total average bill. 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:

- (i) The deposit is payable in cash or direct bank deposit for all clients.
- (ii) Only destitute indigents are exempted from paying the deposit.
- (iii) Indigent clients: R150.00
- (iv) Prepaid meter Domestic: R350.00
- (v) Conventional electricity meter: R450.00
- (vi) Non-Profit Organisation: R500.00
- (vii) Businesses: from R2500.00 to a maximum of R100 000.00
- (viii) Name change are done in Whitleasea ,Ezibeleni and Mlungisi
- (ix) Deceased Owners name change will be done with only a letter of authority and memo from Human Settlement Directorate. No deposit required if there is already a sufficient deposit hold by the Municipality.
  
- (x) 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.
  
- (xi) Cash deposits retained on behalf of customers shall not earn interest.
- (xii) 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.
  
- (xiii) Unclaimed deposits will be forfeited, after allocation to any arrears /refund to consumer the final account has been processed.
  
- (xiv) 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.
  
- (xv) 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.

### 6.3 Customers must pay a deposit.

(i) Residential properties as determined by Council's Tariff Policy annually.

(ii) 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.

(iii) 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, BILLING AND RESPONSIBILITY FOR PAYMENT

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 consolidated account can include property rates charges

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

7.6 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.

7.7 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.

7.8 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)

7.9 Customers who have failed

- To pay the service charges levied by due date,
- or to comply with the conditions of supply of services

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

## 8. METERING OF CONSUMABLE(ELECTRICITY) 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 if there is a problem. We should consider giving notice on the bill that cutoffs will take place in 14 days. Make the bills due and payable on receipt. Perhaps discuss the option of a door hanger a couple of days before cut off is done. Electrical ,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.
- 8.7 the tariffs to calculate the electricity are determined annually and approved by Council and are contained in the tariff book produced by Council

## 9. SUNDRY DEBTOR ACCOUNTS

Sundry debtor accounts are raised for miscellaneous charges for services provided by Council or charges that rose against the debtor as a result of an action by a debtor or person which necessitates a charge to be raised by council against the debtor or person in terms of Council policies, bylaws and decisions.

The sundry debtor account is included in the Monthly consolidated account produced by Council.

## 10. BACK CHARGES

Council may, if it is found that the relevant Customer of Services has been undercharged for a period of time irrespective of the reason, charge the customer for the period as determined but not exceeding the current financial year from the date

## 11. PROPERTY RATES

- 11.1 Property rates and refuse charges are billed annually or monthly as preferred y customer
- 11.2 Property rates and refuse charged annually are billed in July account of each year and due date for the payment of these charges is 30 September of each year
- 11.3 Property rates and refuse charges charged monthly are billed on monthly accounts and the due date for the payment of charges will be indicated on the accounts
- 11.4 Tariffs are determined annually and approved by council in the tariffs register produced by Council
- 11.5 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.

## 12. BILLING OF GOVERNMENT FUNDED (RDP) HOUSES

The Municipality will only commence to raise charges in respect of rates and services once the property has been officially handed over to the beneficiary (i.e the keys to the house) by Human Settlement and the applicable service agreement must have been entered into.

## 13. RATES REBATE

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

## 14. ARRANGEMENTS FOR SETTLEMENT

Arrangements are permissible for debtors who experience difficulties in paying their accounts in accordance with council policy.

### 14.1 Principles for Residential Debtors

- 1. Current charges will be paid in full
- 2. The debtor may be required to prove the levels of income and must agree to monthly payment towards arrears based on such debtors ability to pay or based on such debtors liquidity if the Municipality so requires.
- 3. All negotiations with the debtor should strive to result in an arrangement that is in the interests of both parties and is sustainable
- 4. Interest will be charged on arrears
- 5. Interest on:

- Arrears in respect of all services may be suspended and Rates may be calculated at 0%
6. Debtors who default on three occasions in respect of arrangements will be denied the privilege of making further arrangements and the full amount becomes payable. Interest will be calculated from the original due date of the debt, taking any payments into consideration.
  7. All arrangements may be subject to periodic review
  8. Electricity may be disconnected and legal action may be taken against debtors referred above and such debtors may be referred to third party debt collectors for recovery

#### 14.2 Arrangements Criteria for Residential Debtors

In case where residential debtors wishes to make arrangements to liquidate their arrears, the following payment criteria, inter alia will apply:

1. current account and
2. an agreed payment towards arrears based on principles contained in this policy and minimum payment adjusted by the Municipality from time to time
3. each debtor will be required to pay instalment as determined in (1) above
4. should the debtor default, payment will be as follows:
  - (a) the first default :current account and monthly payment as determined increased by 50% of that payments(meaning the arranged instalment)
  - (b) Second Default: current account and double monthly payment as determined above
  - (c) Final default :current account and full arrears
5. In all cases failure to respond to notices will result in normal credit control procedures and all debt collection processes as provide for in this Policy may be taken

#### 14.3 Principles of Non –Residential (Businesses) Debtors

- 1) In cases where non-residential debtors wish to make arrangements to liquidate their arrears, the following criteria, inter alia will apply:
- 2) Debtors may be required to furnish the Municipality with their latest audited annual financial statements and other supporting documentation relevant to their financial position in order to negotiate a settlement arrangement acceptable to the Municipality
- 3) All negotiations with debtors should strive to result in an agreement that is in the Municipalities best interests and sustainable
- 4) Interest will be charged on arrears at an interest rate that shall be determined by council from time to time
- 5) Interest on:

5.1 Arrears in respect of all services may be suspended ad

5.2 Rates may be calculated at 0% whilst the debtor adheres to the conditions of the arrangements

- 6) All arrangements may be subject to periodic review
- 7) The final decision to make these arrangements will rest with the Chief Financial Officer

#### 14.4 Arrangement Criteria for Non –Residential (Businesses) Debtors

- 1) If the non-residential debtor wishes to make arrangements, interest may be charged or suspended on any outstanding amount and such arrangement will be subject to approval of the official as delegated
- 2) Should the debtor default on any arrangements electricity may be disconnected or terminated and legal action may be taken and such debt may be referred to a third party for recovery. Interest will be calculated from the original due date of debt taking any payments into consideration.

#### 14.5 Special Condition for Regarding Arrangements

- 1) Where any residential or non –residential debtor has entered into an arrangement in respect of arrears on a property, the prescribed certificate as referred to Section 118 of the systems act will not be issued until such time as the full outstanding amount is paid
- 2) The conditions contained in the municipality arrangement document as amended from time to time will be deemed to form part of arrangement criteria in this policy.
- 3) Should the current account be higher than normal due to, but not limited to under estimation and faulty meters, previous accounts will be taken into consideration when determining an amount to pay in order to enter into an arrangement.
- 4) Notwithstanding when the debt is irrecoverable the Municipal Manager may determine that interest ,disconnection and reconnection charges be excluded from the first upfront amount to be paid when entering into an arrangements
- 5) All debtors entered into an arrangements shall provide their banking details and those who have the facility to sign a debit order with their financial instructions shall do so.
- 6) The Municipal Manager would normally only enter into arrangement with the property owners and account holders and may on receipt of an affidavit by the occupier or a tenant of a residential property which certifies that the owner of the property which such tenant or occupier so resides in, is untraceable or not contactable or such owners whereabouts are unknown.
- 7) That they have a right to occupy such property and stating the time period that they have occupied the property
- 8) The last known address of the owner
- 9) The rental due for such right to occupy
- 10) That such occupier or tenant undertakes to advise the owner at the first reasonable opportunity of the current situation and that the tenant or occupier further agrees to obtain the consent of the owner to condone the process as set out in this sub item:
- 11) Enter into an agreement with such a tenant or occupier in terms of this policy to pay off arrears on an account which is a charge against the property

#### 14.6 Municipal Staff and Councillors Payments

Section 10 of schedule 2 of the Municipal systems act no 32 of 2000 provides the following:

- (i) “ A staff member of a Municipality may not be in arrears to the municipality for rates and service charges for a period longer than three months and a municipality may deduct any outstanding amounts from a staff member’s salary after this period”
- (ii) Arrear debt relating to rates and services charges will be collected from staff and councillors in terms of collection arrangements approved by Municipal Manager from time to time
- (iii) Financial situation of each applicant will be assessed



- (iv) If the staff member or Councillor cannot afford to repay the debt over six months the debt be spread over twelve months or repayment will not be more than 50% of the net salary. In case the size of the debt and net salary will be considered
- (v) Municipal staff and Councillors are not entitled to benefit from the Indigent support subsidy and write off policy whilst employed and if it is discovered that a staff member or a councillor has benefitted from indigent support and write off policy after the date of their employment with the Municipality this will result in disciplinary action being taken against the relevant staff member or Councillor
- (vi) No owner or tenant of a property may benefit from the indigent subsidy or write off policy whilst a staff member or Councillor is residing in the same property.

## 15. PAYMENT OF RATES BY INSTALMENTS

- (i) may pay the property rates:
- (ii) Annually in advance or
- (iii) By application in writing on the prescribed form, to pay in equal monthly instalments over a period of 12 months.
- (iv) 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.
- (v) 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).
- (vi) 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.

## 16. GOVERNMENT DEPARTMENTS.

All government departments are required to pay their accounts balances in full. Government departments owing the municipality over 60 days in arrears, services will be disconnected without any further notice. Furthermore, in terms of Section 64(3) of the Municipal Finance Management Act (Act no 56 of 2003) the

amount to which the department is in arrears will be reported to both National Treasury and Provincial Treasury.

## 17. RENTAL OF FACILITIES

### General Principles

- 1) Interest may be charged on all overdue accounts at an interest rate that shall be determined by council from time to time
- 2) Interest charges on arrears will be frozen subject to the rescheduled debt arrangements being honoured
- 3) A debt rescheduling arrangement requires the payment of the current monthly charges plus a mutually agreed amount towards the arrears each month

- 4) If a debt arrangement is not honoured, the debt collection process or legal action will resume from where it was suspended and not restart at the beginning of the debt management process
- 5) The municipality will be reasonably sent the notification of defaulting debtors following the issuing of the letter of demand and when judgement is granted against occupant
- 6) Home visits may be undertaken by officials or representatives on behalf of the Municipality following the issuing of the letter of demand to the debtor. Where the tenant and spouse are not home at the time of the visit ,a letter for the tenant to call debt collection division of the municipality will be left at the dwelling (After one recorded unsuccessful attempt by the Municipal officials or representatives ,house visits will be deemed to have been completed). The visiting official or representatives will make every effort to encourage the defaulting debtor to pay their current account and enter into an arrangement for arrears.
- 7) The Municipal Manager may recover from the debtor the following costs in instances where such costs are incurred by or on behalf of the Municipality:
  - i. Cost and administration fees where payments, made to the Municipality by negotiable instruments are dishonoured by the banks when presented for payment
  - ii. Legal and administrative costs, including attorney and client costs and tracing fees incurred in the recovery of debts
  - iii. Any collection commission
- 8) The following minimum payment equal to monthly rental charge will be added to legal costs are required from the debtor prior stopping the legal processes
  - i. Following the service of summons .....1 x total monthly
  - ii. Where judgement has been granted.....2 x total monthly
  - iii. On day of eviction.....3 x total monthly
- 9) The Municipality may use discretion where tenant is found to be indigent
- 10) If the debtor defaults on arrangement which was made on the day of eviction or re-issued warrant of eviction will be obtained and the subsequent eviction process can be stopped if 12 x total monthly rental charge plus legal costs are paid.
- 11) Should the debtor default on this second arrangement ,no further arrangements will be entered into and the eviction will be enforced unless the debtor pays amount owing in full.
- 12) There will no restatement after eviction

## 18. COLLECTION PROCESS RENTAL OF FACILITIES

- I. Rental payable in advance by due date
- II. If payment is not received, a first contact letter /sms/email requesting payment and offering the debtor an opportunity to make arrangements within 30 days from the date of the communication mentioned above
- III. If the debtor fails to respond to this letter of demand within 30 days ,the debtor may within the next 30 days receive a house visit
- IV. Failure to respond after house visit, will result in legal proceedings

- V. The legal collection process will start with a letter demanding payment within a stipulated period
- VI. If the debtor fails to respond within the allowed time summons will be issued
- VII. No response to the summons will result in default judgement and ultimate sanction of eviction

## 19. COMMUNICATION

(i) 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 or website.

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

## 20. PAYMENT FACILITIES AND METHODS

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) The Chief Financial Officer shall allocate payments according to pre-determined priorities.
- (v) The customer is not allowed to selectively nominate any monies paid for specific services .The allocation of payments are automatically done according to priorities as determined by the CFO in line with Councils direction.
- (vi) No allegation for the non-receipt of an account will be exempted from the responsibility to pay on or before the due date.
- (vii) Officials and Councillors service accounts are to be deducted on a monthly basis from their salary remuneration.
- (viii) 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.

## 21. ENQUIRIES AND APPEALS

- (i) 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.
- (ii) A customer who has lodged a query/dispute is not relieved of 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.
- (iii) The customer will receive a written response to a submitted written query within 10 working days of the query being lodged.
- (iv) 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.
- (v) The testing of 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.
- (vi) The fee will be refundable to the customer on the following conditions:
- (vii) 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.
- (viii) If the outcome of any test shows that a measuring device is

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.

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.

## 22. DEBT COLLECTION

- (i) The Chief Financial Officer is authorised to institute these mechanisms without exception and

with the intention of proceeding until the debt is collected.

- (ii) The following mechanisms are to be used to collect:
- (iii) Disconnection / restriction of metered services for all overdue rates and service accounts.
- (iv) Barring from buying prepayment services by debtors who are in arrears with all overdue rates and service accounts.
- (v) Allocating a portion of any payment for prepayment services to arrear debt.
- (vi) Insisting that a prepayment meter be installed.
- (vii) Withholding of rates clearance certificates under certain conditions. (Refer to section 118 of the Systems Act of 2000.)
- ~~(vii)~~(viii) 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.
- ~~(viii)~~(ix) Withholding payments of grants-in-aid.
- ~~(ix)~~(x) Any other method authorised by Council.

### 23. BLOCK FROM THE PURCHASE OF ELECTRICITY:

- (i) Council will block a customer from the purchase of electricity on the prepayment electricity system if the account rendered by council is not paid by the due date as indicated on the account
- (ii) The block from the purchase of electricity will be for the total amount outstanding on the account, including unpaid amounts handed over for collection to the debt collection and not just for the electricity portion of the account
- (iii) The blocked from purchase of electricity for the non-payment of an account will be during the 30 day period following due date
- (iv) Non indigent customers with arrears will be blocked on a block type that will require the customer to pay the amount due to council before the prepayment electricity can be purchased.
- (v) Low income non-indigent customers with arrears living in a property with certain municipal value at discretion of the Chief Financial Officer upon providing proof of income will be blocked on a block type that will require the customer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount rendered to purchase electricity will be held back and be allocated to arrear debt.
- (vi) Indigent customers with arrears will be blocked on a block type on the prepayment system that

will require the Customer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.

(vii) Customer will be placed on a total block from the purchase of electricity for the following reasons and will not be permitted to purchase electricity after a visit to Council Offices by the Customer to attend to the reason for blocking:

1. When customer moved into a property and failed to apply for services from Council and failed to pay the required Customer deposits

#### 24. SECTION 118 OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT NO 32 OF 2000

- (i) Council will issue a certificate required for the transfer of immovable property in terms of section 118 of the above mentioned act which is lodged with Council in the prescribed manner, only when all amounts that became due in connection with the property for Municipal service fees, surcharges on fees, property rates and other services, levies and duties during the two years preceding the date of application for the certificate have been fully paid. The Municipality will not accept letters of undertaking and will only release the clearance once the charges contemplated above have been fully paid ,whether in cash or irrecoverable bank guaranteed cheque or an Attorneys Trust account Cheque.
- (ii) Debt older than two years on property irrespective of whether the owner of the property had accumulated the debt will also have to be paid before the transfer of the property by the owner.
- (iii) If the owner refuses to pay the debt which is older than two years, then council will apply to a competent court for an order in the following manner:
  - (a) In the case where there is already a judgement for the payment of the amount ,an order that the judgement debt be paid out of the proceeds of the sale before the mortgage debt is settled
  - (b) In the case where there is no judgement debt for an order staying transfer of the property pending finalization of a civil action to be instituted against the person who is in law liable for the payment of outstanding debt
  - (c) The above action must be taken before the property is transferred as the statutory lien created by section 118 (3) of the act only endures until property has been transferred and in terms of

section 118(5) of the act can the new owner of the property not being held liable for the debt that became due before a transfer of a residential property took place.

## 25. WITHHOLDING APPROVAL OF BUILDING PLANS

Institutions or individual persons, who apply to Council for the approval of a building plan and who are in arrears with their services account, will have approval of the building plan withheld by council until the arrear debt with council is settled.

