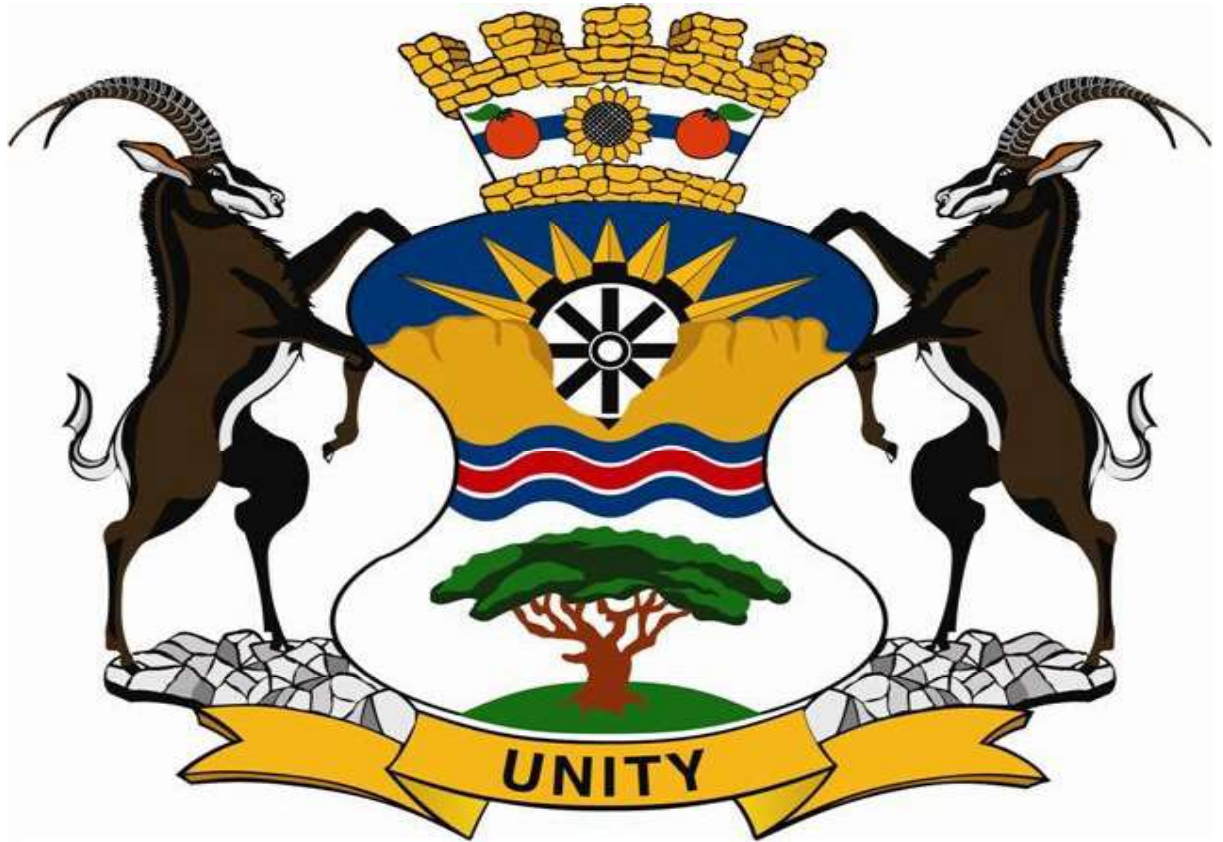


# RUSTENBURG LOCAL MUNICIPALITY



## BORROWING FRAMEWORK POLICY AND GUIDELINES

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### **1. Purpose**

- (a) To establish a framework and guidelines for the borrowing of funds.
- (b) To ensure compliance with statutory requirements and National Treasury borrowing regulations.
- (c) To ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorised borrowings.
- (d) To outline the appropriate actions of a prudent person standard in the context of managing overall debt.
- (e) To maintain debt within specified limits and ensure adequate provision for the payment of debt and debt repayment **to** be sustainable.

### **2. Problem Statement**

The Guidelines and Procedures have been written in compliance with relevant legislation, they offer certainty to the debt capital markets thereby ensuring a level of confidence in our municipal fiscal affairs. Consequently, the Municipality has access to a range of funding instruments for the provision of municipal infrastructure. Rustenburg Local Municipality ("Municipality"), in general, seeks to minimise its dependence on borrowings in order to curtail future revenue committed to debt servicing and redemption charges.

The Chief Financial Officer prudently manages interest rate, liquidity and credit risk exposures thereby obtaining the lowest possible interest rate for the Municipality's debt. The debt is taken on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by legislation. They also take into consideration the issues of the time value of money and to optimise the use of the term of the loan.

### **3. Legislation**

**The relevant legislation and regulations in terms of which borrowing decisions are governed are as follows:**

- **Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) (See Annexure A)**
- **Constitution of the Republic of South Africa Act 108 of 1996 (See Annexure B)**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- **Municipal Regulations on Debt Disclosure (Local Government: Municipal Finance Management Act, Chapter 6) Government Gazette no. 29966, 15 June 2007) effective from 01 July 2007 for a municipality or municipal entity (See Annexure C).**
- **Municipal Finance Management Act No. 56 of 2003 Circular No.71 (See Annexure D)**

### **Guidelines and Procedures**

#### **4. General Approach to Borrowing**

4.1.1 The Municipality may incur long term debt for the purpose of:

- (a) Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objectives of local government or
- (b) Re-financing existing long-term debt as permitted.

4.1.2 The Municipality will, in general, seek to minimise its dependence on borrowings in order to reduce future revenue committed to debt servicing and redemption charges.

4.1.2 Borrowings shall be made with care, skill, prudence and diligence.

4.1.2 The Municipality shall maintain the Gearing Ratio to be below 45% and Debt service cost to be between 6% and 8%, in line with the MFMA Circular No.71

4.1.2 The fixing of debt repayments is a crucial consideration in meeting the legal requirements of the Municipality, that of annually producing a balanced budget.

4.1.2 Whilst the period for each loan debt may vary from time to time according to the needs of the Municipality in conjunction with various Lenders, presently the typical debt repayment period for loans is between five to twenty years, closely matching the underlying asset lives serviced by the loans.

4.1.2 Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter term (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

4.1.2 There are from time to time various options offered from Financial Institutions which need to be treated on their merits and which could result in slightly lower interest rates being offered.

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- 4.1.2 The Municipality's external borrowings have been mainly sourced from financial institutions amongst others commercial banks and development finance institutions.
- 4.1.2 Any official involved in the securing of loans by the Municipality must, when interacting with a prospective Lenders or when preparing documentation for consideration by a prospective Investors disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor.
- 4.1.2 Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.
- 4.1.2 The prospective lenders must be furnished with the following:
- (a) Audited annual financial statements for the preceding three financial years
  - (b) The approved annual budget
  - (c) The Integrated Development Plan
  - (d) Repayment schedules pertaining to existing long term debt
- 4.1.2 The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity except on the following conditions:
- (a) The guarantee must be within limits specified in the municipality's approved budget
  - (b) The entity is a Municipal entity under its sole control and such guarantee is authorised by the council
- 4.1.2 Any guaranteed debt must be reflected in the approved business plan of the entity and must be authorised by the Municipality in the same manner and subject to the same conditions applicable to any other borrowings.
- 4.1.2 Neither the National nor Provincial Government may guarantee the debt of any Municipality.
- 4.1.2 All loans must be in the name of the Municipality

### **5. Specific factors that must be considered when borrowing**

Surplus funds and external long-term debt are used to meet the objectives of the Integrated Development Plan (IDP) which include the service delivery programme, economic and social development and other demands of the changing and growing city.

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5.1 The factors to be considered when borrowing are:

- (a) Revenue generating ability of asset
- (b) Type and extent of benefits to be obtained from the borrowing
- (c) Length of time the benefits will be received
- (d) Beneficiaries of the acquisition or development
- (e) Impact of interest and redemption payments on both current and forecasted income
- (f) Current and future capacity of the property tax base to pay for borrowings and the rate of growth of the property tax base
- (g) Likely movements in interest rates for variable rate borrowings
- (h) Other current and projected sources of funds
  - i) Competing demands for funds
  - j) Timing of money market interest rate movements and the long term rates on the interest rate curve

5.2 After taking **a, b, c, d** above into account, the borrowing requirement will be determined by:

5.2.1 Obtaining the total capital budget value – as per IDP and MTERF.

5.2.1 Determining internal funding – the municipality from time to time, will use its surplus funds from operations to fund its capital programmes in order to reduce its reliance on external debt financing, thereby allowing it to borrow only funds from external sources when favourable market conditions prevail

5.2.1 Obtaining the figure for grants to be received – as allocated per national and provincial treasuries

5.2.1 Identifying cash shortages to be financed by external borrowings, after taking into account 5.2.2, and 5.2.3 above.

### **6. Types of Borrowings**

Foreign borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

### **6.1 Short Term Borrowings**

- (a) The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.
- (b) In terms of the Municipal Finance Management Act, incur short term debt only if the Chief Financial Officer has made a prior written finding that the debt is either within prudential limits on short term debt as previously approved by Municipality, or is necessary due to an emergency that could not reasonably have been foreseen and cannot await Council approval.
- (c) The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt.
- (d) Examples of short-term debt are bank overdrafts and commercial paper bills

### **6.2 Long Term Borrowings**

A Municipality may incur long-term debt only in accordance with and subject to any applicable provisions of MFMA, including section 19, and only for the purpose of–

- (a) Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4) ; or
- (b) Re-financing existing long-term debt subject to subsection (5).

Examples of long-term debt are as follows:

#### **6.2.1 Annuity**

- (a) The loan amount, interest rate and repayment period offered by the financial institution are either fixed or variable.
- (b) The calculation of the instalment payable on an annuity basis is simple and straightforward: the instalment of the loan can be repaid usually in equal six monthly instalments over the term of the loan.