## 26. OTHER DEBT COLLECTION METHODS

The debt collection methods mentioned in the above are not exhaustive list of methods that can be applied to collect debt and any other methods that can be initiated will be implemented with the consent of council to collect debt.

## 27. DEBT COLLECTION COSTS

Any costs which include collection costs, charges, disbursement and legal fees to any of the debt collection methods applied to collect the debt, will be debited to the account of the defaulting debtor. The reconnection fee charged is due and payable irrespective of whether the supply was disconnected or not.

## 28. 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 electricity consumption are to be investigated by an inspector before billing is rendered on the account-

## 29. THEFT AND FRAUD

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

29.2 The Council may approve specific penalties for cases of vandalism and theft.

1<sup>st</sup> offence: R1110.00 for the disconnection at the pole and removal of the meter as well an estimate lost of revenue.

2<sup>nd</sup> offence: R2221.00 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.

3<sup>rd</sup> offence: R5290.00 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.](#)

### 30. IRRECOVERABLE DEBT

#### Criteria for irrecoverable debt

- (i) Debt will only be considered as irrecoverable if it complies with the following criteria:
- (ii) (a) all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount; or
- (iii) any amount as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
- (iv) the cost to recover the debt does not warrant further action; or
- (v) the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
  - (i) there is a danger of a contribution; or
  - (ii) no dividend will accrue to creditors; or
- (vi) a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
  - (i) where the estate has not been reported to the Master and there are no assets of value to attach; or
- (vii) it has been proven that the debt has prescribed; or
- (viii) the debtor is untraceable or cannot be identified so as to proceed with further action; or
  - (i) the debtor has emigrated leaving no assets of value to cost effectively recover Councils claim; or
- (ix) it is not possible to prove the debt outstanding; or
  - (i) a court has ruled that the claim is not recoverable; or
- (x) the outstanding amount is due to an irreconcilable administrative error by the Municipality; or
- (xi) arrears owed by previous Administrations, amongst themselves, that now form part of the Lukhanji Local Municipality; or
- (xii) expenditure incurred, in respect of internal accounts raised in the name of the Lukhanji Local Municipality, in any previous financial year; or
- (xiii) conversion of old dormant account balances of debtors, inherited from the previous municipalities which now form part of the Lukhanji Local Municipality, and where reasonable steps have been taken to recover these debts; or



- (xiv) all debtors who are registered as indigent as more fully set out in item 10 will have their arrears written off; or
- (xv) if an offer of full and final settlement is confirmed in writing by the Accounting Officer in terms of section 14 (2) of the Lukhanji Local Municipality: Credit Control and Debt Collection policy; or
- (xvi) All arrears may be written off to bad debts where Council-
  - (i) Expropriates any property; or
  - (ii) Purchases any property in terms of item 10 (1) (f); or
- (xvii) all arrears may be written off to bad debts where a property has been forfeited to the State in terms of the Prevention of Organised Crime Act 121 of 1998; or
  - (i) Where the occupiers have been evicted from Council, Provincial or State properties due to criminal activities; or
- (xviii) through supporting the municipality's housing related debt management
- (xix) processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Housing Indigent Policy, all debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back. Such write back will occur only once for any debtor, thereby allowing for a once off rehabilitation, where after the debtor will immediately be subject to the housing debt management policy should the account again fall into arrears; or
- (xx) where an item 7 dispute or a section 62 appeal determines what needs to be written off; or
- (xxi) where the Director: Housing advises the Director: Revenue that a housing debtor has been granted a housing indigent grant such debtors rates, services and sundry debt related to that property for that debtor shall be written off once; or
- (xxii) where registered non-profit organisations or public benefit organisations would, except for there being arrears on their Municipal accounts, qualify to receive a 100% rates rebate, in terms of the Rates Policy, will, with effect from the date of qualification, have all their arrears written off, thus ensuring that they meet all the criteria to receive the rates rebate and;
  - (i) this assistance will only be granted once to an organization subject to the condition that an electricity prepayment meter management device must be installed, where applicable;
  - (ii) should any tampering with or bypassing of electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;

(iii) should the Accounting Officer become aware that the focus of the organization has changed, or its financial position has improved or its registration as a non-profit organisation or public benefit organisation has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.

### 31. 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.

### 32. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

### 33. POLICY ADOPTION

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:

Approval Date:

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N Makanda  
Executive Mayor

---

S Nkonki  
Acting Municipal Manager

# **FINAL REVIEWED PROPERTY RATES POLICY AND BYLAW**

**LUKHANJI MUNICIPALITY  
HUMAN SETTLEMENT DIRECTORATE**



## DRAFT REVIEWED RATES POLICY AND BYLAW

*Prepared by Director Human Settlement*

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## DEFINITIONS

'Act' means the Local Government: Municipal Property Rates Act, No 6 of 2004 and includes the regulations made in terms of Section 83 of the Act;

'Agent', in relation to the owner of a property, means a person appointed by the owner of the property-

(a) to receive rental or other payments in respect of the property on behalf of

the owner; or

(b) to make payments in respect of the property on behalf of the owner;

'Agricultural purpose' in relation to the use of a property, excludes the use (of a property for the purpose of eco-tourism or for the trading in or hunting of game);

### Other definitions:

'Annually' means once every financial year (1 July to the 30 June the following year);

'Appeal board' means a valuation appeal board established in terms of section 56;

'Assistant municipal valuer' means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

'Bona fide farmers' is a person that is fulltime farmer and if such land is used *bona fide* and exclusively by the owner or occupier for agricultural purposes;

"Building Allotment", means a property located in the rural area and described in the Deeds Office Records as Building Allotment;

'Category'

(a) in relation to property, means a category of properties determined in terms of Section 8; and

(b) in relation to owners of properties, means a category of owners determined

in terms of section 15(2)

‘Chief Financial Officer’ means the Chief Financial Officer as defined in the Municipal Finance Management Act;

‘Child-headed household’ means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in the section 28(3) of the Constitution.

‘Council’ means the Council of the Lukhanji Municipality;

‘Communal Land’ as defined in Section 1 of the Communal Land Right Act of 2004;

‘Data-Collector’ means a person designated as a data-collector in Section 36;

‘Date of valuation’ means the date determined by a municipality in terms of section 31(1);

‘District management area’ means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone;

‘District Municipality’ means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

‘Dominant use’ in relation to a property means where a particular use is the largest proportion as compared to other uses on that property / pro rata

‘Due date’ means the date specified as such on a municipal account dispatched from the offices of the responsible officer for any rates payable and which is the last day allowed for the payment of such rates;

**'Effective date'**-

(a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1);

(b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect;

**'Exclusion'**, in relation to a municipality's rating power, means a restriction of that power as provided for in section 17;

**'Exemption'**, in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15;

**'Financial year'** means the period starting from 1 July in a year to 30 June the next year;

**'Income Tax Act'** means the Income Tax Act, 1962 (Act No. 58 of 1962);

**'Infrastructure rate'** the municipality retains the right to implement a levy as determined by council according to sec.7 and 11;

**'Land reform beneficiary'**, in relation to a property, means a person who -

(a) acquired the property through -

(i) the Provision of Land and Assistance Act No. 126 of 1993; or

(ii) the Restitution of Land Rights Act No. 22 of 1994;

(b) holds the property subject to the Communal Property Associations Act No 28 of 1996;

(c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

**'Land tenure right'** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004;



**'Local Community'**, in relation to a municipality-

(a) body that mean of persons comprising –

(i) the residents of the municipality;

(ii) the ratepayers of the municipality;

(iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and

(iv) 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; and

(b) includes, more specifically, the poor and other disadvantaged sections of such body of persons;

**'Local Municipality'** means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

**'Market Value'**, in relation to a property, means the value of the property determined in accordance with Section 46 of the Act;

**'MEC for Local Government'** means the member of the Executive Council of a province who is responsible for local government in that province;

**'Minister'** means the Cabinet member responsible for local government;

**'Multiple purposes'**, in relation to a property, means the use of a property for more than one purpose;

**'Municipal Council'** or **'Council'** means a municipal council referred to in section 18 of the Municipal Structures Act;

**'Municipal Finance Management Act'** means the Municipal Finance Management Act No. 56 of 2003;

'Municipal Systems Act' means the Local Government: Municipal Systems Act, No 32 of 2000;

'Municipality'-

- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
- (b) as a geographical area, means a municipal area demarcated in terms of the Municipal Demarcation Act No. 27 1998;

'Municipal Manager' means a person appointed in terms of section 54A of the Amended Municipal Systems Act 7 of 2011 of the Municipal Structures Act;

'Municipal-owned property' refers to property that is registered in the name of the Municipality and property vested by usage in the name of the Municipality whether it is used by the Municipality itself or made available to other entities without cost or in terms of a rental agreement;

'Municipal Structures Act' means the Municipal Structures Act No 117 of 1998;

'Municipal Systems Act' means the Municipal System Act No. 32 2000;

'Municipal Valuer' or "Valuer of a municipality" means a person designated as a municipal valuer in terms of section 33(1) of the MPRA;

'Old order right' means a tenure or other right in or to communal land which (Ciskei, Transkei and RSA) :-

- (a) is formal or informal;
  - (b) is registered or unregistered;
  - (c) derives from or is recognised by law, including customary law, practice or usage;
- and

- (d) exists immediately prior to a determination by the Minister in terms of section 18, but does not include –
  - (i) any right or interest of a tenant, labour tenant, sharecropper or employee if such right or interest is purely of a contractual nature; and
  - (ii) any right or interest based purely on temporary permission granted by the owner or lawful occupier of the land in question, on the basis that such permission may at any time be withdrawn by such owner or lawful occupier;

‘Occupier’, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

‘Organ of state’ means an organ of state as defined in section 239 of the Constitution;

‘Owner’-

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
  - (i) a trustee, in the case of a property in a trust excluding state trust land;
  - (ii) an executor or administrator, in the case of a property in a deceased estate;
  - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in

- (iv) a judicial manager, in the case of a property in the estate of a person under
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

'Penalty' in relation to the time period of underdeveloped vacant land, excluding agricultural land, which is not utilized in the specific time period as stipulated in the policy;

'Permitted use', in relation to a property, means the limited purposes for which the property may be used in terms of -

- (a) any restrictions imposed by -
  - (i) a condition of title;
  - (ii) a provision of a town planning or land use scheme; or
  - (iii) any legislation applicable to any specific property or properties;
- (b) any alleviation of any such restrictions;

'Person' includes an organ of state;

'Prescribe' means prescribed by regulation in terms of section 83;

'Property' means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure;

'Property register' means a register of properties referred to in section 23 of the MPRA;

'Protected area' means an area that is or has to be listed in the register referred to in section 10 of the Protected Area Act;

'Protected Areas Act' means the National Environmental Management: Protected Areas Act, 2003;

'Publicly controlled' means owned by or otherwise under the control of an organ of state, including -

- (a) a public entity listed in the Public Finance Management Act No. 1 of 1999.
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act;

'Public service infrastructure' means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system (excluding the land upon which the railway line is based) ;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;

- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

'Rate' means a municipal rate on property envisaged in section 229(1)(a) of the Constitution;

'Rateable property' means 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;

'Rebate', in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

'Reduction', in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;

'Register'-

- (a) means to record in a register in terms of
  - (i) the Deeds Registries Act 47 of 1937; or
  - (ii) the Mining Titles Registration Act 16 of 1967; and
- (b) includes any other formal act in terms of any other legislation to record-
  - (i) a right to use land for or in connection with mining purposes; or
  - (ii) a land tenure right;

'Residential property' means a property included in a valuation roll in terms of section 48 (2)(b) as residential;

'Residential property: mixed use' refers to property that is used predominantly for residential purposes (51 % or more) but has significant portions of the property devoted to purposes that fall within other categories of property;

'Rural communal settlements' means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

'Sectional Titles Act' means the Sectional Titles Act No. 95 of 1986;

'Sectional title scheme' means a scheme defined in section 1 of the Sectional Titles Act;

'Sectional title unit' means a unit defined in section 1 of the Sectional Titles Act;

'Special State Owned Properties' properties that are owned by National and Provincial Government, used for public benefit purposes and as a rule do not trade regularly in a four year valuation cycle.

'Specified public benefit activity' means an activity listed in item 1 (welfare and 5 humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act;

'State trust land' means land owned by the state-

- (a) in trust for persons communally inhabiting the land in terms of a traditional
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights

"Trading services", means services for which the tariffs are fixed to yield a trading surplus, like electricity and water services.

'Vacant land' means land, excluding agricultural land, where no immovable improvements have been erected.





## INTRODUCTION

The purpose of this document is to serve as the foundation for public consultations on the Rates Policy the Lukhanji Municipality wishes to adopt on 1 July 2015, in line with the market-based valuation of all properties in the Lukhanji Municipal area of jurisdiction.

This document aims to invite views on how the municipality intends to apply the rating policy mechanisms at its disposal in the 2015/16 financial year, as required by the Act (MPRA).

2.1 The Municipal Property Rates Act No. 6 of 2004 (MPRA) requires municipalities to develop and adopt rates policies consistent with the Act on the levying of rates on rateable property in the municipality.

2.2 Municipalities need a reliable source of revenue to provide basic services and perform its functions. Income derived from property rates are a most important source of revenue for the municipality.

2.3 Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include constructed and maintaining streets, roads, sidewalks, street lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Revenue from property rates is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

2.4 Municipal property rates are set, collected, and used locally. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development

Plans (IDP's) and budget processes, which a municipality invites communities to input prior to municipal council adoption of the budget.

2.5 The Constitution of the Republic of South Africa, sec 229 Of 1996, entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation.

2.6 The Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities and in general to meet its obligations in terms of section 152 of the Constitution of the Republic of South Africa, 1996.

2.7 There is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities.

2.8 Income derived from property rates is a critical source of revenue for municipalities to achieve their constitutional objectives, especially in areas that have been neglected in the past due to racially discriminatory, inadequate or inappropriate legislation and regulation.

2.9 It is essential that municipalities exercise their power to impose rates within a statutory framework that not only enhances certainty, uniformity and simplicity across the nation, but also takes into account historical imbalances and the rates burden on the poor.

2.10 The Constitution of the Republic of South Africa confers on Parliament the power to regulate the exercise by municipalities of their fiscal powers.

## CONSULTATION PROCESS

1. Inspection period for Members of the Public and interested parties, runs during April and May of 2015 for the financial year 2015/2016.
2. Ward General Meetings and Public Information Sessions are to be held during April and May 2015 for the financial year 2015/2016. Dates and venues that will be announced by means of notices and newspaper advertisements during April and May of 2015.
3. Organisations, Associations, Forums, Groupings and or Individual members of the public who wish to make written submissions can do so by completing the available Rates Policy Comments/Suggestion form. These forms should be addressed to The Municipal Manager, Lukhanji Municipality, Private Bag X7111, Queenstown, 5320.
4. Upon conclusion of the consultation process, Lukhanji Municipality will assess the implications of submissions and will publish a final Draft Rates Policy.
5. The Rates Policy for 2015/16 is then tabled before Council with the adoption of the budget and will be legislated as a By-Law of Council.
6. The consultation process is in accordance with section 4 of the MPRA 6 of 2004.

## GUIDING PRINCIPLES

In formulating the rates policy for Lukhanji Municipality the following guiding principles will be taken into account:

- Equity, i.e. that all categories of property and categories of owners be treated equitably in relation to each other
- Affordability, i.e. that the rates policy should take into account issues of affordability across categories of owners
  
- Poverty Alleviation, i.e. that the rates policy should facilitate poverty alleviation within the context of the mechanisms at its disposal
- Social and Economic Development, i.e. that the rates policy should within the context of the mechanisms at its disposal seek to enhance social and economic development

- Financial Sustainability and Cost Efficiency, i.e. that the rates policy should be cost efficient and should enhance the financial sustainability of the municipality
- Encourage Development of Property, i.e. that the rates policy should utilize the mechanism at its disposal to encourage the development of property in line with the socio-economic development needs and goals of the municipality
- Community Participation, i.e. that the rates policy should be reflective of issues and options expressed during public engagements

### Imposition of Property Rates

5.1 The Council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property recorded in the municipality's valuation roll and supplementary valuation roll.

5.2 Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.

5.3 The Council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over the period preceding the financial year to which the increase relates, except when the approved Integrated Development Plan of the municipality provides for a greater increase.

5.4 The Council shall, in imposing the rate for each financial year, take proper cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.

### IMPERMISSIBLE RATES

6.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

6.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis

6.3 All existing rated property owners will not be phased in on the new valuation roll, except as prescribed by legislation.