**6.2.1 Structured Finance Loans**

- (a) Structured finance is a service that generally involves highly complex financial transactions offered by many large financial institutions for companies with very unique financing needs.
- (b) (It must be appreciated that before entering into any structured finance contract the Municipality, being a Statutory body, will carefully scrutinise all aspects of the structured finance loan agreement including seeking legal advice both from the Head: Legal and, where necessary, from Senior Legal Counsell to ensure that the Municipality is not participating in a structure which the South African Revenue Service may deem it to be one which leads to tax evasion.
- (c) The Municipality will always adopt a prudent and carefully evaluated approach before entering into structured finance loan agreements
- (d) The Municipality has not entered into any structured loan agreements recently, and in view of the tax implications under the present tax regime it is unlikely that it will enter into structured loan agreements in the near future. The loan amount, interest rate and repayment period offered by the financial institution are either fixed or variable. The calculation of the instalment payable on an annuity basis is simple and straightforward: the instalment of the loan can be repaid usually in equal six monthly instalments over the term of the loan.

**6.2.1 Bonds**

- (e) A bond is an instrument used by Government, State-Owned Entity and Corporates to raise loan capital on the open market.
- (f) Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount on maturity. The most critical variable factor in determining bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium.
- (g) The higher the risk attached to a borrower, the higher will be the risk yield investors will demand.
- (h) During its tenure, a bond will trade on the bond market at prevailing interest levels with bond prices inversely related to movements in interest rates.

**7. Hedging**

- (a) Where the interest rate offered by the financial institution is on a variable basis, an Interest Rate Swap (IRS) may be taken out.
- (b) An IRS agreement will need to be signed with the party agreeing to accept the variable rate and offer the fixed rate to the Municipality.

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- (c) An Interest Rate Swap Agreement must comply with the terms set out by the International Swap Dealers Association (ISDA).

### **8. Credit Rating**

The Municipality has a Long-Term and Short-Term National Scale rating, which is reviewed on an annual basis. Currently the credit rating is being provided by Global Credit Rating (GCR).

### **9. Refinancing**

- (a) Section 46 of the Municipal Finance Management Act provides that the Municipality may refinance existing long term debt, if such refinancing is in accordance with the prescribed framework.
- (b) The Municipality may borrow money for the purpose of re-financing existing long-term debt, provided that:
  - i. The existing long-term debt was lawfully incurred
  - ii. The re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed
  - iii. The net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing
  - iv. The discount rate used in projecting net present value referred to in the above paragraph and any assumptions in connection with the calculations must be reasonable and in accordance with criteria set out in a framework that may be prescribed.
- (c) No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

### **10. Security**

- (a) The Municipal Finance Management Act provides that the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral.
- (b) The Municipality may cede as security any category of revenue or rights of future revenue.
- (c) Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.



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### **11. Security**

- (a) Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the Mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt.
- (b) At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered:
  - i. The Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
  - ii. (ii) Invite the Public, the National Treasury and Provincial Treasury to submit written comments or representations to the council in respect of the proposed debt.
- (c) A copy of the information statement must be submitted to Council at least 21 days prior to the meeting to discuss the proposed loan, together with particulars of:
  - i. The essential repayment terms, including the anticipated debt repayment schedule; and
  - ii. (ii) The anticipated total cost in connection with such debt over the repayment period.

### **12. Provision for Redemption of Borrowings**

- (a) The Municipality may set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet repayment on the maturity date of the loan.
- (b) Such sinking funds may also be invested directly with the Lender's Bank.
- (c) The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.
- (d) Use can also be made of guaranteed endowment policies to facilitate the payment on maturity date.

### **13. Non-Repayment of Borrowings**

- (a) The Municipality must honour all its borrowings obligations timeously as the failure to effect prompt payment will adversely affect the raising of future borrowings at favourable costs: failure even by one day, and even if only through

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administrative oversight, will have severe repercussions, and may jeopardise the Municipality's favourable credit rating.

(b) In addition to the timeous repayment of the borrowings, the Municipality must adhere to the financial covenants stipulated in the loan agreements and the under mentioned are some examples of typical financial covenant requirements:

- i. furnish the Lender with audited annual financial statements timeously
- ii. long term credit rating not to decline below investment grade
- iii. reporting of material changes in financial position of the Municipality
- iv. Collection rates must not be less than a specified rate
- v. Gearing, debt coverage and cost coverage ratios

### **14 Borrowing for Investment Purposes not Permitted**

While in the past some Municipalities borrowed funds with the sole purpose of investing to earn a return their motive was clearly speculative and the cost of debt almost always more expensive than the return that the Municipality could derive by investing in permitted investments, consequently, as a principle, RLM Municipality does not borrow for investment purposes.

### **15. Other Borrowing Practices**

Depending on economic conditions such as the shape of the interest yield curve, the Municipality may borrow in advance of its capital cash flow needs in a given financial year to take advantage of an inverse interest yield curve.

### **16. Reporting and Monitoring Requirements**

Regular reporting mechanisms are in place in order to assess the performance of the borrowing portfolio and to ensure that the borrowings comply with policy objectives, guidelines, applicable laws and regulations.

### **17. Internal Controls**

- (a) The internal control procedure involves Internal Audit and Performance Management, and the Auditor General reviewing and testing the systems of the Finance Department on a regular basis.
- (b) In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the portfolio.
- (c) Controls deemed most important include:
  - (i) Control of collusion, separation of duties.

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- (ii) Custodial safekeeping of loan agreements and contracts.
- (iii) Clear delegation of duties.
- (iv) Checking and verification by senior officials of all transactions.
- (v) Documentation of transactions and repayments.
- (vi) Code of ethics and standards.
- (vii) Procedure manuals.
- (ii) Electronic Funds Transfer limits and a detailed procedure manual for the system.

### **18. National Treasury and Reporting Requirements**

- (a) Of the numerous returns submitted by the Municipality to National Treasury, one such report deals with the Municipality's external interest paid each month.
- (b) Another return, prepared on a quarterly basis, requires the Municipality to itemise all its external borrowings for the quarter ended.

**LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003**

**CHAPTER 6 : DEBT**

**SHORT-TERM DEBT**

45       (1)       A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act. A municipality may incur short-term debt only when necessary to bridge -

(a)       shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or

(b)       capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

A municipality may incur short term debt only if -

1)       a resolution of the municipal council, signed by the mayor , has approved the debt agreement : and

2)       the accounting officer has signed the agreement or other document which creates or acknowledges the debt .

(3)       For the purpose of subsection (2) (a.) a municipal council may -

1)       approve a short term debt individually ; or

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2) approve an agreement with a lender for a short-term credit facility to be accessed as and when required , including a line of credit or bank overdraft facility , provided that -

(i) the credit limit must be specified in the resolution of the council ;

(ii) the terms of agreement , including the credit limit , may be changed only by a resolution of the council ; and

(iii) if the council approves a credit facility that is limited to emergency use , the accounting office must notify the council in writing as soon as practical of the amount , duration and any debt incurred in terms of such a credit facility , as well as options for repaying such debt.

(4) A municipality -

1) must pay off short-term debt within the financial year ; and

2) may not renew or refinance short-term debt , whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

(a) No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a).

2) if a lender wilfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan .

(6) Subsection (5)(b) does not apply if the lender -

(a) relied in good faith on written representations of the municipality as to the purpose of the borrowing; and

did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

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### **LONG-TERM DEBT**

(1) A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of–

(a) capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4) ; or

(b) re-financing existing long-term debt subject to subsection (5).

2) A municipality may incur long-term debt only if –

(a) a resolution of the municipal council, signed by the mayor , has approved the debt agreement ;  
and

the accounting officer has signed the agreement or other document which creates or acknowledges the debt .

(3) A municipality may incur long-term debt only if the accounting officer of the municipality-

1) has in accordance with subsection 21A of the Municipal Systems Act–

(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided ;and

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invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt ; and

(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of -

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

4) Capital expenditure contemplated in subsection (1)(a) may include -

1) financing costs, including -

capitalised interest for a reasonable initial period;

costs associated with security arrangements in accordance with  
section 48;

(i) discounts and fees in connection with the financing;

fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and

costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing

(b) costs of professional services directly related to the capital expenditure; and



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such other costs as may be prescribed.

A municipality may borrow money for the purpose of re-financing existing long-term debt, provided -

(a) the existing long-term debt was lawfully incurred;

the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;

the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing and

the discount rate used in projecting net present value referred to in paragraph (c), and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

A municipality's long-term debt must be consistent with its capital budget referred to in section 17(2).

### **CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT**

A municipality may incur debt only if -

(a) the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value the Rand against any foreign currency;

section 48 (3) has been complied with, if security is to be provided by the municipality

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### **SECURITY**

48. (1) A municipality may, by resolution of its council, provide security for -

(a) any of its debt obligations;

(b) any debt obligations of a municipal entity under its sole control; or

(c) contractual obligations of the municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objects of local government in terms of section 152 of the Constitution.

A municipality may in terms of subsection (1) provide any appropriate security including

by -

(a) giving a lien on, or pledging, mortgaging, ceding or otherwise hypothecating an asset or right, or giving any other form of collateral;

undertaking to effect payment directly from money or sources that may become available and to authorise the lender or investor direct access to such sources to ensure payment of the secured debt or performance of the secured obligations, but this form of security may not affect compliance with section 8 (2)

undertaking to deposit funds with the lender, investor or third party as security;

agreeing to specific payment mechanisms or procedures to ensure exclusive or dedicated payment to lenders or investors, including revenue intercepts, payments into dedicated accounts or other payment mechanisms or procedures;

ceding as security any category of revenue or rights for future revenue;

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undertaking to have disputes resolved through mediation, arbitration or other dispute resolution mechanisms;

undertaking to retain revenues or specific charges, fees, tariffs or funds at a particular level or at a level sufficient to meet its financial obligations;

undertaking to make provision in its budgets for the payment of its financial obligations, including capital and interest;

agreeing to restrictions on debt that the municipality may incur in future until the secured debt is settled or the secured obligations are met; and

(j) agreeing to such other arrangements as the municipality may consider necessary and prudent.

(3) A council resolution authorising the provision of security in terms of subsection (2)(a) -

1) must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services; and

if so, must indicate the manner in which the availability of the asset or right for provision of that minimum level of basic municipal services will be protected.

(4) If the resolution has determined that the asset or right is necessary for providing the minimum level of basic municipal services, neither the party to whom the municipal security is provided, nor any successor or assignee of such party, may, in the event of a default by the municipality, deal with asset

or right in a manner that would preclude or impede the continuation of that minimum level of basic municipal services.