Section 17 of the Act outlines Impermissible Rates, these include:

- the first 30% of the market value of public service infrastructure as defined in the Act
- protected areas
- (land with) mineral rights
- (land owned by) land reform beneficiaries
- the first R15 000 of the market value of residential property and properties used for multiple purposes of which one or more component thereof are used for residential purposes
- property used primarily for religious worshipping purposes, including an official residence occupied by the officiating office bearer

## PROPERTY CATEGORIES

Lukhanji Municipality has the following property categories:

- (a) Residential properties
- (b) Business

- (c) Agricultural
- (d) Public Service Infrastructure
- (e) Communal and State Trust Land
- (h) State Owned Properties
- (i) Municipal Owned Properties
- (j) Schools including Public, Private and Early Childhood Development Centres
- (k) Vacant properties, excluding agricultural
- (l) Places of Worship
- (m) Public Benefit Organisations
- (n) Clinics and Institutions

#### **RATING OF MULTIPLE USE PROPERTY**

In determining the rating of multiple use properties Lukhanji Municipality classifies these properties in terms of Section 9(1) (b) of the Act, and will rate such properties based on their dominant use / pro rata.

#### **DIFFERENTIAL RATING**

The following factors will be taken into consideration for the purpose of differential rating:

- The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- The effects of rates on the property on the promotion of the social and economic development of a municipality.
- Differential rating among the various property categories will be done by way of setting ratios between the main categories of property and therefore different Cent amount in the Rand for different categories of property.
- In this context it is the intent to set different rates for residential properties in relation to commercial properties and different rates for different categories of vacant land as outlined in this policy.
- In addition exemptions, reductions in the value of properties and or rebates in respect of the cent in the rand payable, will be considered for various categories of owners, (such as for

example owners receiving old age or disability grants), based on the outcomes of public consultations and rating policy decisions.

## EXEMPTIONS, REDUCTIONS AND REBATES

Exemptions, reductions and the level of rebate granted to specific owners within each category of property situated within the Municipality's jurisdiction will be determined annually as part of the review and determination of the Rates Policy and Budget process. Granting of rebates within a particular category of property is aimed at ensuring an equitable distribution of the property rates burden amongst the categories of property that constitute the property rates base of the Municipality.

Based on the guiding principles underpinning this policy and subject to any changes in national legislation, the following categories of property owners will be considered on annual application where applicable for exemptions, rebates and reductions:

### 10.1 Exemptions:

- a) Child headed households (exempt if owner registered/court of law approval)
- b) Owners of property situated within an area affected by a declared disaster area within the meaning of the Disaster Management Act, No. 57 of 2002 for the time period as stipulated.
- c) The Municipality may exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property for the financial year applicable.
- d) Public Service Infrastructure
- e) Places of Worship
- f) Municipal owned properties
- g) Duly registered public benefit organisations
- h) Communal Land as defined in Section 1 of the Communal Land Right Act of 2004;
- i) Land Reform Beneficiaries Sect 17 (1)g.
- j) Properties in areas where accounts cannot reach owners by mail.

## 10.2 Rebates and Reductions:

- k) Indigent households as defined in the municipality's indigent policy;
- l) Beneficiaries of old age grants;
- m) Beneficiaries of disability grants;
- n) Owners of properties who are not beneficiaries of old age or disability grants, but whose income is equivalent to that of such beneficiaries and who meet the criteria as defined in the municipality's indigent policy;
- o) Owners of properties who are unemployed
- p) bona fide farmers;
- q) Sporting bodies;
- r) Demolished properties
- s) Grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

**Indigent households:** The Council has adopted an "Indigent Policy" that provides for the alleviation of the rates burden on the low income sectors of the community within the Municipality. Owners of property who qualify for the assistance provided by this Policy must make application to access the relief provided if they do not automatically receive it.

**Bona fide farmers:** In the case of properties that are used for agricultural purposes, the owner(s) may qualify for an agricultural rebate, subject to the following conditions:

- a) The property must be used for *bona fide* agricultural purposes.
- b) The usage of the property must accord with the zoning scheme for the area.
- c) The owner must be registered with the South African Revenue Service as a farmer and must submit a copy of the last IT48 ("calculation of taxable income from farming operations") together with the application for a rebate. If no IT48 can be produced due to recent ownership change, upon application, a municipal official, authorised by the Municipal Manager shall issue an agricultural certificate to the owner of the property after



an inspection of the property if he or she is satisfied that such land is used *bona fide* and exclusively by the owner or occupier for agricultural purposes.

- d) If the owner is a company or a close corporation, which would preclude the South African Revenue Services from issuing an IT48 on behalf of the owner, upon application, a municipal official, authorised by the Municipal Manager shall issue an agricultural certificate to the owner of the property after inspection of the property if he or she is satisfied that such land is used *bona fide* and exclusively by the owner or occupier for agricultural purposes.
- e) The land owner must prove that he/she has complied (or is awaiting confirmation of application) with the National Veld and Forest Fire Act 101 of 1998 and legislation governing the control of alien invasive species.

Rebates Applicable to Bona Fide Farmers and Agricultural Properties will be 65% for Farmers not receiving the following services from the Municipality:

#### Electricity

Farmers receiving the above service from the Municipality will receive a rebate according to the services which they receive.

An additional 5 % rebate could be granted to farmers that contributes to job creation provided that proof be given of:

- The number of jobs created
- That the salaries/wages given to employees meet the minimum standards set by Government.

#### Public Benefit Organisations (PBO's)

Taking into account the effects of rates on PBO's performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that PBOs performing the following specified public benefits activities be exempted from rating:

- Welfare and humanitarian, for example PBOs providing disaster relief.

- Health Care, for example PBO's providing counseling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- Education and development, for example a PBO's providing early childhood development services for pre-school children.

Lukhanji Municipality will consider rebates in respect of public and independent schools as well as early childhood development centres.

Lukhanji Municipality may consider rebates in respect of Special State Owned Properties used for public benefit purposes and as a rule do not trade regularly in a four year valuation cycle in the open market.

#### PROCEDURES FOR GRANTING EXEMPTIONS, REBATES & REDUCTIONS

- (a) Applications for exemptions and rebates will only be considered after an application on the prescribed form has been lodged with the Chief Financial Officer on an annual basis
- (b) Applications must reach the Municipality before 31 May 2015, for which relief is sought, failing which the exemption or rebate will lapse and will only be re-instated once the application has been approved
- (c) All applications must be made under oath. In addition, applications for exemptions by public benefit organisations must be accompanied by a letter from the South African Revenue Service confirming that the organisation qualifies for exemption in terms of the Income Tax Act.
- (d) All other property owners seeking an exemption must submit either a letter from their auditors, or annual financial statements confirming that the applicant qualifies for an exemption. Properties for which application for exemption from the payment of rates is made must be used exclusively for the purpose that forms the basis for the application

for exemption. Where this is not the case, the property will form part of the category multiple use properties and those portions not used for the purpose for which application for exemption has been made will be re-valued and property rates levied in accordance with the category/categories of property applicable. An application for an exemption or rebate must authorise the Municipality to inspect the property at any reasonable time during the financial year to confirm compliance with the conditions of the exemption or rebate. Where access is denied, the exemption or rebate may be withheld, or withdrawn, if already effective.

- (e) Applications for a reduction in rates based on a reduction in value of a property must be made on the prescribed form within 30 days of the occurrence of the event giving rise to the reduction of the value of the property relied upon. The onus rests on the applicant to ensure that the application form and all supporting documents are lodged timeously, and that the property concerned qualifies for the exemption, rebate, or reduction.
- (f) The effective date of an exemption or rebate shall be the date when the Municipality approves the application for exemption or rebate, irrespective of whether or not the property qualified for exemption or rebate in terms of its use prior to that date.
- (g) The Municipality reserves the right to refuse an exemption or rebate if the details supplied in the application are incomplete, incorrect, or false. In accordance with Section 15(3) of the Act, the Municipal Manager of the Municipality shall annually table in the Council of the Municipality:
  - (i) list of all exemptions, rebates and reductions granted by the Municipality during the previous financial year; and
  - (ii) statement reflecting the income of the Municipality foregone during the previous financial year by way of such exemptions, rebates and reductions and the exclusions referred to in Section 17 (1) (a), (e), (g), (h) and (i) of the Act.

The exemptions, rebates and reductions shall be clearly indicated on the property rates account submitted to each property owner.

## PENALTIES

In relation to the time period of underdeveloped vacant land which is not utilized in the specific time period as stipulated in the agreement and or title deed, a periodical escalation will be applicable

## PAYMENT OF RATES

- 13.1 The rates levied on the properties shall be payable:-
- (a) on a monthly basis; or
  - (b) annually, before 30 September each year.
  - (c) a once off application to pay on a monthly basis should be submitted in May of each year
- 13.2 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/tenant/ occupants/ agent.
- 13.3 Rates payable on an annual basis, excluding annual rates levied on state owned properties, will be subject to a discount determined by council if paid in full on or before 30 September of each year.
- 13.4 Interest on arrears rates, whether payable on or before 30 September or in equal monthly installments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- 13.5 The municipality retains the right to implement a levy as determined and approved by council according to sec.7 and 11, for properties identified as suitable for a standard infrastructure rate. This is in terms of the Act and serves to simplify the billing of property rates for lower value properties.
- 13.6 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality. Should an owner default on his debt for three consecutive months the amount is payable

immediately. Application is not automatically resumed but re-application has to take place for monthly payments.

- 13.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.
- 13.8 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 13.9 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

#### ACCOUNTS TO BE FURNISHED

- 14.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:-
- (i) the amount due for rates payable,
  - (ii) the date on or before which the amount is payable,
  - (iii) how the amount was calculated,
  - (iv) the market value of the property, and
  - (v) rebates, exemptions, reductions or phasing-in, if applicable.
- 14.2 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

- 14.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

#### FREQUENCY OF VALUATION

- 15.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.
- 15.2 In accordance with the Act the municipality, under exceptional circumstances, may decide to extend the validity of the valuation roll to 5 (five) years by applying for approval to the MEC for Corporative Government and Traditional Affairs in the province.
- 15.3 Supplementary valuations may be done on a continual basis but at least a minimum of one supplementaty valuation on an annual basis.

#### REGISTER OF PROPERTIES

- 16.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.
- 16.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.
- 16.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:
- i. Exemption from rates in terms of section 15 of the Property Rates Act,
  - ii. Rebate or reduction in terms of section 15,
  - iii. Exclusions as referred to in section 17.
- 16.4 The register will be open for inspection by the public at elected municipal offices during office hours or on the website of the municipality.

16.5 The municipality will update Part A of the register during the supplementary valuation process.

16.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

#### **BY-LAWS TO GIVE EFFECT TO THE RATES POLICY**

The municipality must in terms of Section 6 of the MPRA N0 6 of 2004 adopt By-laws to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

#### **REGULAR REVIEW PROCESSES**

The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and with legislation.

#### **ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES**

This policy has been approved by the Municipality in terms of resolution .....dated..... and comes into effect on 1 July 2015.

#### **ANNUAL REVIEW OF RATES POLICY**

The municipality will annually review, and if necessary amend its rates policy taking into account public comments \_\_\_\_\_ and \_\_\_\_\_ inputs.

#### **LEGAL COMPLIANCE**

In terms of Section 229 of the Constitution of the Republic of South Africa Act No. 108 of 1996, a municipality may impose rates on property.

In terms of Section 4(1) (c) of the Municipal Systems Act No. 32 of 2000, a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.

In terms of Section 2(1) of the Municipal Property Rates Act No. 6 of 2004, a municipality may levy a rate on property in its area of jurisdiction in accordance with the provisions of the said Act.

The Council of the Municipality will impose a rate in terms of the aforementioned legislation. Consequently, this rates policy has been developed within the parameters of the applicable legislation relating to property rates.

This Property Rates Policy ('the Policy') is in terms of the Municipal Property Rates Act No 6 or 2004 and in conjunction with the Municipal Financial Management Act of 2003.

## BIODIVERSITY ACT

'Critical Biodiversity Area' refers to areas defined as Critical Biodiversity Areas 1 and 2 (CBA1; CBA2) as defined in the Conservation Assessment and Plan that forms part of the Municipal Spatial Development Framework (SDF);

'Long-term protected critical biodiversity area' refers to critical biodiversity areas which been made subject to contractual agreements between the land owner and the municipality for a period of thirty years or in perpetuity, and entered into the title deeds of the land;

'Short-term protected critical biodiversity area' refers to critical biodiversity areas which have been made subject to contractual agreements between the land owner and the municipality for a period of five years.



# **FINAL REVIEWED INDIGENT POLICY AND BYLAW**

LUKHANJI MUNICIPALITY  
BUDGET AND TREASURY DIRECTORATE



FINAL INDIGENT POLICY

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Adopted 28 May 2015*

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## DEFINITIONS

"child headed household" means a household where both parents are deceased and where all occupants of the property are children of the deceased and are under the legal age to contract for services;

"household" means as a registered owner or tenant with or without children who reside on the same premises;

"indigent" means any household or category of households, including a child headed household, earning a combined gross income, as determined by the municipality annually in terms of a social and economic analysis of its area for example two state pensioners, which qualifies for rebates/remissions, support or a services subsidy; provided that child support grants are not included when calculating such household income;

"Indigent Management System" an electronic management system applied by Lukhanji Municipality for the management of the register for indigent households;

"municipality" means the Lukhanji Local Municipality, established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councilor, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councilor, agent or employee;

"FBS Co-ordinator" an official duly authorised by the municipality, or an employee of a service provider appointed by the municipality, who is responsible for the following:

- (a) to ensure that applications for indigent support are received and assessed;
- (b) to ensure that applications are captured on the Indigent Management System;
- (c) to ensure that information on applications are verified, screened and that regular audits/ site visits are executed; and
- (d) to authorise expenditure with regard to indigent support.

'occupier' means the person who controls and resides on or controls and otherwise uses immovable property, provided that -

- (a) the spouse of the owner of immovable property, which is used by such spouse or owner as a dwelling at any time, shall be deemed to be the occupier thereof;
- (b) where both spouses reside on immovable property and one of them is an occupier thereof, the other shall also be deemed an occupier;

'indigent debtor' means the head of an indigent household, inclusive of destitute indigent, being old age pensioner, the unemployed and households with a total monthly income as determined in this policy:

- (a) who applies for the provision of service from the municipality, and
- (b) who makes application for indigent support in terms of this Policy,
- (c) who shall be regarded as the representative of all members of his/her household.
- (d) Which indigent household members shall not own any other fixed property other than the property for which application is made, which premises has access to municipal to municipal services.

'indigent register' means the Microsoft Access database, which has to be updated on a monthly basis, designed to contain all the inputted data contained within completed indigent application forms which contains the following key information:

- Indigent customer details
- Socio-economic details
- Skills details

In addition the indigent register is able to provide reports relating to, but not limited to the following:

- Indigent application exceptions
- Skills reporting required for LED/exit strategy
- Socio economic reporting

'owner', in relation to immovable property, means -

- (a) the person in whom is vested the legal title thereto provided that -
  - (i) the lessee of immovable property which is leased for a period of not less than fifty years, whether the lease is registered or not, shall be deemed to be the owner thereof; and
  - (ii) the occupier of immovable property occupied in terms of servitude or right analogous thereto shall be deemed the owner thereof;
- (b) if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
- (c) if the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
- (d) if the municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;

'premises' includes any piece of land, the external surface boundaries of which are delineated on -

- (a) a general plan or diagram registered in terms of the Land Survey Act, 1997 (Act No. 8 of 1997) or in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937);
- (b) a general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and situated within the jurisdiction of the municipality;

'rates' means any tax, duty or levy imposed on property by the Council;

"Poverty" is defined with reference to a poverty line i.e if a household earns gross income lower than the set amount that a household and its members are deemed to be living in poverty.

"Municipal Manager" means the municipal manager of Lukhanji municipality or his/her nominee acting in terms of power delegated to him/her by the said municipal manager with the concurrence of the council.

## INTRODUCTION

As a developmental institution, the municipality needs to commit to supporting measures that assist and empower its community. It is accepted that large sections of the community cannot exist without intervention and it is therefore the duty of the municipality to support and to ensure that citizens are able to access their constitutional right to have access to a basic level of services.

The municipality must therefore at all times strive to fulfill the constitutional objectives as contemplated in Section 152 of the Constitution and to meet the criteria for a credible indigent policy as laid down in the Credible Indigent Policy Assessment Framework, 2008, provided by the Department of Local Government.

The successful implementation of this policy depends totally on affordability and the social analysis of the area as should be included in the municipality's IDP. With regard to affordability the foundation is laid in section 74 of the Municipal Systems Act, 2000, which stipulates that poor households must have access to basic services through tariffs that cover only the operating and maintenance costs.

The municipality therefore adopts an indigent support policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of service charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from indigence.

## 1. POLICY PRINCIPLES

In recognition of the abovementioned National Framework the municipality undertakes to promote the following principles:

- 1.1 To ensure that the Equitable Share received annually will be utilised for the benefit of the poor only and not to subsidize rates and services charges of those who can afford to pay;
- 1.2 To link this policy with the municipality's IDP, local economic development (LED) initiatives and poverty alleviation programmes;
- 1.3 To promote an integrated approach to free basic service delivery; and
- 1.4 To engage the community in the development and implementation of this policy;

## 2. POLICY OBJECTIVES

In support of the above principles the objective of this policy will be to ensure the following:

- 2.1 The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
- 2.2 The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation;
- 2.3 Establishment of a framework for the identification and management of indigent households including a socio-economic analysis and an exit strategy;
- 2.4 The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households;
- 2.5 To ensure co-operative governance with other spheres of government; and
- 2.6 To enhance the institutional and financial capacity of the municipality to implement the policy.