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- (5) A determination in terms of subsection (3) that an asset or right is not necessary for providing the minimum level of basic municipal services is binding on the municipality until the secured debt has been paid in full or the secured obligations have been performed in full, as the case may be.

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### **DISCLOSURE**

(1) Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor -

disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and

take reasonable care to ensure the accuracy of any information disclosed.

A lender or investor may rely on written representations of the municipality, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

### **MUNICIPAL GUARANTEES**

50. A municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following conditions :

(a) The guarantee must be within limits specified in the municipality's approved budget:

a municipality may guarantee the debt of a municipal entity under its sole control only if the guarantee is authorised by the council in the same manner and subject to the same conditions applicable to a municipality in terms of this Chapter if it incurs debt

a municipality may guarantee the debt of a municipal entity under its shared control or of any other person, but only with the approval of the National Treasury, and then only if-

(i) the municipality creates, and maintains for the duration of the guarantee, a cash-backed reserve equal to its total potential financial exposure as a result of such guarantee; or

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

(ii) the municipality purchases and maintains in effect for the duration of the guarantee, a policy of insurance issued by a registered insurer, which covers the full amount of the municipality's potential financial exposure as a result of such guarantee.

### **NATIONAL AND PROVINCIAL GUARANTEES**

51. Neither the national nor a provincial government may guarantee the debt of a municipality or municipal entity except to the extent that Chapter 8 of the Public/New Finance Management Act provides for such guarantees.

### **CHAPTER 8 : RESPONSIBILITIES OF MUNICIPAL OFFICERS**

#### **REPORTS AND REPORTABLE MATTERS**

#### **MONTHLY BUDGET STATEMENTS**

71. (1) The accounting officer of a municipality must 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 end of that month

Actual revenue, per revenue source;

actual borrowing

actual expenditure, per vote

actual capital expenditure, per vote

the amount of any allocations received

# RUSTENBURG LOCAL



## Budget Policy



RUSTENBURG LOCAL MUNICIPALITY  
Budget Policy  
**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

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## **DEFINITIONS**

"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;

"aggregated expense and aggregated revenue ", means- the total income and/or expense which has been adjusted to remove distorting factors which are generally contra entries and are ad hoc, once off. or outside of the control of the Municipality. These include but are not limited to Xstrata's electricity, housing, internal charges, 'below the line' items, the 2010 stadium and other relevant ad hoc items.

"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;

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"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 or power, includes an instruction or request to perform or to assist in performing the duty and which must be in writing;

"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;

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"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;

"executive mayor" means the councillor elected as the executive 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(l) (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;

"

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**"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;

**"operating capital"**- means

the cash funds required to cater for at least two months operating capital requirements and includes payment of creditors and provision for timing differences in payment of major electricity accounts

**"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(l) (c) of the MFMA;

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

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

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

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- (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;

"budget transfer" means the transfer of funds between line items within a vote of the operating budget

"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.

**"same category of expenditure" means –**

- a) Having the same item number or description, e.g. Item number IE00036 or Employee related.

## **1. PURPOSE OF THE POLICY**

The purpose of this policy is to promote sound and sustainable management budgeting in terms of the Municipal Financial Management Act (MFMA), S160 (6) of the Constitution and S 11(3) (h), (m) of Municipal Structures Act (MSA).

The municipality derives its legislative and executive authority to prepare, approve and implement the budget from S11 (3) (h) and (i) of the MSA, which includes the imposing and recovery of rates, taxes, levies, duties, service fees and surcharges on fees

## **2. BUDGET PRINCIPLES AND PREPARATION**

### **2.1. Appropriate of Funds for Expenditure**

The municipality may only incur expenditure in terms of an approval budget and within the limits of the amounts appropriated for the different votes in an approved budget, except where otherwise provided for in the MFMA and supporting regulations.

### **2.2. Funded Budget**

Each annual and adjustments budget shall reflect a surplus and be fully funded, realistic, credible, viable and implementable.

Any unappropriated surplus from previous financial years shall be appropriated, as far as it is not required to finance the operating capital or for other operational purposes, to the municipality's Capital Replacement Reserve (CRR).

Any impending deficit shall be rectified in an adjustments budget. If a deficit arises at the end of a financial year the deficit will immediately be rectified in the adjustments budget for the ensuing financial year, and not offset against any unappropriated surplus carried forward from preceding financial years.

### **2.3. Budget Guidelines**

The Chief Financial Officer shall prepare Budget Guidelines within the timeframe of the Budget/IDP Time schedule which contain the principles, objectives and strategies for the forthcoming budget. These will take cognizance of prevailing economic factors and guidelines issued by National and Provincial Government.

The Budget Guidelines give general direction to the budget process, indicate affordable budget growth and envisaged tariff increases. Within these principles the guidelines will provide the maximum incremental increase for each vote which must be used as the basis of preparation of the budget.



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**2.4. Budget Allocation and Submission by Directorates**

The allocation of budget by the Director must be within the strategic direction of Council and the reviewed IDP and SDBIP.

The budget guidelines provide the allowable budgetary increment for each vote. The Director has the discretion to allocate budget to line-items within the vote, except where the chief financial officer determines provision must be made in terms of the municipality's approved policies, and contractual and statutory commitments. For example, salaries, depreciation charges, finance charges, insurance costs, skills development levies and administrative charges.

The Director shall justify the budget allocation for each vote and line-item. In motivating the allocations, the director will provide appropriate quarterly performance indicators and service delivery targets. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

Each Director must submit their budget within the budgetary guidelines. Submission of budgets which exceed the maximum incremental increase and/or do not provide appropriate evidence of funding for capital projects will not be considered as a submission of the directorate's budget.

**2.5. SDBIP and Cash Flow Projections**

The SDBIP submitted from each directorate shall include the following components:

- i. Monthly projections of revenue to be collected for each source
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
- iii. Quarterly projections of service delivery targets and performance indicators for each vote
- iv. Ward information for expenditure and service delivery
- V. Detailed capital works plan broken down by ward over three years

Each directorate shall provide a monthly cash flow projection for the by line item level for the operating budget and individually for each capital item. These cash flow projections will be consolidated into the SDBIP.

Draft SDBIP's will be submitted each May to coincide with final budget approval.

**2.6. Depreciation and Finance Charges**

Depreciation expenses shall be provided for in the operating budget. The cash surplus generated from depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowing. The cash surplus generated by non-loan funded assets will be transferred to the Capital Replacement Reserve.

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Depreciation and finance charges shall be charged to or apportioned between the directorates or votes to which the projects relate.

Depreciation and finance charges together shall not exceed 15% of the aggregate expenses in the operating budget of each annual or adjustments budget.

#### **2.7. Impact of Increases on Rates and Tariffs**

When considering the annual budget, council will take into account the impact of proposed increases in rates and service tariffs on the monthly accounts of households. The impact of increases will be assessed on a fair sample of randomly selected accounts. The Council will endeavor to limit the average additional impact of an increase to the consumer price index.

If an increase above the consumer price index for a major tariff can be justified, the relevant director will release a press statement prior to budget consultation.

#### **2.8. Aggregate Rate Revenue**

The municipality shall strive to maintain the revenue from property rates at not less than 25% of the aggregated revenues.

#### **2.9. Labour Budget**

The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and not exceed 30% of the aggregate expenses of the operating budget of the annual or adjustments budget. In applying this principle, the remuneration of political office bearers and other councilors will be excluded from this percentage. Salaries are included in allowable increment limit of each vote.

### **3. OPERATING BUDGET**

#### **3.1. Provision for Accrued Leave**

The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and budget appropriately for contributions to the provision in each annual budget.

#### **3.2. Provision for Bad Debts**

The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies and realistic collection rates, and

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budget appropriately for contributions to the provision in each annual budget and review in the adjustments budget.

### 3.3. Interest Earned

Interest earned on the municipality's investments shall be budgeted for in the revenue budget and an expense provided for transfer to the accumulated reserve based on the opening investment balance.

### 3.4. Provision for Maintenance of Fixed Assets

In each annual and adjustments budget there shall be adequate provision for the maintenance of fixed assets in accordance with the fixed asset management and accounting policy. At least 5% of the aggregated expense of each budget shall be set aside for maintenance. This amount includes salary and vehicle costs.

## 4. CAPITAL BUDGET

### 4.1. Capital Budget Preparation

Every Director in consultation with the Chief Financial Officer will prepare a draft Capital Budget in respect of the ensuing financial year and a draft Capital Programme for the following two financial years based on the following principles:-

- Year Two of the current Capital Budget shall become Year 1 of the next year's Budget and Year Three of the current Capital Programme shall become Year Two
- New projects may enter the Capital Budget in Year 3.

No capital project will be accepted for inclusion into the budget unless it is accompanied by the projected cost covering all financial years until the project is operational, future operational costs and revenue and cash flow for the project. For a new project to be considered as part of the budget it must be fully motivated and accompanied by a complete project appraisal.

The Capital Budget and Capital Programme shall

(a) indicate separately projects which are -

- committed projects;
- related to maintaining existing services/ infrastructure; 0 financed by grants and subsidies; and 0 other projects

(b) include the following in connection with new projects:-

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- full motivations, including details of their impact on the operating budget. These projects must be accompanied by a complete project appraisal and life cycle costing.
- a monthly cash flow projection for the first full financial year of a project. The cash flow must differentiate between external payments and internal work performed.
- The status of the project in the Integrated Development Plan and motivation as to how the Integrated Development Plan will be supported.
- Evidence of secured funding for grant projects

(c) indicate projects that have been deleted from the previous programme and the reasons for deletion.

The tabled capital budget of the annual or adjustments budget will be properly balanced in that proposed capital expenses must be matched by funding which is realistic and from secured sources. Grant funded projects can only be included year 1 of the budget if the grant funding and the project's meeting of grant conditions has been confirmed in writing by the granting body.

Before approving a capital project, the Council must consider:

- the projected cost of the project over all the ensuing financial years until the project becomes operational,
- the future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on the operating budget (i.e. on property rates and service tariffs).

Before approving the capital budget of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and other ordinary operational expenses associated with any item on the capital budget.