## 3. THE LEGISLATIVE FRAMEWORK

This policy is designed and implemented within the framework of the following legislation:

- The Constitution of the RSA, 1996;
- The Municipal Systems Act, 2000 (Act 32 of 2000);
- The Municipal Finance Management Act, 2003 (Act 56 of 2003);
- The Promotion of Administrative Justice Act, 2000 (Act 3 of 2000);
- The Promotion of Access to Information Act, 2000 (Act 2 of 2000);
- The Property Rates Act, 2004 (Act 6 of 2004).

## 4. QUALIFICATION CRITERIA

Qualification criteria for indigent support shall be determined by the municipality from time to time, provided that until the municipality determines otherwise, the following criteria shall apply:

- 4.1 The applicant must be a resident of the municipality.
- 4.2 The applicant must be in possession of a valid South African identity document.
- 4.3 The combined or joint gross income of all occupants or dependants in a single household which receives services from the municipality may not exceed the thresholds determined by the municipality annually during consideration of the budget for the next financial year. The guideline relating to the household income threshold is an income of not less than two state pensions per month.
- 4.4 The applicant must be the owner who receives municipal services and is registered as an account holder on the municipal financial system; provided that the requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered nor in rural areas where no accounts are rendered.
- 4.5 Any occupant or resident of the single household referred to above may not own any property in addition to the property in respect of which indigent support is provided.
- 4.6 The account of a deceased estate may be subsidised if the surviving spouse or dependants of the deceased who occupy the property, applies for assistance.

5. TARGETING OF INDIGENT HOUSEHOLDS

The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the municipality. The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households.

Against the background of such socio-economic analysis, the municipality must within its financial and institutional capacity decide which targeting approach or option should be applied.

Depending on capacity the municipality may apply any or a combination of the following targeting methods:

Targeting approach	Application
1. Service levels	Lowest service levels normally in informal settlements and rural areas.
2. Service consumption	Metered services in urban and rural areas.
3. Property value	Applicable only to registered indigents in respect of subsidised or RDP housing to a value determined in addition to the R15000 in terms of the Property Rates Act, 2004.
4. Household income	Threshold determined in terms of socio-economic



	analysis.
5. Geographical (Zonal) targeting	within the Lukhanji area.

## 6. EXTENT OF INDIGENT SUPPORT

The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

Within the abovementioned budgetary process, and in striving to create a situation where poor households will be granted access to a full social package, the following assistance and support may be granted:

### 6.1 Electricity

Each registered indigent household shall receive electricity to a maximum of 50 kWh per month. This subsidy may also apply to registered indigent households in rural areas where the municipality is the electricity supplier while agreements with Eskom, where the latter is the supplier, may be negotiated to support such households.

### 6.2 Refuse removal

Each registered indigent household shall be fully subsidised for refuse removal as provided for in the annual budget.

### 6.3 Property Rates

Each registered indigent household shall be subsidised for property rates as provided for in the annual budget and subject to the provisions of the Municipal Property Rates Act, 2006.

### 6.4 Transfer of properties

In the event of the death of the title holder of a property in an indigent household, the municipality may enter into agreements with local attorneys, the Legal Aid Board or the provincial law society for the administration of the estate and the transfer of the property into the name of the successor at the lowest possible cost. Opening of accounts outside the normal process can only be done after a period of 2 years.

### 6.6 Basic Energy/Alternative Energy

Indigent households in informal settlements where limited or no electricity is available, are provided with alternative energy sources, which currently limited to: fire gel, provided that procurement of service providers or services shall be subject to the Supply Chain Management

regulations of the municipality and that the support given does not exceed amount paid for 50kwh for that particular month.

## 7. INDIGENT HOUSEHOLDS IN RETIREMENT CENTRES AND OLD AGE HOMES

Indigent consumers living in retirement centres or old age homes shall be eligible to qualify for assistance and support in terms of this policy, subject to the following rules and procedures:

- 7.1 The onus will be on the unit owner to apply to the municipality for indigent status to be granted in respect property rates and related charges.
- 7.3 The representative will submit applications to the Chief Financial Officer.
- 7.4 The FBS Co-ordinator must verify all applications and he or she must notify:
  - 7.4.1 The unit owner whether an application was successful or not, with regard to the property rates and other related charges.
  - 7.4.2 The Chief Financial Officer will credit the monthly municipal account :-
  - 7.4.3. General rates and refuse charges account of the unit owner with the full amount charged.

## 8. ASSISTANCE PROCEDURES

### 8.1 Communication

The municipality must develop a communication strategy in terms of which communities will be informed and educated in order to have a clear understanding of this policy and its implementation. Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general and methods of communication may include, but will not be limited to:

- 8.1.1 Ward Committees;
- 8.1.2 Traditional Leaders, where applicable;
- 8.1.3 Community Development Workers[CDWs]
- 8.1.4 Community Based Organisations;[NGOs]
- 8.1.5 Local radio stations and news papers;
- 8.1.6 Municipal accounts;
- 8.1.7 Imbizo's and road shows; and

8.1.8 Jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc.

## 8.2 Institutional arrangements

The municipality must designate existing staff or appoint officials, or engage properly Community Development Workers who have been trained in terms of the municipality's directions to assist with the implementation and development of this policy and must establish appropriate registration points in its area.

## 8.3 Application/Registration

A person applying for indigent support must complete a formal indigent support application form approved by the municipality. Such forms will be available at approved registration points provided by the municipality and shall be dealt with in terms of the Procedures Manual.

## 8.4 Assessment & Screening of Applicants

Upon registration of an application, all information must be verified by the FBS Co-ordinator / Indigent Steering Committee.

## 8.5 Recommendation

Once the verification has been completed the Indigent Management System must generate a recommendation based on the information captured in the database. Those applications that qualify for Indigent support in accordance with the system are going to be referred to the Indigent Steering Committee [ISC] for approval.

The outcome of the process must be communicated to all customers and council at large.

## 8.6 Right of appeal

An applicant who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal to the Municipal Manager of the municipality within 10 days from the date on which the decision was communicated to the applicant.

## 9. PROCESS MANAGEMENT

### 9.1 Applications

With the exception of Property and Zonal Targeting the indigent application form should be completed in full and then captured onto the relevant indigent register and accounting system.

### 9.2 Validity period

The validity period of assistance will be for the duration that the applicant remains indigent. Households, in terms of the audit and review process, will be subjected to scrutiny to determine

any change in status. Households may have to periodically re-apply, but this would be determined by the municipality from time to time.

### 9.3 Death of Registered Applicant

In the event that the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met.

### 9.4 Publication of Register of Indigent Households

Names of indigent beneficiaries must be open for public perusal and comment.

Written objections from the public must be referred to the **FBS Co-ordinator** who will be responsible for investigating the validity of the complaint and referral to the Indigent Committee for appropriate action.

### 9.5 Arrears and excess usage of allocations

9.5.1 Upon registration as an indigent household, the arrears on the account of the applicant will be kept pending for a period of at least six months after which it may be written off.

9.5.2 No interest may be calculated on the arrears.

9.5.3 If the applicant exits from the indigent support programme within the six months period in arrears will be re-introduced in the account and will be subject to the credit control and debt collection policy of the municipality;

### 9.6 Termination of Indigent Support

Indigent Support will be terminated under the following circumstances:

9.6.1 Upon death of the account-holder or the head of the household where no accounts are rendered.

9.6.2 At the end of the 12 months cycle.

9.6.3 Upon sale of the property in respect of which support is granted.

9.6.4 When circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded..

9.6.5 If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:

9.6.5.1 All arrears will become payable immediately;

9.6.5.2 Stringent credit control measures will apply; and

9.6.5.3 The applicant will not be eligible to apply for indigent support for a period of 2 years.

### 9.7 Audit and review

The municipality may conduct regular audits of the indigent register with regard to the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of applicants. The frequency of such audits will depend on the institutional capacity of the municipality to do so. It is proposed that at least monthly targeted audits and reviews are undertaken, with a complete review scheduled annually.

## 9.8 Exit Programme

Members of households registered as indigent must be prepared to participate in exit programmes coordinated by the municipality in collaboration with other government departments and the private sector.

As part of its broader poverty reduction programme the municipality undertakes to provide for the participation and accommodation of indigent persons in its local economic development (LED) initiatives and in the implementation of integrated development programmes where possible.

The municipality must promote exit from indigence by -

- 9.8.1 identifying indigents for inclusion in public works projects;
- 9.8.2 initiating local job creation projects such as cleansing operations, small infrastructure projects, etc;
- 9.8.3 facilitation of opportunities to enter the informal trade market;
- 9.8.4 facilitation of food security projects; and
- 9.8.5 liaison with National and Provincial departments to include indigent persons in their public works programmes.

## 10. MONITORING AND REPORTING

10.1 The Chief Financial Officer must report monthly to the Municipal Manager via the municipality's Service Delivery and Budget Implementation Plan to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:

- 10.1.1 Number of indigent households applications received;
- 10.1.2 Amount of subsidy allocated per benefit category;
- 10.1.3 Amount of debt accumulating and debt recovery information (number of customers; enquires; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
- 10.1.4 Performance against targets set in respect of indigent support and poverty relief and in particular with regard to the following:
  - 10.1.4.1 Number of applications for indigent support dealt with;
  - 10.1.4.2 Time taken to process and finalise applications;
  - 10.1.4.3 Site visits undertaken;
  - 10.1.4.4 Awareness initiatives; and
  - 10.1.4.5 Exit initiatives.
- 10.1.5 Changes in the registered status of indigents.

11. **CAPACITY BUILDING**

11.1 The municipality must ensure that all officials and councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:

- Database management
- Demand and revenue management
- Policy and by-law implementation

12. **EFFECTIVE DATE**

The policy shall come to effect upon approval by Council.

13. **POLICY ADOPTION**

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:

ITEM Approval Date:

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Cllr N Makanda  
Executive Mayor

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S Nkonki  
Acting Municipal Manager

**FINAL REVIEWED SUPPLY CHAIN  
MANAGEMENT POLICY**



LUKHANJI LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY

*Reviewed by N Ntshanga*  
*Chief Financial Officer*  
*Tel: 045 807 2002*



**REVISED MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY**  
**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

Council resolves in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the under-mentioned revised policy as the Supply Chain Management Policy of the Lukhanji Local Municipality.

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**1. Definitions**

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;

**"All applicable taxes"** includes value-added tax, pay as you earn, income tax, skills development levies and unemployment insurance fund contributions;

**"B-BBEE"** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**"B-BBEE status level of contributor"** means the B-BBEE status received by a measured entity based

on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment;

“Bid” means a written offer in a prescribed or stipulated form in response to an invitation to bid issued by the Lukhanji Local Municipality for the procurement of goods, services or works through price quotations, advertised competitive bidding processes, limited bids or proposals or for the disposal of assets and “tender” has a corresponding meaning;

“Bid Committees” means the committees established in terms of this policy to prepare bid specifications, bid documentation, evaluate responsive bids and, where so authorized, to adjudicate responsive bids and any reference in section 117 of the Municipal Finance Management Act to municipal tender committees shall be construed as a reference to the aforesaid committees;

“Bid documentation” means all documentation relating to or necessary in order to complete a procurement or disposal including but not limited to such specification, bidding, certification and contractual documentation as may be prescribed by National Treasury or the Construction Industry Development Board, as the case may be, for municipal supply chain management purposes and the implementation of this policy;

“Bidder” means any person who submits a bid or quotation to the Lukhanji Local Municipality in response to an invitation to bid or quote and includes a “tenderer”;

“Bid rigging” means a prohibited collusive bidding practice in terms of which bidders that would normally be expected to compete in a procurement process either singularly or by association with other persons or firms in a horizontal relationship, secretly conspire to raise prices or lower the quality of goods and/or services or agree not to compete against each other in such process;

“Black people” is a generic term which means Africans, Coloureds and Indians;

“Broad-Based Black Economic Empowerment Act” means the Broad-Based Black Economic Empowerment Act No. 53 of 2003;

“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;

“CIDB” means the Construction Industry Development Board;

“CIDB regulations” means any regulations issued in terms of the Construction Industry Development Board Act No. 38 of 2000;

“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;

“Comparative price” means the price after the factors of a non-firm price and all unconditional discounts that can be utilized, have been taken into consideration;

"Competitive bidding process" means a transparent procurement method in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope, specifications, terms and conditions of the proposed contract as well as the criteria by which responsive bids received will be evaluated;

"Competitive bid" means a bid in terms of a competitive bidding process;

"Consortium or joint venture" means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;

"Construction works" or "works" means the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure;

"Contractor" means a person or body of persons who undertakes to execute and complete procured construction works for or on behalf of the Lukhanji Local Municipality;

"Contract" means the agreement that results from the acceptance of a bid by the Lukhanji Local Municipality in accordance with this 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;

"Delegating authority" means the council, a duly authorized political structure or office bearer thereof, the Accounting Officer or other employee to whom original powers are assigned in terms of legislation and, in relation to a sub-delegation of a power, that delegated body;

"Delegation" means the issuing of a written authorization by a delegating authority to a delegated body to act in his stead and, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty and "delegate" and sub-delegate has a corresponding meaning;

"Delegated body" in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

"Designated Official" means the official of the Lukhanji Local Municipality to whom the accounting officer or the chief financial officer, as the case may be, have, in accordance with sections 79 and 82 of the Municipal Finance Management Act No. 56 of 2003 delegated or sub-delegated powers, functions and duties in connection with the application and implementation of this policy provided that a sub-delegation by the chief financial officer to an official that has not been allocated to him by the accounting officer or to a person contracted by the Lukhanji Local Municipality for the work of its budget and treasury office may only be so authorized with the concurrence of the accounting officer and provided further that the said chief financial officer is satisfied that effective systems and procedures are in place to ensure

control and accountability by the person concerned;

"Designated sector" means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;

"Disposal" means a process of preparing, negotiating and concluding a written contract relating to the alienation or a capital asset whether movable or immovable owned by or under the control of the Lukhanji Local Municipality or rights in respect thereof, by means of a sale, lease, donation or cession and "dispose of" has a similar meaning;

"Final award" in relation to bids or quotations submitted for a contract, means the final decision on which a bid or quote was accepted;

"Firm price" means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which, in terms of any applicable law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies or the rendering costs of any service, for the execution of a contract;

"Formal written price quotations" means quotations referred to in paragraph 12 (1) (c) of this policy;

"Functionality" means the measurement according to predetermined norms, as set out in the bid specification, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder;

"Fronting" means a deliberate circumvention or attempted circumvention of the "Broad-Based Black Economic Empowerment Act and the Codes of Good Practice;

"Head of Department" means a senior manager as defined in the Municipal Finance Management Act and who is responsible for a vote as assigned by the accounting officer;

"Imported content" means that portion of the bid or tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub-contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry;

"In the service of the state" means to be -

- (a) A member of -
  - (i) any municipal council;
  - (ii) any provincial legislature; or

- (iii) the National Assembly or the National Council of Provinces;
- (b) A member of the board of directors of any municipal entity;
- (c) An official of any Lukhanji Local Municipality or municipal entity;
- (d) An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Act and the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- (e) A member of the accounting authority of any national or provincial public entity; or
- (f) An employee of Parliament or a provincial legislature;

"Line manager" means a manager reporting directly to a senior manager and who is responsible for a cost centre as assigned by the relevant senior manager;

"Local content" means that portion of the bid or tender price which is not included in the imported content, provided that local manufacture does take place;

"Long term contract" means a contract with a duration period exceeding one year;

"List of accredited prospective providers" means the list of accredited prospective providers which the Lukhanji Local Municipality must keep in terms of paragraph 15 of this policy;

"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;

"Non-firm prices" means all prices other than "firm" prices;

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

- (a) the Preferential Procurement Policy Framework Act No. 5 of 2000;



- (b) the Broad-Based Black Economic Empowerment Act No. 53 of 2003;
- (c) the Construction Industry Development Board Act No. 38 of 2000;
- (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;
- (h) the Competition Act No. 89 of 1998;
- (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;

"Petty cash" means a relatively small amount of cash kept at hand for making immediate payment for miscellaneous small expenses incurred by the Lukhanji Local Municipality.

"Preferential Procurement Regulations" means the Preferential Procurement Regulations, 2011 contained in Government Notice R 502 of 8 June 2011 promulgated in Government Gazette No. 34350 of this date;

"Procurement" means the processes leading to the negotiation and conclusion of contracts whether in writing or verbally for the acquisition of goods, services or construction works or any combination thereof or the disposal of assets whether movable or immovable or any rights in such assets by means of purchase, sale, lease or donation and includes the preparation of all associated bid and contractual documentation and "procured" or "procuring" has a similar meaning;

"Quotation" means a stated price that a supplier expects to receive for the provision of specified services, goods or works;

"Responsive bid" means a bid that complies in all material aspects with the requirements set out in or contained in an invitation to bid including the applicable specification;

"Small enterprise" means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule to the National Small Business Act No. 102 of 1996 which is contained in Annexure B to this policy and classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the said schedule;

"Stipulated minimum threshold" means that portion of local production and content as determined by the Department of Trade and Industry from time to time;

"Sub-contract" means the primary contractor's assigning, leasing, making out work to, or employing,

another person to support such primary contractor in the execution of part of a project in terms of a contract;

"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;

"SANAS" means the South African National Accreditation System;

"Total revenue" bears the same meaning assigned to this expression in the Codes of Good Practice;

"Trust" means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

"Trustee" means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

"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;

"Verbal Quotations" means a verbal process of inviting quotations from an identified limited number of potential suppliers for the supply goods, services and/or works;

"Verification Certificate" means a B-BBEE certificate issued in compliance with the B-BBEE Codes of Good Practice and all Sector Codes issued in terms of Section 9(1) of the Broad-Based Black Economic Empowerment Act;

"Written quotations" means quotations referred to in paragraph 12 (1) (c) of this policy.

## CHAPTER 1 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

### 2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the Lukhanji Local Municipality must implement this policy in a way that -
  - (a) gives effect to Section 217 of the Constitution and Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) complies with the Regulations and any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

- (d) is consistent with other applicable legislation;
  - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and the conduct of business with the public sector.
- (2) This policy applies when the Lukhanji Local Municipality –
- (a) procures goods or services or undertakes construction works through a procurement process;
  - (b) disposes goods no longer needed;
  - (c) selects contractors to provide assistance with the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
  - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including, but not limited to -
- (a) water from the Department of Water Affairs or a public entity, another local municipality or a municipal entity; and
  - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.
- (4)** Notwithstanding anything to the contrary in this policy, the municipality shall not award a contract to a contractor in respect of the undertaking, carrying out or completion of any construction works or a portion thereof in terms of a competitive bidding or quotation process provided for in this policy unless such contractor is registered with the Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act No. 32 of 2000 and holds a valid registration certificate issued by such Board or is exempted from such registration either in terms of this Act or the “CIDB Regulations”.
- 3. Amendment and adoption of the supply chain management policy**
- (1) The accounting officer must at least annually review the implementation of this policy and, when necessary, submit proposals for the amendment thereof to the council through the Mayor acting in conjunction with the mayoral committee.
  - (2) If the accounting officer submits proposed amendments to this policy to the council, he must ensure that same comply with the Regulations and Treasury guideline standards determining

standards for municipal supply chain management policies.

- (3) The accounting officer must report any deviation from the Regulations and Treasury guideline standards determining standards for municipal supply chain management policies to the National and Provincial Treasuries.
- (4) When amending this policy, the need for uniformity in supply chain practices, procedures and forms between all spheres of organs of state particularly to promote accessibility of supply chain management systems for small businesses, must be taken into account.

#### 4. Delegation of supply chain management powers and duties

- (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable him -
  - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of -
    - (i) chapters 8 of the Act; and
    - (ii) this policy; and
  - (b) to maximize administrative and operational efficiency in the implementation of this policy; and
  - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this policy; and
  - (d) to comply with his responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- (3) The accounting officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.

#### 5. Sub-delegations

- (1) The accounting officer may, in terms of section 79 of the Act, sub-delegate any supply chain management powers and duties, including those vested in him in terms of legislation or delegated to him in terms of this policy or by resolution of the council, but any such sub-delegation must be consistent with subparagraph (2) and paragraph 4 of this policy.

- (2) The power to make a final award -
- (a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;
  - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated by the accounting officer but only to -
    - (i) the chief financial officer;
    - (ii) a senior manager; or
    - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member;
  - (c) not exceeding R2 million (VAT included) may be sub-delegated by the accounting officer but only to -
    - (i) the chief financial officer;
    - (ii) a senior manager;
    - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
    - (iv) a bid adjudication committee.
- (3) An official or bid adjudication committee to whom or which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must, within five days of the end of each month, submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including -
- (i) the amount of the award;
  - (ii) the name of the person to whom the award was made; and
  - (iii) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted-
- (a) to the accounting officer, in the case of an award by -
    - (i) the chief financial officer;
    - (ii) a senior manager; or
    - (iii) a bid adjudication committee of which the chief financial officer or a senior manager was a member;
  - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by -

- (i) a manager referred to in subparagraph (2)(c)(iii); or
  - (ii) a bid adjudication committee of which the chief financial officer or a senior manager was not a member.
- (5) Subparagraphs (3) and (4) do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 27 of this policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

## 6. Oversight role of the council

- (1) No councillor may be a member of a bid committee or any other committee evaluating or approving quotations or bids nor attend any meeting of such committees as an observer.
- (2) The council must maintain oversight over the implementation of this policy to ensure that the accounting officer implements all supply chain management activities in accordance therewith.
- (3) For the purposes of such oversight, the accounting officer must -
  - (a) within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council through its mayor;
  - (b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report thereon to the council through its mayor.
- (4) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of this policy to the mayor.
- (5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act.

## 7. Supply chain management unit

- (1) A supply chain management unit is hereby established to implement this policy.
- (2) Subject to subparagraph (3), the supply chain management unit shall operate under the direct supervision of the chief financial officer to whom this duty is hereby delegated by the accounting officer in terms of section 79 of the Act.
- (3) Where, due to operational reasons, the council appoints a senior manager to be responsible for the direct supervision of the supply chain unit referred to in subparagraph (1), the application and implementation of this policy and the municipality's supply chain management system, the

accounting officer shall, in terms of section 79 of the Act, delegate appropriate duties, functions and powers to such senior manager to enable him to perform his duties aforesaid and such senior manager shall be included in the definition of “designated official” in section 1 of this policy.

- (4) Where the council appoints a senior manager in terms of subparagraph (3) for the purposes stated therein, any reference to the chief financial officer in paragraph 5 (2) of this policy shall be construed as reference to the said designated official acting after consultation with the chief financial officer.

#### 8. Training of supply chain management officials

- (1) The Accounting Officer and all other officials involved in the implementation of the SCM Policies and Procedures Manual of LUKHANJI LOCAL MUNICIPALITY; must meet the prescribed competency levels as prescribed by National Treasury.
- (2) LUKHANJI LOCAL MUNICIPALITY must, for the above purposes, provide resources or opportunities for the training of officials referred, to meet the prescribed competency levels.
- (3) The National Treasury, or the Provincial Treasury, or any other appropriate accredited body, may be requested to assist LUKHANJI LOCAL MUNICIPALITY in the training of such officials.
- (4) The training of officials involved in implementing this SCM Policies and Procedures Manual, should be in accordance with any guidelines on SCM training as issued by Treasury.

It is the responsibility of the Head of SCM Unit to ensure that SCM officials are adequately developed and capacitated. CHAPTER 2

#### SUPPLY CHAIN MANAGEMENT SYSTEM

#### 9. Format of supply chain management system

This policy provides systems for -

- (i) Demand management;
- (ii) Acquisition management;
- (iii) Logistics management;
- (iv) Disposal management;
- (v) Risk management; and
- (vi) Performance management.

#### Part 1: Demand management

#### 10. System of demand management

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality supports its operational commitments and its strategic goals as outlined in the municipality’s Integrated Development Plan.

- (2) The demand management system must -
- (a) include timely planning and management processes to ensure that all goods, services and works required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates and are of the appropriate quality and quantity procured at a fair cost;
  - (b) take into account any benefits of economies of scale that may be derived in the case of procurements of a repetitive nature;
  - (c) provide for the compilation of the required specifications to ensure that municipal needs are met;
  - (d) allow for the undertaking of appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
  - (e) Demand management must translate the annual plan (SDBIP) and multi-year business plan (IDP) of Lukhanji Local Municipality into current and future needs. The process should consider the following as a minimum:
    - i) Understanding of the current and future needs;
    - ii) Ensuring that the need forms part of the IDP of the municipality;
    - iii) Consideration of the optimum method to satisfy the need e.g. possibility of procuring goods and services using transversal or ad hoc contracts;
    - v) Consideration of an analysis of previous expenditure in order to determine the manner in which the particular need was fulfilled in the past;
    - v) Indication of the frequency of the specified requirement;
    - vi) Assessment of available assets;
    - vii) Determination of the economic order quantity;
    - viii) Identification of lead and delivery times and;
    - ix) Planning for publication;
  - f) The demand management function is a cross functional exercise which necessitates end users involvement in SCM activities and this shall be performed by a Cross Functional Sourcing Team (CFST) that consists of individuals having the relevant expertise. The CFST composition shall be as follows:
    - i) Head of Supply Chain
    - ii) Financial/budget manager
    - iii) Demand Management Specialist/ delegated official(s)
    - v) Relevant end-users from Clusters
- g) The Head of SCM Unit is responsible for the appointment of the CFST(3)                      The accounting officer must, prior to issuing an invitation to bid-
- (a) properly plan for, and, as far as possible, accurately estimate the costs for the provision of goods, services and/or works for which an invitation to bid is to be issued;
  - (b) determine the appropriate preference point system to be utilized in the evaluation and adjudication of bids to be received in response to the contemplated invitation to bid; and



- (c) determine whether the goods, services and/or works for which an invitation to bid is to be issued has been designated for local production and content in terms of section 9 of the Preferential Procurement Regulations and paragraph 29(5) of this policy.
- (4) The accounting officer must indicate in an invitation to submit a bid and in the applicable bid specification or terms of reference-
- (a) that such bid will be evaluated on functionality and, in such event, the following shall be clearly stated:
    - (i) the evaluation criteria for measuring functionality which criteria must be objective;
    - (ii) the weight of each criterion which should not be generic but be determined separately for each bid on a case by case basis;
    - (iii) the applicable values that will be utilized when scoring each criterion which values must be objective;
    - (iv) the minimum qualifying score for functionality in order to enable the bid concerned to be further evaluated in terms of this policy provided that the aforesaid qualifying score:
      - (a) should not be generic but be determined separately for each bid on a case by case basis; and
      - (b) should not be prescribed so low that it may jeopardize the quality of the service or works required nor be so high that it may be restrictive to the extent that it jeopardizes the fairness of the supply chain management system;
  - (b) the fact that no bid will be regarded as an acceptable bid if the bidder or the goods, services and/or works to be procured, as the case may be, fails to achieve the minimum qualifying score for functionality as indicated in the invitation to bid and the relevant bid specification or terms of reference; and
  - (c) that bids that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in paragraphs 29(3) and 29(4) of this policy.
- (5) Any system designed in terms of this paragraph shall take cognizance of the provisions of this policy.

## Part 2: Acquisition management

### 11. System of acquisition management

- (1) The accounting officer of Lukhanji Local Municipality must implement an efficient system of acquisition management in order to ensure -
  - (a) that goods, services and works are procured by the municipality in accordance with authorized processes only;
  - (b) that expenditure on goods, services and works is incurred in terms of an approved budget in terms of section 15 of the Act;
  - (c) that the threshold values for the different procurement processes are complied with;
  - (d) that bid documentation, evaluation and adjudication criteria and the general conditions of a contract, are in accordance with any applicable legislation; and
  - (e) that any Treasury guidelines on acquisition management are properly taken into account.
  - (f) Lukhanji Local Municipality avoids incurring unauthorised, irregular, fruitless and wasteful expenditure.
- (2) When procuring goods or services from an organ of state as contemplated in section 110 (2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -
  - (a) the kind of goods or services; and
  - (b) the name of the supplier.

## 12. Range of procurement processes

- (1) Goods and services may only be procured by way of -
  - (a) petty cash purchases up to a transaction value of R2000,00 (VAT included) at such locations as may be determined by the accounting officer;
  - (c) formal written quotations for procurements of a transaction value over R5,000 up to R30,000 (VAT included);
  - (d) formal written price quotations for procurements of a transaction value over R30,000 up to R200,000 provided that, in addition to an other relevant requirements contained in this policy, procurement invitations shall be advertised for at least seven days on the website and an official notice board of the municipality;
  - (e) a competitive bidding process for -
    - (i) procurements above a transaction value of R200 000 (VAT included); and
    - (ii) the procurement of long term contracts.

- (2) The following exceptions may be permitted but must only be approved by the Accounting Officer in writing:
- (a) lower but not increase, the different threshold values specified in subparagraph (1) above; or
  - (b) direct that written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000;
  - (c) direct that formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
  - (d) direct that a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (3) Procurement invitations may not deliberately be split into parts or items of a lesser value than the threshold amounts referred to in subparagraph (1) merely to avoid compliance with the requirements of this policy or any applicable legislation. When determining transaction values, a requirement for goods, services or works consisting of different parts or items must, as far as possible, be treated and dealt with as a single transaction.

### 13. Special categories of bidders and suppliers

In order to promote B-BBEE and comply with applicable legislation including the Codes of Good Practice, this policy recognizes the following special categories of bidders and suppliers:

#### 13.1 Exempted Micro-Enterprise

- (a) An exempted Micro-Enterprise (EME) is an entity with an annual turnover of R5 million or less provided that this amount may be reduced in accordance with sector charter thresholds for specific sectors or industries.
- (b) The current thresholds for the Tourism and Construction Sector charters are R2.5 million and R1.5 million respectively.
- (c) Exempted Micro-Enterprises are deemed to possess a B-BBEE Status of "Level Four Contributor", having a B-BBEE procurement recognition of 100%.
- (d) An Exempted Micro-Enterprise qualifies for a promotion to a B-BBEE Status of "Level Three Contributor" having a B-BBEE procurement recognition of 110% if it is more than 50% owned by black people or by black women.
- (e) Exempted Micro-Enterprises are allowed to be measured in terms of the QSE scorecard

contained in the applicable code of good practice in the event of them wishing to maximize their points and move to the next procurement recognition level.

- (f) Sufficient evidence of qualification as an Exempted Micro-Enterprise is an auditor's certificate or similar certificate issued by an accounting officer of a closed corporation or a verification agency accredited by SANAS.

### 13.2 Qualifying Small Enterprise

- (a) Any enterprise with an annual Total Revenue of between R5 million and R35 million qualifies as a Qualifying Small Enterprise.
- (b) Enterprises claiming qualifying small enterprise status must include in any bid submitted to the municipality, an original and valid B-BBEE status level certificate or a certified copy thereof, substantiating their B-BBEE rating. This certificate must be issued by a verification agency accredited by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

### 13.3 Start-up enterprises

- (a) Start-up enterprises must be measured as Exempted Micro-Enterprises for the first year following their formation or incorporation. This provision applies regardless of the expected total revenue of the start-up enterprise.
- (b) Start-up Enterprises are deemed to have a "B-BBEE Status of Level Four Contributor".
- (c) In order to qualify as a Start-up Enterprise, the enterprise must provide an independent confirmation of its status.
- (d) Despite subparagraphs (a) and (b), Start-up Enterprises must submit a QSE Scorecard when tendering for any contract or seeking any other business with a value higher than R5 million but less than R35 million. For contracts above R35 million, they should submit the generic scorecard. The preparation of such scorecards must use annualized data.
- (e) The accounting officer shall reserve the right to require a Start-up Enterprise referred to in subparagraph (d) to submit a verification certificate issued by either a verification agency approved by SANAS or a Registered Auditor approved by the Independent Regulatory Board of Auditors.

## 14. General preconditions for consideration of written quotations or bids

The SCM Unit shall be solely responsible for sourcing quotations from prospective providers who are registered on the database of accredited prospective providers, in the relevant category and region.

- (1) A written quotation or bid may not be considered unless the bidder who submitted the quotation or bid concerned -

- (a) has furnished his -
    - (i) full name or names including trading name;
    - (ii) identification number or company or other registration number;
    - (iii) tax reference number and VAT registration number, if any;
  - (b) has provided the municipality with an original valid tax clearance certificate from the South African Revenue Services stating that his tax matters are in order;
  - (c) has, where applicable, provided the municipality with a clearance certificate from the Construction Industry Development Board to the effect that he holds a valid registration certificate issued by the Board;
  - (d) has provided the municipality with a "Certificate of Independent Bid Determination" on Form MBD 9 or a similar form;
  - (e) has provided a certificate issued by the municipality or any other municipality to which he may be indebted to the effect that he and, in the event of the bidder being a company, also any of its directors, is not indebted to the municipality or to any other municipality or municipal entity for rates, taxes and/or municipal service charges which are in arrear for a period of more than three months and that no dispute exists between such bidder and municipality or municipal entity concerned in respect of any such arrear amounts;
  - (f) has submitted an affidavit certifying -
    - (i) that he is not in the service of the state or has been in the service of the state in the previous twelve months;
    - (ii) that, in the event of the bidder not being a natural person, none of its directors, managers, principal shareholders or stakeholders are in the service of the state nor have they been in the service of the state in the previous twelve months;
    - (iii) that neither his spouse, child or parent nor a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state or has been in the service of the state in the previous twelve months;
    - (iv) that he is not an advisor or consultant contracted by the municipality to advise it on the procurement under consideration;
- (2) This paragraph must be read in conjunction with paragraph 22 of this policy.
15. Lists of accredited prospective providers
- (1) The accounting officer must -

- (a) keep a list of accredited prospective providers of goods and services that must be used for procurements through written or verbal quotations and formal written price quotations; and
  - (b) at least once a year through newspapers commonly circulating locally, the municipal website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
  - (c) specify the listing criteria for accredited prospective providers; and
  - (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The aforesaid list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The aforesaid list must also be compiled per commodity and per type of service.