Significant delays and under spend in implementation of the capital budget will result in reallocation of that budget as part of the adjustments budget.

#### **4.2. Capital Replacement Reserve**

The council shall maintain a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and acquisition and replacement of assets. The CRR must be cash backed and before any asset can be budgeted for from the CRR financing must be available within the reserve. If there is insufficient cash in the CRR, transfers must be budgeted for and adjusted.

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The reserve shall be established from the following sources of revenue:

- Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investments of the CRR appropriated;
- Profit on sale of land
- royalties
- Further amounts appropriated as contributions in each annual or adjustments budget; and
- Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

## **5. BUDGET ADJUSTMENTS**

### **5.1. Adjustments Budget**

The Executive Mayor may table an adjustments budget where:

- There is material under collection of revenue
- To appropriate additional revenue that has become available but only to revise or accelerate spending on programmes already budgeted for
- To authorise unforeseeable and unavoidable expenditure supported by appropriate documentation in relation to the Exemption Report which is approved by the Mayor, Municipal Manager and Chief Financial Officer
- To authorise utilisation of projected savings between votes
- To authorise spending of unspent funds as at previous year within legislative prescripts.
- Budget adjustment of conditional grants funds to purposes within that specified in the relevant conditional grant framework can be done administratively and there must be a confirmation in writing from the relevant granter.
- Budget adjustment of transport can be done administratively to and from different directorates / department. All the request must come from The Director Technical Services and Infrastructure and the final approval of the budget must be done by the Chief Financial Officer.

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All recommendations for budget adjustments must contain the financial comment by the Chief Financial Officer prior to consideration by the Mayoral Committee and Council.

Only Council may approve an adjustments budget.

## 5.2. Virement Process

Budget transfers refer to movement of budget funds between Votes within a Directorate.

All budget transfer proposals must be:

- completed on the appropriate documentation and forwarded to Budget Office for checking and implementation
- the effect of the budget transfer in the next two budget years should be indicated
- signed by the Director responsible for the vote
- approved in line with Council's System of Delegation *<Council resolution to accompany approval of policy>*.

Approval of budget transfers in the Operating Budget:

- are recommended by the Director for final approval by the Chief Financial Officer

Expenditure may only be committed or incurred after final approval.

The allowable percentage, number and amount of budget transfers per vote and per directorate will be reported to the Management on a monthly basis.

Projected cash flows in the SDBIP must be adjusted in line with budget transfers.

The following restrictions apply to budget transfers:

- Virement should not be permitted in relation to the revenue side of the budget;
- Virement between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management;
- Virement from the Capital Budget to the operating budget should not be permitted;
- Virement towards personnel expenditure should not be permitted;

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- Virement to or from the following items should not be permitted: Bulk purchases, debt impairment, interest charged, depreciation, grants to individuals, revenue foregone, insurance and VAT;
- Virement should not result in adding new projects to the Capital Budget;
- Virement of conditional grants funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted;
- Virement must be allowed within the same directorate.
- Virement on capital project for the same group of assets must be allowed (e.g. Fleet).
- No (Virement may be made where it would result in over expenditure of a line item
- If the budget transfer relates to an increase in the work force establishment, then the required approval processes and Council's existing recruitment policies and procedures will apply.
- **Virement** from the following categories can only be undertaken by the Chief Financial Officer, and) it must be within the relevant vote:
  - Salaries and allowances
  - **No virement should be allowed on protective clothing, shift allowance, temporary workers and overtime.**
  - Depreciation
  - Capital Costs (Interest and Redemption)
  - Appropriations
  - Contributions to Funds
  - Administration Costs
  - Municipal Rates and Services (Rates, Water, Electricity, Refuse and Sewerage)
  - Bulk services
- An approved Virement does not give expenditure authority, and expenditure resulting from approved Virement is subject to the supply chain management policy of Council
- Virement may not be made across Directorates (e.g LED to BTO)
- **Virement may not be approved within the first three months of a financial year.**

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

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, except for funds relating to capital expenditure appropriated in terms of S19 of the MFMA that are committed to identifiable projects.

Unspent conditional grants may be rolled over to the next financial year only if National Treasury has confirmed in writing whether or not the municipality may retain as a rollover any unspent funds because they are committed to identifiable projects. Conditions of the grant fund shall be taken into account in applying and approving rollover of funds.

Application for rollover of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May. When applying to rollover the unspent funds, the directorates must supply Budget Office with the following information:-

- Details of each of the projects to which funds are committed;
- A progress report on the state of the implementation of each projects;
- The amount of funds committed to each project, and the conditional allocation from which the funds come from; and
- An indication of the time-period within which the funds are to be spent.

Requests for rollover of funds after 15 April will not be considered.

The budget for the current financial year will be reduced by the amount of the rollover required for the next financial year. Only existing projects can be rolled over and no new projects can be created.

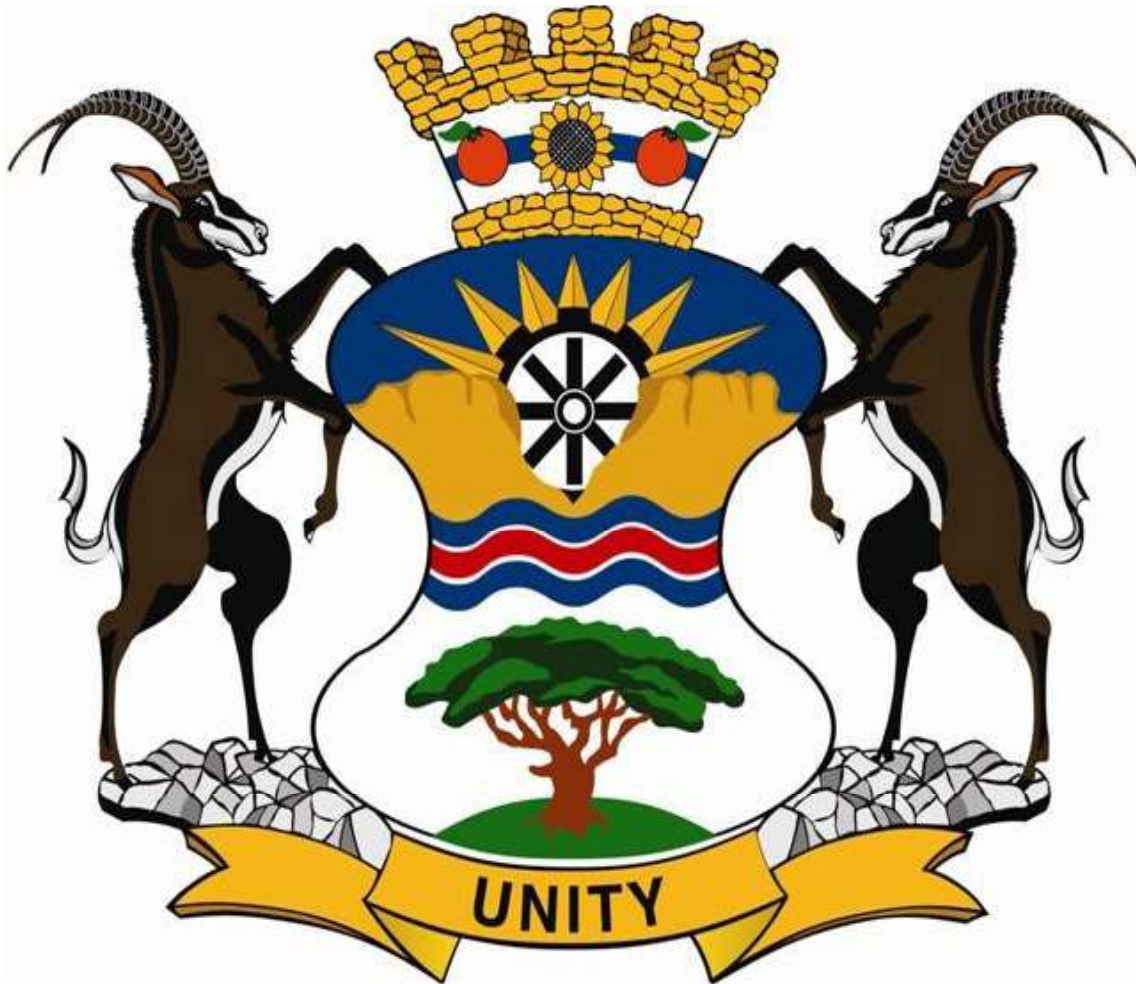
There can be no rollover of operating budget. Any operational grants that are anticipated to be unspent at year end should be provided for in the new budget at the time of preparation.

Minor adjustments to the rolled over budget (to a maximum of 10% per project) shall be done during the first budget adjustment in the new financial year after taking into account revised expenditure up to the end of the previous financial year.



# **RUSTENBURG**

## **LOCAL MUNICIPALITY**



## **CASH MANAGEMENT AND INVESTMENT POLICY**

**P R E A M B L E**

**WHEREAS** section 13 of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”) determines that the Rustenburg Local Municipality (hereafter “the Municipality”) must within the prescribed legislative framework:

- (a) conduct their cash management and investments; and
- (b) invest money not immediately required.

**AND WHEREAS** in terms of section 13(2) of the MFMA, the Municipality must establish an appropriate and effective Cash Management and Investment Policy in accordance with the prescribed framework.

**AND WHEREAS** Councillors and officials as trustees of public funds, have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

**AND WHEREAS** all investments made by the Municipality must be in accordance with the Local Government: Municipal Finance Management Act, Municipal Investment Regulations (hereafter “the Regulations”) promulgated in terms of the MFMA and in accordance with the Cash Management and Investment Policy of the Municipality.

**NOW THEREFORE** the Municipality adopts the following Cash Management and Investment Policy in compliance with the provisions of the MFMA and Regulations and to be known as the Cash Management and Investment Policy (hereafter “this policy”).