#### 16. Petty cash purchases

- (a) Petty cash purchases may only be made in accordance with the Petty Cash policy of the municipality. The conditions for the procurement of goods by means of petty cash purchases should be according to paragraph 12(1) (a) of this policy.
- (b) The accounting officer may delegate responsibility for the management of petty cash to an official directly or indirectly reporting to the chief financial officer.
- (c) No item that is an approved stores item may be purchased by means of a petty cash transaction.
- (d) Petty cash should not be used to purchase the following items: fuel, payroll related expenses and other expenses which can and should have been planned in advance for bulk purchases.
- (e) No fixed asset regardless of value may be purchased through petty cash.
- (f) The council must, from time to time, determine the maximum amount of the permissible petty cash expenditure per month;
- (g) A monthly reconciliation report must be provided to the chief financial officer within five days of the end of each month by the official authorized to make petty cash purchases and such report shall contain particulars of each final award made by such official during that month, including:
  - (i) the total amount of petty cash purchases for that month; and
  - (ii) receipts and supporting documents for each purchase.

#### 17. Written or verbal price quotations

The conditions for the procurement of goods or services through written or verbal quotations are as follows:

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not so listed, such providers must meet the listing criteria determined by the accounting officer in terms of paragraph 15(1)(c) of this policy;
- (b) To the extent feasible, providers must be requested to submit such quotations in writing;
- (c) If it is not possible to obtain at least three quotations, the reasons for such inability must be recorded on the invitation to submit quotations and reported quarterly to the chief financial officer;
- (d) The designated officer must record the names of the potential providers requested to provide quotations with their quoted prices; and
- (e) If a quotation was submitted verbally, the order may be placed only against written confirmation of the price and conditions of supply from the selected provider within the period stipulated in the invitation to submit quotations.
- (f) An amendment of a quoted price during the original validity period is not allowed.

#### **18. Formal written price quotations**

The conditions for the procurement of goods or services through formal written price quotations, are as follows:

- (a) Quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) In the event of it not being possible to obtain quotations from at least three different providers whose names appear on the list of accredited prospective providers of the municipality, quotations may be obtained from providers who are not so listed, provided that such providers meet the listing criteria determined by the accounting officer in terms of paragraph 15(1)(c) of this policy and, provided further, that the reasons for obtaining such quotations from the providers concerned must be recorded on the invitation to submit quotations and be approved by the chief financial officer.

#### **19. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:

- (a) When using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
  - (b) All requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website of and on the official notice board of the municipality;
  - (c) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;
  - (d) Offers below R30 000 (all taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price; provided that the accounting officer may direct, in appropriate cases, that the applicable provisions of the Preferential Procurement Regulations be applied in respect of the calculation of preference points for price;
  - (e) Offers above R30 000 (all applicable taxes included) must be awarded based on compliance with specifications, conditions of contract, ability, capacity and capability to deliver the required goods and/or services and lowest price provided that the accounting officer may direct, in appropriate cases, that the applicable provisions of the Preferential Procurement Regulations be applied in respect of the calculation of preference points for price;
  - (f) Prior to the award of a contract with a price in excess of R10 000, the designated official must verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector;
  - (g) A call for quotations in terms of the preceding paragraphs must be in writing and contain a specification for the goods and/or services to be procured as well as details of the preference points system to be used in adjudicating quotations;
  - (h) The designated official must, in writing, notify the chief financial officer within 3 days after the end of each month of all written, verbal and formal written price quotations accepted or approvals given in terms of this paragraph;
  - (i) The chief financial officer must ensure that adequate systems are in place to meet the requirements for proper record keeping;
  - (j) The procurement contract must be awarded to the bidder who scored the highest points in accordance with the stipulated preference points system.
20. **Competitive bidding process**
- (1) Subject to paragraph 11 (2) of this policy, goods, services or works above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive



bidding process.

- (2) Subject to subparagraph (3), no requirement for goods or services above an estimated transaction value of R200 000 (VAT included) may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
- (3) The accounting officer may split unduly large quantities of work into smaller contracts (units) to promote manageability and provide opportunities for emerging entrepreneurs. This procedure may only be followed when technically, logistically and financially feasible.
- (4) A senior manager responsible for a vote must submit the under-mentioned information to the chief financial officer prior to the publication of any public invitation of bids in respect of procurements estimated to exceed R10m (all taxes included):
  - (i) proof that budgetary provision exists for the procurement concerned;
  - (ii) details of any ancillary budgetary implications related to the bid concerned;
  - (iii) details of any multi-year budgetary implications associated with a project which will be undertaken over a period of more than one year as well as details of the anticipated expenditure per financial year.
- (5) A procurement referred to in subparagraph (4) may only be advertised for competitive bids after the chief financial officer has verified in writing that budgetary provisions exists to enable the relevant project to commence.
- (6) Procurement requirements referred to in subparagraph (4) may not be deliberately split into parts or items of lesser value merely to avoid the information being submitted.

## 21. Process for competitive bidding

The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 22;
- (b) Public invitation of bids as detailed in paragraph 23;
- (c) Site meetings or briefing sessions as detailed in paragraph 23;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 24;
- (e) Evaluation of bids as detailed in paragraph 32;
- (f) Award of contracts as detailed in paragraph 33;
- (g) Administration of contracts - after the award of a bid, the accounting officer and the bidder must enter into a written agreement.

- (h) Proper record keeping;
- (i) Original/legal copies of written contracts agreements should be kept in a secure place for reference and audit purposes.

## 22. Bid documentation for competitive bids

Bid documentation for a competitive bidding process must, in addition to compliance with the requirements listed in paragraph 14, comply with the following requirements:

- (a) Take into account -
  - (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation;
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction works;
  - (iv) relevant B-BBEE verification and certification requirements;
  - (v) relevant local content or production requirements.
- (b) Include the preference points system to be used in adjudicating bids, namely 80/20 or 90/10 as prescribed in the Preferential Procurement Regulations;
- (c) Compel bidders to declare, by means of an affidavit, any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) If the value of the transaction is expected to exceed R5 million (VAT included), require bidders to furnish -
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, his audited annual financial statements -
    - (a) for the past three years; or
    - (b) since establishment, if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that he has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contracts;
  - (iv) a statement indicating whether or not any portion of the goods or services required by the municipality are expected to be sourced from outside the Republic, and, if so, what

portion and also whether or not any portion of the payment to be made by the municipality is expected to be transferred out of the Republic; and

- (e) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

### 23. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids is as follows:

- (a) any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality and in any other appropriate manner (which may include an advertisement in the Government Tender Bulletin); and

- (b) the information contained in such public advertisement, must include -

- (i) subject to subparagraph 2, the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included) or which are of a long term nature or 14 days in any other case, reckoned from the date on which the advertisement is first placed in the aforesaid newspapers;

- (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and

- (iii) the date, time and venue of any compulsory site meeting or briefing session;

- (iv) a statement to the effect that a bid from a prospective bidder who did not attend a prescribed compulsory site meeting or briefing session referred to in subparagraph (iii) will not be considered.

- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or in any exceptional case where it is impractical or impossible to follow the official procurement process and such fact shall, for auditing purposes, be recorded in the authority to invite bids.

- (3) Bids submitted must be sealed and marked in a manner stipulated in the invitation to bid.

- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies which must reach the accounting officer before the closing time for the receipt of bids on the bid closing date as stipulated in the invitation to bid.

- (5) Where the municipality invites expressions of interest or bids for construction works with a value in excess of R30 000, it must publish such invitations on the website of the CIDB.

- (6) The municipality must also comply with the applicable provisions of the Standard for Uniformity in Construction Procurement contained in Board Notice No. 86 of 2010 issued by the Construction Industry Development Board insofar as such provisions relate to the invitation of bids.

#### 24. Procedure for handling, opening and recording of bids

The procedures for the handling, opening and recording of bids, are as follows:

- (a) Bids -
- (i) must be opened only in public;
  - (ii) must be opened at the same time and as soon as possible after the published closing time or period for the submission of bids; and
  - (iii) received after the published closing time or period should not be considered and be immediately returned to the bidder, unopened;
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids before the closing time or period be read out and, if practical, also each bidder's total bidding price;
- (c) No information, except the information referred to in subparagraph (b), relating to a bid should be disclosed to bidders or other persons until the successful bidder is notified of the award of the relevant bid; and
- (d) The designated official opening received bids must -
- (i) record in a register to be provided for this purposes, all bids received before the closing time or period for the submission of same and such register shall contain as least the following information in addition to such information as may be prescribed in terms of section 75 of the Act:
    - (a) the reference number of the bid concerned;
    - (b) the description of the relevant goods, services or works project to be procured;
    - (c) the names of all bidders;
    - (d) the B-BBEE status level of contribution of all bidders, where applicable;
    - (e) the local content percentages of the goods offered, where applicable; and
    - (f) where practical, the total price submitted by all bidders that submitted bids in relation to the relevant bid invitation;
  - (ii) make the aforesaid register available for public inspection during the normal office hours

of the municipality; and

- (iii) publish the entries in the aforesaid register on the website of the municipality within ten (10) working days from the date referred to in subparagraph (i) and ensure that such entries remain on the website for a period of at least thirty (30) days from date of publication.

**25. Negotiations with preferred bidders**

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
  - (a) does not allow any preferred bidder a second or unfair opportunity;
  - (b) is not to the detriment of any other bidder; and
  - (c) does not lead to a higher price than the bid as submitted; and
  - (d) will not be contrary to any legal requirement or amount to a prohibited practice.
- (2) Minutes of such negotiations must be kept for record and audit purposes.

**26. Two-stage bidding process**

- (1) A two-stage bidding process is permissible for -
  - (a) large complex projects;
  - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage, technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage, final technical proposals and priced bids should be invited.

**27. Committee system for competitive bids**

- (1) The accounting officer shall establish a procurement committee system for competitive bids consisting of at least the following committees:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee;
- (2) The accounting officer shall, in writing, appoint the members of each committee in respect of

each competitive bid invitation, taking into account the provisions of section 117 of the Act in terms of which no councillor may be a member of any such committee nor attend any of its meetings as an observer.

- (3) A neutral or independent observer, appointed by the accounting officer, may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with -
  - (a) paragraphs 28, 32 and 33 of this policy; and
  - (b) any other applicable legislation.
- (5) The accounting officer may, in appropriate cases and in his sole discretion, apply the committee system to formal written price quotations.

## 28. Bid specification committees

- (1) A bid specification committee must compile the specifications or, where applicable, the terms of reference for the procurement of goods, services or works by the municipality.
- (2) A bid specification committee must be composed of one or more officials of the municipality preferably the line manager responsible for the function concerned and may, when appropriate, include external specialist advisors.
- (3) No person, advisor or corporate entity involved with the bid specification committee or director of such a corporate entity may bid for any resulting contracts.
- (4) Where a bid specification or terms of reference are compiled with due regard to the findings and recommendations contained in a prior, associated feasibility study, the person, advisor or corporate entity who or which prepared the said feasibility study may be prohibited from bidding for the resulting contracts in circumstances where such person, advisor or corporate entity may or is likely to obtain an unfair advantage or where a conflict of interest may arise.
- (5) A specification or terms of reference referred to in this paragraph must be approved by the accounting officer in writing prior to publication of the invitation for bids in terms of paragraph 23.

## 29. Bid Specifications or Terms of Reference

### 29.1 General Requirements

Bid Specifications or terms of reference, as the case may be -

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services to the municipality;
- (b) must take account of any accepted standards such as those issued by Standards South

Africa, the International Standards Organization or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;

- (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

## 29.2 Functionality

Where functionality is utilized as an evaluation criterion, bid specifications or terms of reference, as the case may be, must clearly specify:

- (i) the evaluation criteria for measuring functionality which criteria must be objective, the weight of each criterion, the applicable values and the minimum qualifying score for functionality; and
- (ii) the fact that no bid will be regarded as an acceptable bid if it or the relevant bidder fails to achieve the minimum qualifying score for functionality as indicated in the bid specification or terms of reference concerned; and
- (iii) that bids or bidders that have achieved the minimum qualification score for functionality will be evaluated further in terms of the preference point systems referred to in subparagraphs 29.3 and 29.4 below.

## 29.3 80/20 Preference Points System

(3.1) Where applicable, bid documentation must include the following preference points evaluation system for the procurement of goods, services or works up to a Rand value of R1 000 000 (all applicable taxes included):

- (i) the following formula will be used to calculate the points for price in respect of bids (including price quotations) with a Rand value equal to, or above R 30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$P_s = 80 \left[ 1 - \frac{P_t - P_{\min}}{P_{\min}} \right]$$

Where:

- Ps = Points scored for comparative price of bid or offer under consideration;
- Pt = Comparative price of bid or offer under consideration; and
- Pmin = Comparative price of lowest acceptable bid or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following tables:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

Or

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	16
Less than 50%	4	12

- (iii) a maximum of 20 points may be allocated under subparagraph (ii);
- (iv) the points scored by a bidder in respect of B-BBEE contribution contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);
- (3.2) The B-BBEE status level attained by a bidder must be used to determine the number of points contemplated in subparagraph 3.1 (ii) above.
- (3.3) Bid documentation must also must provide that, in the event of all bids received exceeding the estimated Rand value of R1 000 000, the bid invitation will be cancelled, provided that if one or more of the acceptable bids received are within the aforesaid threshold of R1 000 000, all bids received will be evaluated in accordance with this preference point system.



29.4 90/10 Preference Points System

(4.1) Where applicable, bid documentation must include the following preference points evaluation system for the procurement of goods, services or works with a Rand value above R1 000 000 (all applicable taxes included):

- (i) the following formula will be used to calculate the points for price in respect of bids with a Rand value above R1 000 000 (all applicable taxes included):

$$Ps = 90 \left[ 1 - \frac{Pt - Pmin}{Pmin} \right]$$

Where:

Ps = Points scored for comparative price of bid or offer under consideration;

Pt = Comparative price of bid or offer under consideration; and

Pmin = Comparative price of lowest acceptable bid or offer.

- (ii) subject to subparagraph (iii), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the following tables:

R-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

Or

In respect of Exempted Micro Enterprises (EME's)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Preference Points
More than 50%	3	8
Less than 50%	4	5

- (iii) a maximum of 10 points may be allocated under subparagraph (ii) above.
  - (iv) the points scored by a bidder in respect of the level of B-BBEE contribution contemplated in subparagraph (ii) must be added to the points scored for price as calculated in accordance with subparagraph (i);
- (4.2) The B-BBEE status level attained by a bidder must be used to determine the number of points contemplated in subparagraph 4.1 (ii) above.
- (4.3) Bid documentation must also provide that, in the event of all bids received being equal to, or below R1 000 000, the invitation to bid will be withdrawn and all bids received shall be regarded as having been cancelled provided that, if one or more of the acceptable bids received are above the prescribed threshold of R 1 000 000, all bids received will be evaluated in accordance with this preference point system.

## 29.5 Local Production

- (5.1) Where, in the case of bids in designated sectors, local production and content is of critical importance, the relevant bid documentation must clearly state, as a bid condition, that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content, will be considered.
- (5.2) The relevant bid documentation must also stipulate:
- (a) that the exchange rate to be used for the calculation of local content or local production will be the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the invited bid;
  - (b) that only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x will be used to calculate local content in accordance with the following formula:

$$LC = 1 - \frac{X}{Y} \times 100$$

Where

x imported content

y bid price excluding value added tax (VAT)

and that the prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the South African Reserve Bank at 12:00 on the date, one week (7 calendar days) prior to the closing date of the bid;

- (c) that Form MBD 6.2 (Declaration Certificate for Local Content) issued by National Treasury, duly completed and signed, must form part of the bid documentation;
  - (d) that the municipality reserves the right to verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the aforesaid Certificate.
- (5.3) The accounting officer may decide to include in any bid documentation a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered on condition that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by National Treasury in consultation with the Department of Trade and Industry and, in such event, the requirements stipulated in subparagraph 5.2 shall be inserted in the relevant bid documentation.
- (5.4) Where necessary, bid documentation for bids referred to in subparagraph 5.1 may state that a two- stage bidding process will be followed, where the first stage will involve functionality and minimum threshold for local production and content and the second stage price and B-BBEE status with the possibility of price negotiations only with the short listed bidders with a view to effecting cost savings in circumstances where the tendered prices are obviously inflated or to ensure the award of the bid concerned within budgetary constraints provided that, where such negotiations take place, the principles contained in paragraph 25.1 of this policy shall be applied.
- (5.5) Any bid specification issued in terms of this subparagraph must be capable of being measured and audited.