# THE RUSTENBURG LOCAL MUNICIPALITY

## CASH MANAGEMENT & INVESTMENT POLICY

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**1. DEFINITIONS**

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- (1) In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words and expressions to which a meaning has been assigned in terms of the provisions of the MFMA, Systems Act and Regulations, will have a corresponding meaning assigned thereto in terms of the said Act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
<b>“A”</b>		
1.1	<b>“Accounting Officer”</b>	Means the Municipal Manager appointed in terms of section 60 of the MFMA.
1.2	<b>“accrued interest”</b>	Means interest income that has been earned but not yet paid in cash.
<b>“C”</b>		
1.3	<b>“Chief Financial Officer”</b>	Means a person designated in terms of section 80(2)(a) of the MFMA.
1.4	<b>“Council”</b>	Means the municipal council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution of the Republic of South Africa.
1.5	<b>“credit rating”</b>	Means a financial indicator to determine credit worthiness to be considered potential lender or investor.
<b>“I”</b>		
1.6	<b>“investee”</b>	Means an institution with which an investment is placed, or its agent.

1.7	<b>“investment”</b>	Means in relation to funds of the Municipality:  (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.
1.8	<b>“investment manager”</b>	Means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, Act 55 of 1989 and Stock Exchanges Control Act, Act 1 of 1985, contracted by a municipality or municipal entity to:  (a) advise it on investments;  (b) manage investments on its behalf; or  (c) advise it on investments and management investments on its behalf.
<b>“L”</b>		
1.9	<b>“liquidity”</b>	Means the ease with which an asset can be turned into cash and the certainty of the value it will fetch.
1.10	<b>“long term investment”</b>	Means an investment that matures in more than 1 (one) year, generally made over a period of 5 (five) years or more.
<b>“M”</b>		
1.11	<b>“market value”</b>	Means the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
1.12	<b>“Mayor”</b>	Means, in terms of the provisions of section 1 of the MFMA, in relation to a municipality with an executive mayor, the councillor elected as the executive mayor of the municipality in terms of section 55 of the Structures Act.

1.13	<b>“Municipal Finance Management Act” or “MFMA”</b>	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.14	<b>“Municipality”</b>	<p>Means the RUSTENBURG LOCAL MUNICIPALITY a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA &amp; BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <ul style="list-style-type: none"> <li>(a) its successor in title; or</li> <li>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or</li> <li>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</li> </ul>
1.15	<b>“Municipal Manager”</b>	Means the Municipal Manager and Accounting Officer of the Municipality appointed in terms of the provisions of section 54A of the Systems Act and as referred to in the definition of “Accounting Officer” in section 1 of the MFMA, and also

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		referred to in section 60 of the MFMA, and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act.
<b>“R”</b>		
1.16	<b>“Regulation”</b>	Means the Local Government: Municipal Finance Management Act, Municipal Investment Regulations, promulgated in terms of the MFMA and published in Government Gazette No 27431 of 1 April 2005 under Government Notice R.308.
<b>“S”</b>		
1.17	<b>“Short term Investment”</b>	Means an investment with a maturity date of less than 1 (one) year.
1.18	<b>“Structures Act”</b>	Means the Local Government: Municipal Structures Act, Act 117 of 1998.
1.19	<b>“Systems Act”</b>	Means the Local Government: Municipal Systems Act, Act 32 of 2000.
<b>“T”</b>		
1.20	<b>“the/this policy”</b>	Means the Cash Management and Investment Policy of the Municipality as adopted by the Municipality in terms of section 13(2) of the MFMA.
1.21	<b>“Trust money”</b>	Means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the MFMA.

## 2. INTRODUCTION

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- (1) As trustee of public funds, the Council has an obligation to ensure that all investments are made by the Municipality in the most efficient and effective manner.



- (2) Money invested must be for the benefit of the whole of the community and must be governed by the principle objective to maximise returns from authorised investments, consistent with the secondary objective of minimising risk.

### **3. LEGISLATIVE CONTEXT**

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- (1) This policy is established in terms of section 13(1) and section 13(2) of the MFMA which requires that the Municipality establish an appropriate and effective Cash Management and Investment Policy within which the Municipality must:
  - (a) conduct its cash management and investments; and
  - (b) invest money not immediately required in accordance with any framework which may be prescribed by law.
- (2) In addition, the Regulations set out the framework within which all municipalities shall conduct their cash management and investment. The said regulations are annexed to this policy as **Annexure “A”**.
- (3) This policy is consistent with the MFMA, the aforementioned gazetted framework and section 60(2) of the Systems Act.
- (4) The Municipality shall at all times manage its banking accounts and investments, as well as implement this policy in compliance with the provisions of and the prescriptions made by the Minister of Finance in terms of the MFMA.

### **4. ADOPTION AND COMMENCEMENT OF THIS POLICY**

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- (1) The Municipality shall adopt this policy which is consistent with the provisions of paragraph 3 above.
- (2) All investments made by the Municipality or an investment manager on behalf of the Municipality must be in accordance with this policy and with any investment regulations promulgated by National Government.
- (3) The effective date of this policy or any amendments thereto shall be the date of its adoption by Council.

#### **5. PURPOSE OF THIS POLICY**

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The purpose of this policy is to secure the sound and sustainable management of the Municipality's surplus cash and investments.

#### **6. SCOPE OF THIS POLICY**

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- (1) This policy prescribes the manner in which the Municipality must conduct its cash management and investments. This policy further prescribes the obligations and the accountability of the Municipality as a trustee of public funds, and that cash resources are managed as effectively as possible by ensuring that such funds are invested with great care.
- (2) This policy aims through effective cash flow management, having regard to legislative provisions, at gaining the highest possible return without undue risk to the investment during those periods when funds are not required.
- (3) The policy governs the investment of money not immediately required by the Municipality for the defrayment of expenditure.

- (4) This policy applies to all new and existing investments made by:
  - (a) the Municipality;
  - (b) all investment managers acting on behalf of the Municipality in making or managing investments.
- (5) This policy does not apply to trust moneys administered by the Municipality where it is prescribed in the trust deed how the trust money is to be invested.

## **7. OBJECTIVES OF THIS POLICY**

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- (1) To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments.
- (2) To ensure that investment of surplus funds of the Municipality forms part of the financial system of the Municipality.
- (3) To create consistency in that the same procedure is followed in respect of each investment so as to conform to the requirements of transparency, equitability and fairness. In each case the preservation and safety of investments is a primary aim.
- (4) To promote and ensure the need for investment diversification of the Municipality's investment portfolio across acceptable investees permitted types of investments and investment maturities.
- (5) To ensure the liquidity needs of the Municipality are duly discounted and provided for.

- (6) To ensure timeous reporting of the investment portfolio as required by the MFMA and in accordance with the Generally Recognised Accounting Practice (GRAP) and as required by the National Treasury.
- (7) To establish a minimum acceptable credit rating and requirements for investments including:
  - (a) a list of approved investment types that may be made, subject to the provisions of this policy; and
  - (b) a list of approved institutions where or through which investments may be made, subject to the provision of this policy.
- (8) To provide measures for ensuring implementation of this policy and internal control over, investment made as well as procedures for reporting on and monitoring of all investments made procedure for benchmarking and performance evaluation.
- (9) To provide the assignment of roles and functions, any delegation of decision-making powers including the conditions for the use of investment managers, and their liability in the event of non-compliance with the provisions of this policy.
- (10) To provide the procedures for the annual review of this policy.

## **8. PERMITTED INVESTMENT TYPES**

- (1) The Municipality shall only invest funds in any of the following investment types as set out and referred to in regulation 6 of the Regulations, being:
  - (a) securities issued by the National Government;

- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
- (f) banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, Act 94 of 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, Act 94 of 1990;
- (i) municipal bonds issued by another municipality; and
- (j) any other investment type as the Minister of Finance may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

## **9. PROHIBITED INVESTMENTS**

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- (1) The Municipality shall not be permitted to make the following investments:
  - (a) investments in listed or unlisted shares or unit trusts;
  - (b) investments in stand alone or derivative instruments;
  - (c) investments denominated in, or linked to, foreign currencies;
  - (d) investments in market linked endowment policies.
- (2) The Municipality shall not borrow funds for the purposes of investing, as stated in terms of the Borrowing Policy of the Municipality.

- (3) Any investment in capital or money market instruments shall be held until maturity. The Municipality shall not buy or sell these instruments, to speculate with a view to making capital profits.

#### **10. STANDARD OF CARE**

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- (1) The Municipality must take all reasonable and prudent steps consistent with, and according to the provisions of this policy to ensure that it places its investments with credit-worthy institutions. The international rating given should be used to evaluate the creditworthiness of financial institutions.
- (2) The investment shall be made with the judgement and care, under the prevailing circumstances, which a person of prudence, discretion and intelligence would exercise in the management of his/her own affairs, not for speculation, but for investment, and with primary regard to:
  - (a) the safety of its capital;
  - (b) the liquidity needs of the Municipality; and
  - (c) the probable income or return derived from the investment.

#### **11. DELEGATION OF INVESTMENT PORTFOLIO MANAGEMENT**

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- (1) The authority to make investments and fulfil all functions related herein is in terms of section 59 of the Systems Act delegated by the Council to the Chief Financial Officer who will exercise his/her power, function and duty to make investments on behalf of the Municipality within a policy framework determined by the Minister of Finance and in accordance with the provisions contained within this policy. This power may not be sub-delegated.

- (2) The Chief Financial Officer shall make invitation and selection of competitive bids or offers from a list of approved institutions to make short-term investments as and when necessary.
- (3) The Chief Financial Officer shall invite bids or offers from a list of approved institutions, in accordance with the applicable provisions of the Supply Chain Management Policy of the Municipality, and make investments in consultation with the Municipal Manager in respect of the long-term investment of funds.

## **12. REPORTING AND MONITORING**

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- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall in terms of section 71 of MFMA submit, on a monthly basis, a report describing in accordance with Generally Recognised Accounting Practice (GRAP) the investment portfolio of the Municipality as at the end of the month and such report shall contain at least the following particulars:
  - (a) the market value of each investment as at the beginning of the reporting period;
  - (b) any changes to the investment portfolio during the reporting period;
  - (c) the market value of each investment as at the end of the reporting period;
  - (d) applicable interest rates; and
  - (e) fully accrued interest or yield for the reporting period.
- (2) There shall at all times be transparency, equitability, fairness and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard, details of all investment must form part of the monthly financial report by the Accounting Officer to the Mayor and the provincial treasury.