## 29.6 B-BBEE status level certificates and scorecards

Bid documentation must provide that:

- (i) Those bidders who qualify as Exempted Micro Enterprises (EME's) in terms of the Broad-Based Black Economic Empowerment Act, must submit, together with their bid, a certificate to this effect issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporations Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency provided that a certificate issued by an Accounting Officer of a closed corporation must be on his letterhead which should also contain his practice number and contact number clearly specified on the face of such certificate.
- (ii) Bidders other than Exempted Micro-Enterprises (EME's) must submit, with their bid, their original and valid B-BBEE Status Level Verification Certificate complying at least with the provisions of subparagraphs (v) and (vi) below, or a certified copy thereof, in support of their B-BBEE rating.
- (iii) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as a legal entity, provided it submits its B-BBEE Status Level Verification Certificate with its bid.
- (iv) A trust, consortium or joint venture will qualify for points for its B-BBEE status level as an unincorporated entity, provided that it submits its consolidated B-BBEE scorecard as if were a

- group structure and, provided further, that such a consolidated B-BBEE scorecard is prepared for every separate bid.
- (v) As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
- The name and physical location of the measured entity;
  - The registration number and, where applicable, the VAT number of the measured entity;
  - The date of issue and date of expiry;
  - The certificate number for identification and reference purposes;
  - The scorecard that was used (for example EME, QSE or Generic);
  - The name and / or logo of the Verification Agency;
  - The SANAS logo;
  - The signature of the authorized person from the Verification Agency concerned; and
  - The B-BBEE Status Level of Contribution obtained by the measured entity.
- (vi) The format and content of B-BBEE Status Level Verification Certificates issued by registered auditors approved by the Independent Regulatory Board of Auditors (IRBA) must -
- Clearly identify the B-BBEE approved registered auditor by the auditor's individual registration number with IRBA and the auditor's logo;
    - Clearly record an approved B-BBEE Verification Certificate identification reference in the format required by SANAS;
    - Reflect relevant information regarding the identity and location of the measured entity;
    - Identify the Codes of Good Practice or relevant Sector Codes applied in the determination of the scores;
    - Record the weighting points (scores) attained by the measured entity for each scorecard element, where applicable, and the measured entity's overall B-BBEE Status Level of Contribution;
    - Reflect that the B-BBEE Verification Certificate and accompanying assurance report issued to the measured entity is valid for 12 months from the date of issuance;
    - Reflect both the issuance and expiry date of the Verification Certificate.

## 29.7 Additional Conditions

Bid documentation must include a reference to the following additional conditions, where applicable:

#### 29.7.1 Sub-contracting

- (a) A bidder will not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a bidder qualifies for, unless the intended sub-contractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (b) A bidder awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level than the bidder concerned, unless the contract is sub-contracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.
- (c) A bidder awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

#### 29.8 Miscellaneous Special Conditions of Contract

Bid documentation must, inter alia, include the following conditions as Special Conditions of Contract:

##### 29.8.1 General

- (a) Only a bidder who has completed and signed the declaration part of a bid may be considered;
- (b) When comparative prices must be calculated, any discounts which have been offered unconditionally will be taken into account;
- (c) A discount which has been offered conditionally will, despite not being taken into account for evaluation purposes, be implemented when payment to a bidder in respect of an accepted bid is effected;
- (d) Points scored in any applicable scoring system will be rounded off to the nearest 2 decimal places.
- (e)
  - (i) In the event that two or more bids score equal total points, the successful bid will be the one scoring the highest number of preference points for B-BBEE;
  - (ii) However, when functionality is part of the evaluation process and two or more bids have scored equal points including equal preference points for B-BBEE, the successful bid will be the one scoring the highest score for functionality.
  - (iii) Should two or more bids be equal in all respects, the award shall be decided by the drawing of lots.

#### 29.8.2 Cancellation of a bid invitation

- (f) The accounting officer may, prior to the award of a bid, by notice in the media in which the original bid was advertised, cancel such bid invitation if, due to changed circumstances, there is no longer a need for the goods, services or works requested or if funds are no longer available to cover the total envisaged expenditure or if no acceptable bids are received.

#### 29.8.3 Declarations

- (g) A bidder must -
  - (i) declare that the information provided in any bid document is true and correct;
  - (ii) declare that the signatory to a bid document is duly authorized; and
  - (iii) undertake to submit documentary proof regarding any bidding issue when required to the satisfaction of the municipality.

#### 29.8.4 Remedies

- (h) In addition to the action contemplated in paragraph 41 of this policy which shall be read in conjunction with this subparagraph:
  - (i) The municipality will, upon detecting that the B-BBEE status level of contribution has been claimed or obtained by a bidder on a fraudulent basis or any of the conditions of a contract awarded to such bidder or person have not been fulfilled, act against such bidder or person.
  - (ii) The municipality may, in addition to any other remedy it may have against the person contemplated in subparagraph (i) above -
    - (a) disqualify the person concerned from participating in any future bidding process with the municipality;
    - (b) recover all costs, losses or damages it has incurred or suffered as a result of that person's conduct;
    - (c) cancel the relevant contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;
  - (iii) The municipality may restrict a bidder or contractor, its shareholders and directors or only the shareholders and directors, as the case may be, who acted on a fraudulent basis in connection with a bid, from obtaining business from the municipality for a period not exceeding 10 years, provided that, before exercising this right, the municipality shall give the persons or parties concerned an opportunity to make representations and be heard in defence of such contemplated action; and
  - (iv) The municipality may refer any fraudulent action on the part of a bidder or contractor or

any party aforesaid to the South African Police Services with a view to criminal prosecution.

- (i) Where a bidder or contractor is restricted in terms of subparagraph (h)(iii) above, the accounting officer shall forward the relevant details to National Treasury for inclusion in the Central Database of Restricted Suppliers.

#### 29.9 Savings

- (k) In terms of section 7 of the Preferential Procurement Regulations, a contract may be awarded to a bidder that did not score the highest number of points only in accordance with section 2 (1)(f) of the Preferential Procurement Policy Framework Act No. 5 of 2000.
- (l) In the application of section 2 (1)(f) of the aforesaid Act, the accounting officer may, for justifiable reasons which must be substantiated, explicitly determine in any bid documentation that a bidder shall be required to attain a specific goal or goals other than and excluding the goals of contracting with historically disadvantaged persons and implementing Reconstruction and Development Programmes in order to qualify for the award of a contract.

#### 30. Procurement from tertiary institutions

- (1) Where the municipality is in need of a service provided by only tertiary institutions, such services must be procured through a bidding process with the identified tertiary institutions.
- (2) Tertiary institutions referred to in subparagraph (a) will be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (3) Should the municipality require a service that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor will be done by means of a bidding process.
- (4) Public entities must be required to submit their B-BBEE status in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.
- (5) For purposes of this paragraph, a bidding process includes a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of services, through price quotations, advertised competitive bidding processes or proposals.

#### 31. Re-invitation of bids

The accounting officer must re-invite bids cancelled in terms of paragraphs 29 (3.3) and 29 (4.3) and must, in the new bid documents, stipulate the correct preference point system to be applied.

#### 32. Bid evaluation committees

- (1) A bid evaluation committee must, as far as possible, be composed of-

- (a) officials from departments requiring the goods, services or works; and
  - (b) at least one supply chain management practitioner of the municipality.
- (2) A bid evaluation committee must -
- (a) evaluate bids in accordance with the relevant bid specification or terms of reference, as the case may be, inclusive of unconditional discounts, sub-contracting and this policy; and
  - (b) evaluate each bidder's ability to execute the contract provided that, where bids are invited on the basis of functionality as a criterion, they must be evaluated in the following two stages:
    - (i) **First stage - evaluation of functionality**
      - (a) bids must be evaluated in terms of the evaluation criteria embodied in the bid specification or terms of reference, as the case may be. The amendment of evaluation criteria, weights, applicable values and/or the minimum qualifying score for functionality after the closure of bids is not allowed as this may jeopardize the fairness of the process;
      - (b) a bid will be considered further if it achieves the prescribed minimum qualifying score for functionality;
      - (c) bids that fail to achieve the minimum qualifying score for functionality must be disqualified;
      - (d) score sheets should be prepared and provided to panel members to evaluate the bids;
      - (e) a score sheet should contain all the criteria and the weight for each criterion as well as the values to be applied for evaluation as indicated in the bid specification or terms of reference concerned;
      - (f) each panel member should, after thorough evaluation, independently award his own value to each individual criterion;
      - (g) score sheets should be signed by panel members and if necessary, a written motivation may be requested from panel members where vast discrepancies in the values awarded for each criterion exist -

provided that if the minimum qualifying score for functionality is indicated as a percentage in the bid specification or terms of reference, as the case may be, the percentage scored for functionality may be calculated as follows:



- (h) the value awarded for each criterion should be multiplied by the weight for the relevant criterion to obtain the score for the various criteria;
- (i) the scores for each criterion should be added to obtain the total score; and
- (j) the following formula should be used to convert the total score to percentage for functionality:

$$Ps = \frac{So}{Ms} \times 100$$

Where:

Ps = percentage scored for functionality by bid under consideration

So = total score of bid under consideration

Ms = maximum possible score

- (k) the percentage of each panel member should be added and divided by the number of panel members to establish the average percentage obtained by each bidder for functionality.
- (ii) **Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**
- Only bids that achieve the minimum qualifying score / percentage for functionality must be evaluated further in accordance with the bid specification or terms of reference for the bid concerned, as the case may be;
- (c) evaluate bids based on a stipulated minimum threshold for local production and content as required in the relevant bid specification in the following two stages:
- (i) **First stage - Evaluation in terms of the stipulated minimum threshold for local production and content**
    - (a) bids must be evaluated in terms of the evaluation criteria stipulated in the bid specification. The amendment of the stipulated minimum threshold for local production and content after the closure of bids is not allowed as this may jeopardize the fairness of the process;
    - (b) a bid must be disqualified if:
      - the bidder fails to achieve the stipulated minimum threshold for local production and content; and

- the Declaration Certificate for Local Content (Form MBD 6.2) is not submitted as part of the bid;
- (c) calculate the local content (LC) as a percentage of the bid price in accordance with the SABS approved technical specification number SATS 1286: 201x;
  - (d) verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (Form MBD 6.2);
- (ii) **Second stage - Evaluation in terms of the 80/20 or 90/10 preference point systems**
    - (e) only bids that achieve the minimum stipulated threshold for local production and content must be evaluated further in accordance with the relevant preference point system referred to in the bid specification;
    - (f) where appropriate, prices may be negotiated only with short listed or preferred bidders. Such negotiations must, however, not prejudice any other bidders;
- (d) check in respect of the recommended bidder whether or not such bidder's municipal rates and taxes and municipal service charges are not in arrears;
  - (e) verify the status of recommended bidders (including their directors(s), owners(s) or trustee(s)) by checking the Data Base of Restricted Suppliers maintained by National Treasury in order to ensure that no recommended bidder or any of its directors/owners/trustees are listed as companies or persons prohibited from doing business with the public sector;
  - (f) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter provided that:
    - (i) a contract must be awarded to the bidder who scored the highest total number of points in terms of the preference points systems referred to in paragraphs 29(3.3) and 29(4.3) as may be applicable; and
    - (ii) in exceptional circumstances and as provided in paragraph 29.9 of this policy, a contract may be awarded to a bidder that did not score the highest number of points provided that the reasons for such a recommendation must be recorded for audit purposes and be defensible in a court of law.

### 33. Bid adjudication committees

- (1) A bid adjudication committee must consist of at least four senior managers of the municipality

- which must include -
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
  - (c) a technical expert in the relevant field who is an official of the municipality if the municipality has such an expert.
- (2) The accounting officer must appoint the chairperson of the committee who shall preferably be the chief financial officer. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting and such election must be recorded in the minutes of the meeting concerned.
- (3) Only with the consent of the accounting officer and upon request by the bid adjudication committee, a member of a bid specification, bid evaluation committee and/or an advisor or person assisting these committees may attend a meeting of a bid adjudication committee only for the purpose of providing clarity and an explanation of difficult technical aspects relating to the bid being adjudicated and without having any right to vote on the said bid being adjudicated.
- (4) A bid adjudication committee must -
- (a) consider the report and recommendations of the bid evaluation committee submitted in terms of paragraph 32; and
  - (b) either -
    - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
    - (ii) make another recommendation to the accounting officer on how to proceed with the relevant procurement.
- (5) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must, prior to awarding the bid -
- (a) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
  - (b) notify the accounting officer.
- (6) The accounting officer may -
- (a) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in subparagraph 5; and

- (b) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (7) The accounting officer may, at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (8) If a bid other than the one recommended in the normal course of implementing this policy is approved, the accounting officer must, in writing and within 10 working days, notify the Auditor-General and the National and Provincial Treasuries of the reasons for deviating from such recommendation.
- (9)** Subparagraph 8 does not apply if a different bid was approved in order to rectify an irregularity.
- (10)** Notwithstanding any provision to the contrary in this paragraph or any other provision in this policy:
- (a) contracts above a value of R10m (all applicable taxes included) may only be awarded to the preferred bidder after the chief financial officer has verified in writing that budgetary provision exists for the procurement concerned and that it is consistent with the Integrated Development Plan of the municipality.
  - (b) during a competitive bidding and adjudication process or before the award of a contract, the accounting officer may, at his/her discretion, specifically request the internal audit function of the municipality or, when so required, an independent external audit service provider (including an organ of state) to carry out audit procedures and provide an opinion on compliance of the bidding process with supply chain management legislation applicable to the municipality.
- (11) The accounting officer shall cause details of all bids awarded through a competitive bidding process to be advertised on the website of the municipality and such notification shall include at least the following information:
- (a) Contract numbers and description of goods, service or works projects procured;
  - (b) Names of the successful bidder(s) and the B-BBEE level of contribution claimed;
  - (c) The contract prices(s);
  - (d) Brand names and dates for completion of contracts.

#### 34. Procurement of banking services

- (1) A contract for banking services -
  - (a) must be procured through competitive bidding;

- (b) must be consistent with section 7 or 85 of the Act; and
  - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
  - (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 23 (1).
  - (4) Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).
35. Procurement of IT related goods or services
- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
  - (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
  - (3) The accounting officer must notify SITA together with a motivation of the IT needs if -
    - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
    - (b) the transaction value of a contract to be procured, whether for one or more years, exceeds R50 million (VAT included).
  - (4) If SITA comments on the submission and the municipality does not agree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National and Provincial Treasuries and the Auditor-General.
36. Procurement of goods and services under contracts secured by other organs of state
- (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
    - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
    - (b) there is no reason to believe that such contract was not validly procured;
    - (c) there are demonstrable discounts or benefits to do so; and
    - (d) that other organ of state and the provider concerned have consented to such procurement in writing.
37. Procurement of goods necessitating special safety arrangements

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

### 38. Appointment of consultants

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if -
  - (a) the value of the contract exceeds R200 000 (VAT included); or
  - (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of -
  - (a) all consultancy services provided to an organ of state in the last five years; and
  - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service is vested in the municipality.

### 39. Deviation from, and ratification of minor breaches of, procurement processes

- (1) The accounting officer may -
  - (a) dispense with the official procurement processes established by this policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only -
    - (i) in an emergency;
    - (ii) if such goods or services are produced or available from a single or sole provider only in circumstances where such supplier:
      - (a) manufactures or provides goods and services which satisfies the unique requirements of a procurement;
      - (b) the goods and services required are already in the municipality's value chain or employ and are only supplied by an Original Equipment

Manufacturer (OEM) or by a licensed agent thereof provider further that a licensed agent must produce a certificate from the OEM concerned certifying that he is a licensed agent;

- (c) there is a requirement for compatibility, continuity and alignment;
  - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) acquisition of animals for zoos and/or nature and game reserves; or
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) of this policy and report them to the next meeting of the council and also include such reasons as a note to the annual financial statements of the municipality.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

#### 40. Unsolicited bids

- (1) An unsolicited bid is a bid that is submitted by a prospective supplier to the municipality without any procurement requirement first having been identified and advertised. This situation arises when a supplier identifies an opportunity to render services or supply products not ordinarily required by the municipality.
- (2) In accordance with section 113 of the Act, there is no obligation upon the municipality to consider unsolicited bids received outside a normal bidding process.
- (3) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid but only if -
- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - (b) the product or service will be exceptionally beneficial to the municipality or have exceptional cost advantages;
  - (c) the person who made the bid is the sole provider of the product or service concerned; and
  - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

- (4) If the accounting officer decides to consider an unsolicited bid that complies with sub-paragraph (3), his decision must be made public in accordance with section 21A of the Municipal Systems Act, together with -
    - (a) reasons as to why the bid should not be open to other competitors;
    - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
    - (c) an invitation to the public or other potential suppliers to submit their comments on the proposal within 30 days of the publication of the relevant notice.
  - (5) The accounting officer must submit all written comments received pursuant to subparagraph (4), including any responses from the unsolicited bidder, to the National and Provincial Treasuries for comment.
  - (6) Subject to subparagraphs (7) and (8) below, the adjudication committee must consider the unsolicited bid and may, depending on its delegations, award the bid or make a recommendation to the accounting officer.
  - (7) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
  - (8) When considering the matter, the adjudication committee must take into account -
    - (a) any comments submitted by the public; and
    - (b) any written comments and recommendations of the National and Provincial Treasuries.
  - (9) If any recommendations of the National and Provincial Treasuries are rejected or not followed, the accounting officer must submit to the Auditor-General and the National and Provincial Treasuries the reasons for rejecting or not following those recommendations.
  - (10) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.
  - (11) The processes to be followed by the municipality with regard to the acceptance or rejection of an unsolicited bid shall clearly be made known to the bidder who submits the unsolicited bid concerned.
  - (12) The council shall exercise caution when interviewing a potential supplier or a person who may wish to offer services to the municipality in circumstance which may be tantamount to the submission of or negotiation with regard to an unsolicited bid and shall not do anything or cause anything to be done which may be contrary to this policy.
41. Combating of abuse of supply chain management system



- (1) The accounting officer must-
  - (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or a failure to comply with this policy, and when justified -
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) reject any bid from a bidder -
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality or to any other municipality or municipal entity, are in arrears for more than three months; or
    - (ii) who, during the last five years, has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - (e) reject a recommendation for the award of a contract if the recommended bidder or any of its directors has committed a corrupt or fraudulent act in competing for the particular contract;
  - (f) cancel a contract awarded to a person if -
    - (i) such person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
    - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
  - (g) Reject the bid of any bidder if that bidder or any of its directors -
    - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
    - (ii) has been convicted for fraud or corruption during the past five years;
    - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

- (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004).
- (2) The accounting officer must inform the National and Provincial Treasuries in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) above.
- (3) If the accounting officer, on reasonable grounds, believes that a bidder or a contractor has engaged in bid rigging, he shall refer the matter to the Competition Tribunal for investigation and the taking of action against the bidder or contractor concerned in a manner contemplated in the Competition Act No. 89 of 1998.

### Part 3: Logistics, Disposal, Risk and Performance Management

#### 42. Logistics management

The accounting officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### 43. Disposal management

- (1) In terms of section 14 of the Act, the municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
- (2) A municipality may transfer ownership or otherwise dispose of capital asset other than one

contemplated in subsection (1), but only after the council, in a meeting open to the public-

- (a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
  - (b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- (3) An asset may be disposed of by -
- (i) transferring the asset concerned to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - (ii) transferring the asset concerned to another organ of state at market related value or, when appropriate, free of charge;
  - (iii) selling the asset concerned; or
  - (iv) destroying such asset.
- (4) The accounting officer must ensure that -
- (a) when immovable property is sold by means of a competitive bidding process, the highest price offered shall be accepted, provided such price is equal to or higher than the market related price for the relevant immovable property;
  - (b) in other cases, only at a market related price except when the public interest or the plight of the poor demands otherwise in which event the sale price shall be determined in accordance with the applicable land disposal or indigent policy adopted by the council;
  - (c) movable assets are sold either by way of written price quotations, a competitive bidding process or by public auction at the highest offered price, provided such price is market related;
  - (d) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
  - (e) immovable property is let at market related rentals except when the public interest or the plight of the poor demands otherwise in which event the rental shall be determined in accordance with the applicable land disposal or indigent support policy adopted by the council;
  - (f) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
  - (g) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

- (h) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate, within 30 days, whether or not any of the local schools are interested in such equipment.
- (5) This paragraph must be read with and applied in conjunction with the Municipal Asset Transfer Regulations contained in Government Notice R. 878 of 22 August 2008 and the associated policies adopted by the council. In the event of conflict, the provisions of the aforesaid Regulations shall be applied.

#### 44. Risk management

- (1) The accounting officer must establish and implement an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Risk management must include -
  - (a) the identification of risks on a case-by-case basis;
  - (b) the allocation of risks to the party best suited to manage such risks;
  - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
  - (e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### 45. Anti-Corruption and Fraud Prevention plan

- Lukhanji Local Municipality's Internal Audit Department is responsible to establish an anti-corruption and fraud prevention policy and plan, and this plan shall be used to manage all risks associated with the SCM system.
- (a) Confidential reporting of potential bridges, fraud and corruption shall be reported to the Lukhanji Local Municipality's Risk Committee.
  - (b) Lukhanji Local Municipality may also utilise the Eastern Cape Provincial Government Anti-Fraud and Corruption Hotline– 0800701701

#### 46. Performance management

The accounting officer must establish and implement an internal monitoring system in order to determine,

on the basis of a retrospective analysis, whether the authorized supply chain management processes were followed and whether the objectives of this policy were achieved.

- a) Measure performance in terms of achievement of LUKHANJI LOCAL MUNICIPALITY goals;
- b) Measure compliance with norms and standards;
- c) Determine savings generated;
- d) Determine cost variance per item to indicate the premium paid for promoting preferential objectives;
- e) Identify any breach of contract;
- f) Determine cost efficiency of the acquisition process;
- g) Determine whether SCM objectives are consistent with Government's broader policy focus;
- h) Determine whether the principles of co-operative governance as expounded in the Constitution are observed;
- i) Evaluate whether the reduction of regional economic disparities is promoted;
- j) Establish any non-compliance with contractual conditions and requirements; and

#### Part 4: Other matters

##### 47. Prohibition on awards to persons whose tax matters are not in order

- (1) No award above R15 000 may be made in terms of this policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person, the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within 7 days of a request for confirmation in terms of subparagraph (2), such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

##### 47. Prohibition on awards to persons in the service of the state

Irrespective of the procurement process followed, no award may be made to a person in terms of this policy -

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) who is an advisor or consultant contracted with the Lukhanji Local Municipality.

##### Lukhanji Local Municipality

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

**49. Ethical standards**

- (1) The code of ethical standards annexed to this policy as Annexure A shall apply to all officials and other role players in the supply chain management system of the Lukhanji Local Municipality in order to promote -
  - (a) mutual trust and respect; and
  - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the aforesaid code of ethics must be dealt with as follows -
  - (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
  - (b) in the case of a role player who is not an employee, through other appropriate means with due regard to the severity of the breach;
  - (c) in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act and for applicable regulations pertaining to financial misconduct by officials.

**50. Inducements, rewards, gifts and favours to municipalities, officials and other role players**

- (1) No person who is a provider or prospective provider of goods or services or a recipient or prospective recipient of goods disposed of or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -
  - (a) any inducement or reward to the Lukhanji Local Municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to -
    - (i) any official; or
- (2) The accounting officer must promptly report any alleged contravention of sub-paragraph 1 to the National Treasury for considering 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 persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

## 51. Sponsorships

The accounting officer must promptly disclose to the National Treasury and Eastern Cape Provincial Planning and Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary by any person who is -

- (a) a provider or prospective provider of goods or services to the Lukhanji Local Municipality; or
- (b) a recipient or prospective recipient of goods disposed of or to be disposed of by the Lukhanji Local Municipality.

## 52. Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of the supply chain management system, may lodge with the accounting officer, within 14 days of the decision or action, a written objection or complaint against the decision or action concerned.

## 53. Resolution of disputes, objections, complaints and queries

- (1) The accounting officer must appoint an independent and impartial person who is not directly involved in the supply chain management processes -
  - (a) to assist in the resolution of disputes between the Lukhanji Local Municipality and other persons regarding -
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
  - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer or another official designated by the accounting officer is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
  - (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the Provincial Planning and Treasury and Treasury if -

- (a) if it is not resolved within 60 days of lodgment; or
  - (b) no response is forthcoming within 60 days of lodgment.
- (5) If the Provincial Planning and Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query concerned may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a competent court, at any time, for such order as may be just and necessary in the circumstances.

**54. Contracts providing for compensation based on turnover**

If a service provider acts on behalf of the Lukhanji Local Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to him is fixed as an agreed percentage of turnover for the service concerned or the amount collected, the contract between such service provider and the Lukhanji Local Municipality must stipulate -

- (a) a cap on the compensation payable to him; and
- (b) that such compensation must be performance based.

**55. Contract Management – issue of expansion and variation orders**

(a) The accounting officer or nominee may, subject to the provisos to this subparagraph and subparagraphs (b) to (d) authorize the issue of expansion or variation orders (herein referred to as “variations orders”) in respect of contract specifications or conditions of contract in order to accommodate costs for additional work either unforeseen when contracts were awarded for infrastructure projects, essential or necessary additional work or in instances where factors beyond the control of an appointed contractor has led to or will lead to a delay in a contract completion date provided that:

- (i) No expansion or variation order may be authorized for an amount exceeding 20% of the initial contract price for works related goods, services and/or infrastructure projects; or
- (ii) 15% for all other goods and/or services; and, provided further –

that any expansion or variation order issued in excess of the aforesaid thresholds shall be dealt with in a manner provided in section 116 (3) of the Act.

- (b) A variation order may only be issued after -
  - (i) the need for such order has been fully motivated by the responsible project manager and supported by the head of department concerned; and
  - (ii) the chief financial officer has certified that funds are available to cover the cost the required additional work.
- (c) A request for the issue of a variation order in an amount exceeding R200 000 shall first be



referred to the Bid Adjudication Committee which considered the initial bid for approval provided that the accounting officer may constitute a new Bid Adjudication Committee for this purpose.

- (d) No request for a variation order may be approved in circumstance where new bids may be invited for the additional work concerned.
- (e) The line manager responsible for the implementation of a project undertaken either departmentally or through an appointed contractor must keep a proper record of all variation orders issued in respect of a project.
- (f) The original copy of an issued variation order must be filed with the original bid and contract documents.
- (g) The responsible line manager must, upon completion of additional work or the expiry of any extended contract period authorized by a variation order, certify that the terms and conditions of such variation order have been complied with.

#### 56. Fronting

- (a) For purposes of this paragraph, "fronting" shall include the under-mentioned acts on the part of a bidder or any person or party associated with a bidder:
  - (i) **Window-dressing:** This includes cases in which black people are appointed or introduced to an enterprise on the basis of tokenism and may subsequently be discouraged or inhibited from substantially participating in the core activities of the enterprise concerned and/or be discouraged or inhibited from substantially participating in the declared areas and/or levels of their participation;
  - (ii) **Benefit Diversion:** This includes initiatives where the economic benefits received by an organization for having B-BBEE Status do not flow to black people in the ratio specified by law;
  - (iii) **Opportunistic Intermediaries:** This includes enterprises that have concluded agreements with other enterprises in order to leverage the opportunistic intermediary's favourable B-BBEE status in circumstances where the agreement involves:
    - (a) Significant limitations or restrictions on the identity of the opportunistic intermediary's suppliers, service providers, clients or customers;
    - (b) The maintenance of their business operations in a context reasonably considered improbable having regard to resources; and
    - (c) Terms and conditions that are not negotiated at arms-length on a fair and reasonable basis.
- (b) Where the accounting office detects fronting, he must act against the bidder concerned in terms of paragraph 29(8.4) and, in addition, report such fronting to the Department of Trade and

Industry.

**58. EFFECTIVE DATE**

The policy shall come to effect upon approval by Council.

**59. POLICY ADOPTION**

This policy has been considered and approved by the COUNCIL OF LUKHANJI LOCAL MUNICIPALITY as follows:

Resolution No:

Approval Date:

## ANNEXURE A

### Lukhanji Local Municipality

#### CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

The purpose of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

#### 1. General Principles

The Lukhanji Local Municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust which implies a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuity from any person or provider / contractor either for themselves, their family, their friends and business associates.

Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively, with integrity and in accordance with applicable legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should, at no time, afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual and they should also not abuse the power and authority vested in them.

#### 2. Conflict of interest

An official or other role player involved with supply chain management -

- (a) must treat all providers and potential providers equitably and fairly;
- (b) may not use his/her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) must declare to the accounting officer details of any reward, 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;
- (e) must declare to the accounting officer details of any private or business interest which that person or any close family member, partner or associate, may have in any proposed procurement or disposal process or in any award of a contract by the Lukhanji Local Municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person or any close family member,

- partner or associate has any private or business interest;
- (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may give rise to a possible conflict of interest;
  - (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence him/her in the performance of his/her official duties; and
  - (i) should not take improper advantage of his/her previous office after leaving his/her official position.

### 3. Accountability

- 3.1 Practitioners are accountable to the public for their decisions and actions.
- 3.2 Practitioners should use public property scrupulously.
- 3.3 Only accounting officers or their delegates have the authority to commit the Lukhanji Local Municipality to any transaction for the procurement of goods, services or works.
- 3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries in such a system for any reason whatsoever.
- 3.5 Practitioners must assist the accounting officer in combating fraud, corruption, favoritism, unfair and irregular practices in the supply chain management system.
- 3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which they may become aware of, including but not limited to -
  - (i) any alleged fraud, corruption, favoritism or unfair conduct;
  - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
  - (iii) any alleged breach of this code of conduct.
- 3.7 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

### 4. Openness

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict the supply of information only if it is in the public interest to do so.

## 5. Confidentiality

- 5.1 Any information that is the property of the Lukhanji Local Municipality or its providers should be protected at all times. No information regarding any bid/contract/bidder/contractor may be revealed if such an action will infringe the relevant bidder's/contractors personal rights.
- 5.2 Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after they have left the service of the Lukhanji Local Municipality.

## 6. Bid Specification / Evaluation / Adjudication Committees

- 6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the Lukhanji Local Municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 6.2 Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- 6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 6.4 No person should-
  - 6.4.1 interfere with the supply chain management system of the Lukhanji Local Municipality; or
  - 6.4.2 amend or tamper with any price quotation / bid after its submission.

## 7. Combative Practices

Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:

- (i) suggestions to fictitious lower quotations;
- (ii) reference to non-existent competition;
- (iii) exploiting errors in price quotations / bids;
- (iv) soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

**ANNEXURE B**

**SCHEDULE TO SMALL BUSINESSES ACT NO. 102 OF 1996**

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or sub-sector in accordance with the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R 5 m	R 5 m
	Small	50	R 3 m	R 3 m
	Very small	10	R 0.50 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Mining and Quarrying	Medium	200	R 39 m	R 23 m
	Small	50	R 10 m	R 6 m
	Very small	20	R 4 m	R 2 m
	Micro	5	R 0.20 m	R 0.10 m
Manufacturing	Medium	200	R 51 m	R 19 m
	Small	50	R 13 m	R 5 m
	Very small	20	R 5 m	R 2 m
	Micro	5	R 0.20 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R 51 m	R 19 m
	Small	50	R 13 m	R 5 m
	Very small	20	R 5.10 m	R 1.90 m
	Micro	5	R 0.20 m	R 0.10 m
Construction	Medium	200	R 26 m	R 5 m
	Small	50	R 6 m	R 1 m
	Very small	20	R 3 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	200	R 39 m	R 6 m
	Small	50	R 19 m	R 3 m
	Very small	20	R 4 m	R 0.60 m
	Micro	5	R 0.20 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R 64 m	R 10 m
	Small	50	R 32 m	R 5 m
	Very small	20	R 6 m	R 0.60 m
	Micro	5	R 0.20 m	R 0.10 m
Catering, Accommodation and other Trade	Medium	200	R 13 m	R 3 m
	Small	50	R 6 m	R 1 m
	Very small	20	R 5.10 m	R 1.90 m
	Micro	5	R 0.20 m	R 0.10 m

Transport, Storage and Communications	Medium Small Very small Micro	200 50 20 5	R 26 m R 13 m R 3 m R 0.20 m	R 6 m R 3 m R 0.60 m R 0.10 m
Finance and Business Services	Medium Small Very small Micro	200 50 20 5	R 26 m R 13 m R 3 m R 0.20 m	R 5 m R 3 m R 0.50 m R 0.10 m
Community, Social and Personal Services	Medium Small Very small Micro	200 50 20 5		

## Quality Certificate

I, \_\_\_\_\_, the Acting Municipal Manager of Lukhanji Municipality, hereby certify that the Budget and Supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Budget and Supporting documentation are consistent with the Integrated Development Plan of the municipality.

Municipal Manager

Lukhanji Municipality EC 134

Signature \_\_\_\_\_

Date \_\_\_\_\_