- (3) There shall at all times be regular reporting mechanisms in place in order to assess the performance of the investment portfolio and to ensure that the investments comply with policy objectives, guidelines, applicable laws and regulations.
- (4) The following investment reports shall be prepared:
- (a) For the Chief Financial Officer:
- (i) a daily summary of current investments for all Investees;
  - (ii) a detailed schedule of investment capital and interest maturing on the current day;
  - (iii) a daily summarised schedule of future maturities for all investments;
  - (iv) a monthly reconciliation of all interest accrued and interest received;
  - (v) each month, the weighted average actual return earned on investments for the month, together with a comparison to the previous 3, 6, 9 and 12 months, shall be calculated on a nominal annual compounded monthly basis and benchmarked against rates of return offered by other institutions.
- (b) For the Mayor:
- A monthly investment portfolio report (in accordance with the Generally Recognised Accounting Practice) to be submitted to the Mayor by the Accounting Officer, within 10 (ten) working days of the end of each month, as part of the section 71 report required in terms of the MFMA, detailing:
- (i) the market value of each investment as at the beginning of the reporting period;



- (ii) any changes in the investment portfolio during the reporting period;
  - (iii) the market value of each investment as at the end of the reporting period; and
  - (iv) fully accrued interest and yield for the reporting period.
- (c) For Council:
  - (i) the Accounting Officer must table a quarterly report to Council within 30 (thirty) days after the end of each quarter on the cash withdrawals from the Municipality's bank account for investment purposes.
- (d) For the Auditor-General:
  - (i) all investees shall, within 30 (thirty) days after the end of the financial year, notify the Auditor-General, in writing, of all investments held by them for and on behalf of the Municipality during that year, including the opening and closing balances of that investment in that financial year; and promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor General;
  - (ii) within 90 (ninety) days after opening up any new bank account, the Municipality shall notify the Auditor-General and the provincial treasury of the name, type and number of any new bank account opened by the Municipality; and annually before the start of a financial year, the name of each bank where the Municipality holds a bank account, and the type and number of the account.
  - (iii) all banks, where the Municipality, at the end of a financial year holds a bank account or held a bank account at any time during a financial year, must –

- a) within 30 days after the end of that financial year notify the Auditor-General in writing of such bank account including –
  - (i) the type and number of the account; and
  - (ii) the opening and closing balances of that bank account in that financial year; and
- b) promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

### **13. DIVERSIFICATION**

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No more than 60% of the total investment portfolio may be invested with a single institution, except with the prior authorisation of the Accounting Officer. As far as it is considered practical and reasonable, investments should have different maturity dates. .

### **14. COMPETITIVE SELECTION PROCESS AND INVITATION FOR QUOTATION**

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- (1) No investments may be made without obtaining quotations from at least 3 (three) institutions or investees permitted in terms of this policy, for the terms for which the investment is to be placed.
- (2) The selection of an investee for any investment shall be a competitive process in terms of the Supply Chain Management Policy of the Municipality.
- (3) In the event of one or more of the investees offering a more beneficial rate for an alternative term, the other investees who previously quoted or invited to quote shall be approached for their rates on the alternative term.

- (4) Written confirmation of the terms of the investments shall be prepared and signed with the investee in all cases.
- (5) Save where other considerations or factors as provided in this policy apply the best rate offered shall secure the investment.

**15. CONTROL OVER INVESTMENT(S)**

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- (1) Proper records should be kept of all investment made. At the very least the following facts should be indicated for each investment: the institution, the funds, the interest rate and the maturity date.
- (2) Interest correctly calculated should be received timeously together with any distributable capital.
- (3) Investment documents and certificates shall be kept in a locked and fire-resistant safe.
- (4) The Chief Financial Officer is responsible for ensuring that the invested funds are reasonably secure and should there be a measure of risk, such risk must be rated realistically.
- (5) All investment made must be in the name of the Municipality and recorded as such by the Investee.
- (6) The responsibility and the risk arising from any investment vests in the Municipality.

**16. INVESTEE LIMITS**

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- (1) Maximum investment levels shall be set for each approved Investee and these limits shall not be exceeded at the time of making the investment.
- (4) The Municipality shall only invest with Investees having, reasonable investment grade ratings from a nationally or internally recognised credit rating agency.
- (5) The Municipality shall ensure that it places its investments only with credit-worthy Investees. The credit worthiness of every Investee shall be monitored throughout the year on an ongoing basis.
- (6) Any additions to or deletions from the list of approved Investees or any changes to the investment limits assigned to each Investee shall be approved by the Chief Financial Officer in consultation with the Accounting Officer.

**17. ELECTRONIC FUNDS TRANSFER**

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- (1) Investments shall be made by electronic transfer.
- (2) Strict segregation of duties shall be maintained in respect of the creator of the payment and the payment authoriser.
- (3) Investment payments shall be authorised by the Chief Financial Officer.

**18. EFFECTIVE CASH MANAGEMENT**

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- (1) In order to ensure adequate and efficient cash management of the Municipality, the Chief Financial Officer must establish and implement at all times a cash management plan and reports which entails at least the following:
- (a) daily cash flow reporting shall be prepared as follows:
    - (i) a summary of the preceding day, and month date, closing bank account and investment balances, cash receipts, payments and inter-bank transfers;
    - (ii) a detailed schedule of investment capital and interest maturing on the current day;
    - (iii) a summarised schedule of daily investment maturities for all existing investments;
    - (iv) a summary of daily cash receipts and payments, actual against forecast for the month to date; and
    - (v) a daily projection of cash receipts and payments through to the end of the current month;
  - (b) monthly reporting showing:
    - (i) comparisons of actual cash flow with forecast, current month and year to date;
    - (ii) an explanation of any variances in sub-paragraph (i) above;
    - (iii) updating the estimates on a monthly basis and in reporting provides comments or explanations regarding any significant cash flow deviation in any calendar month;
    - (iv) a summarised monthly projected cash flow over the next 12 (twelve) months;
    - (v) an analysis of actual year to date cash receipts and payments and projected cash flows for the remaining months

of the current financial year to be submitted to National Treasury; and

- (vi) the cash backing of statutory funds and reserves balances at the end of the month;
  - (c) every quarter preparing a revised detailed cash flow projection for the next 12 (twelve) months;
  - (d) regular reports indicating, when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when, if applicable, either long-term or short-term debt must be incurred; and
  - (e) preparing annually
    - (i) the annual estimates for the budget year of the municipality's cash flows per revenue sources divided into calendar months;
    - (ii) the annual cash flow budget for the new financial year.
- (2) The Chief Financial Officer shall ensure regular and effective cash flow monitoring and forecasting which is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions.
- (3) The balance on the Municipality's current account shall be maintained at the minimum required level taking into account the day to day cash and expenditure requirements of the Municipality. Surplus cash shall be immediately invested in order to maximise interest earnings.

## **19. CASH COLLECTIONS**

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- (1) All monies due to the Municipality must be collected as soon as possible and banked in a controlled and secure manner, on a daily basis as cash left in

the safe can pose a security risk, necessitate additional insurance coverage and does not earn any interest.

- (2) All cash shortages should be paid for immediately and banked to the municipal bank account the next business day.
- (3) All surpluses should be recorded and banked to the municipal bank account and will be forfeited if not claimed after 3 years.
- (4) Special deposits should be arranged for the larger amounts received to make sure that these are banked on the same day that they are received.
- (5) It is essential that all amounts owed to the Municipality be levied by way of a debit and be dealt with in accordance with the Credit Control & Debt Collection Policy of the Municipality.
- (6) Adequate cash receipting points shall be made available to the public in all areas to facilitate prompt payment of accounts. Every effort should be made to encourage consumers to pay directly, or via third party agents, into the Municipality's bank account by electronic means.
- (7) The Municipality shall review the debt collection performance regularly comparing monies presently owed to the Municipality in relation to the total income as well as a comparison to previous financial years in order to determine whether the debt collection is deteriorating or improving. Debt collection and credit control must be executed in terms of the provisions of the Credit Control & Debt Collection Policy of the Municipality
- (8) The Chief Financial Officer shall regularly assess the daily available cash in the main bank account in order to determine the need for making daily call investments or making investment payments or withdrawals, whereas long-term investments need to be based on projections further into the future.

**20. PETTY CASH**

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- (1) The Chief Financial Officer will determine by way of a written petty cash policy the maximum amount and the nature of the petty cash disbursements, as well as managing the allocation of all petty cash floats.
- (2) Payments by means of petty cash may be used internally, by officials of the Municipality for the purpose of acquiring goods and services that are small in nature and amount and may be required on an urgent basis.
- (3) The provisions of the Supply Chain Management Policy of the Municipality concerning the acquiring of goods and services by way of petty cash, must be adhered to at all times.

**21. PAYMENT TO SUPPLIERS**

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- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall establish written creditors' payment procedures in terms section 65(2) of the MFMA in order to ensure that the Municipality maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
- (2) The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the Municipality stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality.



- (3) Suppliers shall be paid in accordance with the service level agreements concluded with such suppliers and the provisions of the Supply Chain Management Policy of the Municipality. The number of electronic batch payment runs shall be minimised and shall be done in a structured scheduled manner in order to facilitate efficient cash flow management.
- (4) The Chief Financial Officer shall ensure that the Municipality optimises financial incentive opportunities arising from effecting earlier payments.
- (5) In order to ensure continuous effective control of cash, any special payments to creditors shall only be made with the express approval of the Chief Financial Officer who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end or other regular processing.

## **22. INVESTMENTS ETHICS AND PRINCIPLES**

- (1) The Chief Financial Officer shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in consultation with the Accounting Officer, as the case may be, and in compliance with any policy directives formulated by Council and the prescriptions made by the Minister of Finance.
- (2) Under no circumstances may any staff member be subjected to coercive measures of any description.
- (3) No member of staff may accept any gift other than something that is so small (monetary value not exceeding R350.00 (Three hundred and fifty rand)) that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences such staff member in his/her work or is intended

to do so. Excessive gifts and hospitality must be refused and avoided. Any gift that is received by a member of staff from a prospective Investee shall be disclosed in writing to the Accounting Officer.

- (4) The Chief Financial Officer must record and report all cases to the Accounting Officer where there is a contravention of this policy.
- (5) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.
- (6) No employee or councillor of the Municipality or their family may under any circumstances whatsoever on his/her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made. This shall be confirmed annually by all Investees to the Auditor-General.
- (7) No fee, commission or other reward may be paid or given, directly or indirectly, to a councillor or official of the Municipality, or to a spouse or close family member of such councillor or official, in respect of any investment made by the Municipality. This shall be confirmed annually by all Investees to the Auditor-General.
- (8) All investments must be made without internal or external interference whether such interference comes from individual officials, councillors, agents, Investees or any other external body.
- (9) The Municipality shall review its investments regularly and liquidate any investment that no longer has the minimum acceptable rating as specified.

- (10) The Municipality must take all reasonable and prudent steps, consistent with the standard of care provided for in this policy to diversify its investment portfolio across institutions, types of investment and investment maturities. In this case it should be noted that a group of financial institutions would be treated as individual institutions.
- (11) Investments made by or on behalf of the Municipality must:
  - (a) be made while maintaining a strict code of ethics and standards;
  - (b) be a genuine investment and not an investment made for speculation.

### **23. CONFIDENTIALITY**

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- (1) Interest or investment rates shall not be divulged or disclosed to another institution or Investee.
- (2) The Municipality's cash position and its future projected cash flows shall not be discussed with or disclosed to any Investee.

### **24. GENERAL INVESTMENT PRACTICE**

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- (1) General principles:
  - (a) After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer shall consider the way in which the investment is to be made in conjunction with the Accounting Officer. All telephonic quotations (if applicable) must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before re-investment is made with the same institution;

- (b) Where a fixed deposit is made with an institution at a lower rate than the other quotations, reasons must be recorded by the Chief Financial Officer and reported to the Mayor as part of monthly financial report by the Accounting Officer.
- (2) Payment of commission:
  - (a) The financial institution where a fixed deposit is made must issue a certificate with regard to each investment at the time when the investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or councillor of the Municipality or their family or an agent or any other such person, or to any person nominated by such agent or such other person, except where the Municipality has decided, in terms of duly authorising legislation, to appoint an agent, consultant or such other person, and the fee commission has been decided and approved by the Mayor before any investment is made with such a financial institution;
  - (b) In the case of long-term securities at insurance companies, any payment of commission to any agent, consultant or any other person, must be clearly stated on the application form and approved by the Mayor in terms of duly authorising legislation and shall not exceed industry norms, before any investment is made;
  - (c) If any fee, commission or other reward is paid to an Investment Manager in respect of an investment made by the Municipality, both the Investee and the Investment Manager must declare such payment to the Council by way of certificate disclosing full details of the payment. Fees, commissions and other rewards may under no circumstance exceed 5% of the total investment to which that fee, commission or other reward relates.
- (3) “Call Deposits” and “Fixed Deposits” shorter than 12 (twelve) months:

- (a) Quotations shall be solicited from a minimum of 3 (three) financial institutions bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than the term initially requested by the Municipality, the other institutions that were approached shall also be asked for quote a rate for the same term;
- (b) It is acceptable to ask for quotations telephonically, as rates can generally change on a regular daily basis and time is a determining factor when an investment is made;
- (c) The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the relevant terms and rates, and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted shall be given before the investment is made;
- (d) Once the required number of quotations has been obtained, a decision shall be taken regarding the best terms offered and the institution with which the funds are going to be invested. The best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package, the institution has to be told to offer their best rate in their quotation. The institution shall be informed that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard;
- (e) The above-mentioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis;
- (f) The Municipality shall ensure that the investment document received is the genuine document, issued by an approved institution. The

investment capital should be paid over only to the institution with which it is to be invested, and not to any agent;

- (g) The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that are required to be evaluated.

## **25. USE OF INVESTMENT MANAGERS**

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- (1) The Municipality may employ an Investment Manager to:
  - (a) advise it on its investments; and/or
  - (b) manage specific investments on its behalf.
- (2) The appointment of an Investment Manager shall be in accordance with the Municipality's Supply Chain Management Policy. No employee, councillor or official of the Municipality or any family member of any of the foregoing may be appointed as Investment Manager.
- (3) All investments made by an investment manager on behalf of the Municipality shall be in accordance with this policy and the Regulations.
- (4) Where any investment fee, commission or any other amount is paid by the Investee to the Investment Manager in respect of the Municipality's investments, both the Investee and the investment manager shall declare such payment to Council by way of a certificate disclosing the full details of the payment. Such amount shall not exceed 5% of the investment to which it relates.

- (5) Investment Managers found guilty of non-compliance with this policy, as well as the Regulations, shall be liable for any loss or penalty suffered by the Municipality.

## **26. ACCOUNTING FOR INVESTMENTS**

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The Municipality's investments shall be accounted for as held to maturity (HTM) financial investments in accordance with the Municipality's approved accounting policies. The investments shall be measured as at balance sheet date at the amortised cost, using the effective interest rate method, less any write off for impairment or non-collectability.

## **27. EXISTING INVESTMENTS**

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Nothing in this policy compels the Municipality to liquidate an investment which existed when the Regulations took effect merely because such investment does not meet the provisions of those regulations.

## **28. INVESTMENT DENOMINATED IN FOREIGN CURRENCY PROHIBITED**

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

## **29. ANNUAL REVIEW OF THIS POLICY**

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- (1) This policy will be reviewed annually or earlier if so required by legislation.

- (2) Any changes to this policy must be adopted by Council and be consistent with the MFMA and the Regulations.



**ANNEXURE “A”**

**GOVERNMENT GAZETTE, 1 APRIL 2005**

**GOVERNMENT NOTICES**

**NATIONAL TREASURY Notice No. R. 308 dated 1 April 2005 in Gazette No.  
27431**

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003  
MUNICIPAL INVESTMENT REGULATIONS**

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of Section 168, read with Section 13 and 99 (2)(g), of the Local Government : Municipal Finance Management Act, Act 56 of 2003, made the regulations as set out in the Schedule.

**SCHEDULE**

**1. Definitions**

---

In these regulations, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and:

- (1) **“Act”** means the Local Government: Municipal Finance Management Act, Act 56 of 2003;
- (2) **“Investee”** means an institution with which an investment is placed, or its agent;
- (3) **“Investment Manager”** means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, Act 55 of 1989 and Stock Exchanges Control Act, Act 1 of 1985, contracted by a municipality or municipal entity to:

- (a) advise it on investments;
  - (b) manage investments on its behalf; or
  - (c) advise it on investments and manage investments on its behalf.
- (4) **“trust money”** means money held in trust on behalf of third parties in a trust contemplated in terms of Section 12 of the Act.

## **2. Application**

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- (1) These regulations apply to:
  - (a) all municipalities;
  - (b) all municipal entities; and
  - (c) all Investment Managers acting on behalf of, or assisting, a municipality or municipal entity in making or managing investments.
- (2) These regulations do not apply:
  - (a) to a pension or provident fund registered in terms of the Pension Funds Act, Act 24 of 1956, or any subsequent legislation; or
  - (b) in respect of trust money administered by a municipality or municipal entity where a trust deed prescribes how the trust money is to be invested.
- (3) Municipal pension or provident funds which do not comply with sub-regulation (2)(a) are exempted from these regulations until 30 June 2005.
- (4) The Accounting Officer of a municipality and municipal entity must provide the National Treasury with details of all pension or provident funds that do

not comply with sub-regulation (2)(a) within 30 (thirty) days of promulgation of these regulations.

### **3. Adoption of Investment Policies**

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- (1) The investment policy to be established by a municipality in terms of Section 13(2) of the Act, must be:
  - (a) adopted by the Council of the municipality; and
  - (b) consistent with the Act and these regulations.
- (2) The board of Directors of a municipal entity must adopt an investment policy for the entity consistent with the Act and these regulations.
- (3) All investments made by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or municipal entity, must be in accordance with the investment policy of the municipality or entity and these regulations.

### **4. Core elements of Investment Policies**

---

- (1) The investment policy of a municipality or municipal entity must:
  - (a) be in writing;
  - (b) give effect to these regulations; and
  - (c) set out:
    - (i) the scope of the policy;
    - (ii) the objectives of the policy, with due regard to the provisions of these regulations relating to:

- (aa) the preservation and safety of investments as the primary aim;
  - (bb) the need for investment diversification; and
  - (cc) the liquidity needs of the municipality or municipal entity;
- (iii) a minimum acceptable credit rating for investments, including :-
  - (aa) a list of approved investment types that may be made, subject to regulation 6;
  - (bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;
- (iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act;
- (v) measures for ensuring implementation of the policy and internal control over investments made;
- (vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;
- (vii) procedures for benchmarking and performance evaluation;
- (viii) the assignment of roles and functions, including any delegation of decision-making powers;
- (ix) if Investment Managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and
- (x) procedures for the annual review of the policy.

**5. Standard of Care to be exercised when making Investments**

Investments by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or entity:

- (a) must 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;
- (b) may not be made for speculation but must be a genuine investment; and
- (c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality or municipal entity and lastly to the probable income derived from the investment.

## **6. Permitted Investments**

---

A municipality or municipal entity may invest funds only in any of the following investment types:

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
- (f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;

- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) municipal bonds issued by a municipality; and
- (j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

**7. Investments denominated in foreign currencies prohibited**

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

**8. Payment of Commission**

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- (1) No fee, commission or other reward may be paid to a councillor or official of a municipality or to a director or official of a municipal entity or to a spouse or close family member of such councillor, director or official in respect of any investment made or referred by a municipality or municipal entity.
- (2) If an Investee pays any fee, commission or other reward to an Investment Manager in respect of any investment made by a municipality or municipal entity, both the Investee and the Investment Manager must declare such payment to the Council of the municipality or the board of directors of the municipal entity by way of a certificate disclosing full details of the payment.

**9. Reporting requirements**

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- (1) The accounting officer of a municipality or municipal entity must within 10 working days of the end of each month, as part of the Section 71 report

required by the Act, submit to the Mayor of the municipality or the board of directors of the municipal entity a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

- (2) The report referred to in sub regulation (1) above must set out at least:
  - (a) the market value of each investment as at the beginning of the reporting period;
  - (b) any changes to the investment portfolio during the reporting period;
  - (c) the market value of each investment as at the end of the reporting period; and
  - (d) fully accrued interest and yield for the reporting period.

#### **10. Credit Requirements**

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- (1) A municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit worthy institutions.
- (2) A municipality or municipal entity must :-
  - (a) regularly monitor its investment portfolio; and
  - (b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

#### **11. Portfolio Diversification**

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A municipality or municipal entity must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed in regulation 5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

## **12. Miscellaneous Provisions**

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- (1) The responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.
- (2) All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity.
- (3) A municipality or municipal entity may not borrow money for the purpose of investment.

## **13. Existing Investments**

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Nothing in these regulations compels a municipality or municipal entity to liquidate an investment which existed when these regulations took effect merely because such investment does not comply with a provision of these regulations.

## **14. Commencement**

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These regulations take effect on 1 April 2005.





**RUSTENBURG LOCAL MUNICIPALITY**



<b>Policy Name:</b>	<b>Commitments Policy</b>
<b>Policy Number:</b>	
<b>Status:</b>	<b>Draft</b>
<b>Date:</b>	31 January 2022
<b>Approved By:</b>	
<b>Date Approved:</b>	
<b>Date Last Amended:</b>	New Policy
<b>Date for Next Review:</b>	2022
<b>Date Published on Intranet:</b>	

**COMMITMENTS POLICY – DRAFT**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **ABBREVIATIONS:**

MFMA -	Municipal Finance Management Act, 2003 (Act 56 of 2003)
GRAP	Generally Recognised Accounting Practice
AFS -	Annual Financial Statements
AO -	Accounting Officer

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## **1. LEGISLATIVE REQUIREMENTS**

### **Municipal Finance Management Act (MFMA)**

The MFMA endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

Chapter 12 of the MFMA places the onus on the Municipality to take responsibility for the preparation and adoption of an annual report in accordance with this Chapter. Chapter 12 provides guidance on the preparation of financial statements, disclosures on intergovernmental and other allocations and other compulsory disclosures.

## **2. OBJECTIVE**

The objective of this Policy is to clearly define the responsibilities of Rustenburg Local Municipality, in terms of the MFMA, with respect to the identification and disclosure of both ‘approved and contracted for’ and ‘approved but not yet contracted for’ commitments in its Annual Financial Statements (AFS).

This policy document addresses the following areas:

- 2.1.1. The definition of a commitment
- 2.1.2. The definition of ‘approved and contracted for’ commitments.
- 2.1.3. The Accounting Policy with respect to commitments
- 2.1.4. Guidance on the identification and accounting treatment of commitments
- 2.1.5. Guidance on the disclosure requirements of commitments

**3. TERMINOLOGY AND DEFINITIONS**

A **commitment** represents goods/services that have been approved and/or contracted for, but where expenditure has not taken place at the reporting date. A commitment arises when a decision has been made to incur a liability in the future. The commitment converts to a liability when that intention becomes a present obligation – i.e. when the delivery of the contracted goods/services has taken place.

**Capital commitments** arise when the Rustenburg Local Municipality has entered into a contract on or before the end of the financial year/reporting date to incur expenditure over subsequent accounting periods relating to the construction of infrastructure, the purchase of major items of property, plant and equipment or significant consultancy costs.

An **approved and contracted for commitment** is where the expenditure has been approved and the contract has been awarded at the end of the financial year/reporting date.

**Capital expenditure** is expenditure incurred to purchase, upgrade or construct physical assets (for e.g. buildings) for which there will be a long-term benefit. Long-term is defined as longer than one year.

**Current/Operational expenditure** is expenditure incurred to purchase goods or services for which there will be a short-term benefit and which has been incurred in the normal course of business. Short-term is defined as less than one year.

**Annual Financial Statements** in relation to the Rustenburg Local Municipality means statements consisting of at least-

- 3.1.1 A statement of financial position
- 3.1.2 A statement of financial performance
- 3.1.3 A cash-flow statement
- 3.1.4 Any other statements that may be prescribed, and
- 3.1.5 Any notes to these statements.

**Financial Year** means a year ending on 30 June.

#### **4. ACCOUNTING POLICY**

This Policy has been formulated in terms of the MFMA and the Generally Recognised Accounting Practice Statement on Presentation of Financial Statements (GRAP1), as well as disclosure prescribed in the June 2006 National Treasury specimen annual financial statements.

Commitments are not recognised in the Statement of Financial Position nor the Statement of Financial Performance, but are included in the disclosure notes to the AFS.

The disclosure of commitments entered into before the end of the financial year/reporting date shall be done in the financial statements as prescribed in the following GRAP standards:

- 4.1.1 GRAP 1 – Presentation of Financial Statements (GRAP 1:.124)** requires the disclosure of unrecognised contractual commitments
- 4.1.2 GRAP 13 – Leases (GRAP 13:.28)** requires the disclosure of the future minimum lease payments
- 4.1.3 GRAP 17 – Property, Plant and Equipment (GRAP 17:.86 (c))** requires the disclosure of contractual commitments for the acquisition of property, plant and equipment.
- 4.1.4 GRAP 31 – Intangible Assets (GRAP 31:.123 (d))** requires the disclosure of contractual commitments for the acquisition of intangible assets.

#### **5. IDENTIFICATION AND ACCOUNTING TREATMENT OF COMMITMENTS**

In determining whether a commitment exists at the end of the financial year/reporting date, the following principles, according to the National Treasury Guidelines, should be applied:

- 5.1. Commitments represent goods/services that have been ordered, but for which no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

expenditure in the Statement of Financial Performance, however are disclosed as part of the disclosure notes.

- 5.2. Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- 5.3. Contracts that are entered into before the reporting date, but for which the corresponding goods/services have not been received are disclosed in the commitments disclosure note to the financial statements
- 5.4. Material contracts entered into after the reporting date, but prior to the approval of the AFS must be disclosed under subsequent events.
- 5.5. Other commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note if both the following criteria are met:
- 5.6. Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services), and
- 5.7. Contracts should relate to something other than the routine, business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The transaction cycle to demonstrate at which stage commitments should be disclosed in the AFS has been represented in tabular format below:

Contracts exceeding **R200 000** are obtained through a competitive bidding process.

<b>Stage</b>	Decision to put contract to tender	Contract accepted and signed	Contract work commences		Payment made
<b>Classification</b>	No recognition / No disclosure	Commitment	Liability for work performed	Commitment for unperformed work	Settles the liability

**6 GENERAL DISCLOSURE REQUIREMENTS OF COMMITMENTS**

**A. Notes to the Financial Statements**

As a minimum, the following should be disclosed in the notes to the Financial Statements for commitments:

- 6.1.1 The aggregate amount of Capital expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the Financial Statements

To ensure that there is no duplication, lease obligations are disclosed under a separate note.

**B. CONTRACT / COMMITMENTS REGISTER**

A capital / commitments register shall be maintained by the Supply Chain Management Unit. This register details the following information, essential for the calculation of commitments:

- 6.2.1 The period of the tender awarded
- 6.2.2 Original contract amount
- 6.2.3 Amounts already paid pertaining to that tender/contract
- 6.2.4 Amounts for which invoices have been received and which are therefore included in accruals and should be deducted from the commitment

In respect of current contracts:

Commitments loaded onto the Procurement System (Financial System) of which Goods Received Notes have not yet been raised at the reporting date.



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### C. DISCLOSURE EXAMPLE

#### NOTE FOR CURRENT AND CAPITAL COMMITMENTS

<b>Current expenditure</b>	<b>2021/22</b>	<b>2020/21</b>
Approved and contracted	_____	_____
	_____	_____
	_____	_____
<b>Capital expenditure</b>		
Approved and contracted	_____	_____
	_____	_____
<b>Total commitments</b>	_____	_____

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**7 Policy Implementation and Review**

This policy is effective from xx

This policy shall be reviewed on xx

**Approved by:**

**Date:**

# Rustenburg Local Municipality



## Contract Management Policy

2022/23

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**PREAMBLE**

The Constitution of the Republic of South Africa, 1996, states in section 195(1):

“Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles –

- (b) Efficient, economic and effective use of resources must be promoted.
- (f) Public administration must be accountable.”

Section 217(1) of the Constitution states:

“When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.”

In addition, section 217(2) (1) of the Constitution states:

“Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for –

- (a) Categories of preference in the allocation of contracts; and
- (b) The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.”

The Rustenburg Local Municipality’s SCM Policy provides guidelines on the acquisition of goods and services.

All transactions undertaken by the Rustenburg Local Municipality involves a contract, whether explicitly agreed upon in writing, or implicitly implied through actions. Properly managed contracts by all stakeholders involved can ensure that services are delivered within specifications as set and agreed upon during the acquisition of services (*inclusive of escalation clauses in the contracts, refer to GCC annexure B*).

Good contract management by all stakeholders involved is essential for good financial management and will contribute to the effectiveness and efficiency of service delivery. A centralised strategic point of contract management will give strategic direction to all departments within the Rustenburg Local Municipality. This policy must be read in conjunction with the Rustenburg Local Municipality’s SCM policy.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and the following definitions are assigned to the following terms:

TERMS	DEFINITIONS
<b>the Act or MFMA</b>	The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
<b>Circular</b>	Communications from National Treasury by means of circulars to enhance compliance and accountability to SCM Regulation and the MFMA of 2003
<b>Contract Specialist/Champion/Administrator</b>	The manager/director/administrator responsible for all day to day activities
<b>Contractor</b>	The party to the contract that is required to provide goods or services according to the terms of the agreement.
<b>Contract Management</b>	The activities necessary to manage a contract throughout all stages in the contract life cycle to ensure that immediate action is taken effectively and efficiently to the change that may occur to the contract
<b>Contract Management system.</b>	Computerised / manual system necessary to ensure proper Contract Management control and monitoring of contracts
<b>Contract Register</b>	Manual system necessary to ensure proper Contract Management control and monitoring of contracts.
<b>Force Majeure</b>	An event beyond the control of the contractor and not involving the contractor's fault or negligence and not foreseeable.
<b>Litigate.</b>	The act or process of contesting a lawsuit or seeking redress through the courts.
<b>Parties.</b>	Parties that stipulate obligations to one another to ensure that the contract term and condition are fulfilled.
<b>Specification</b>	The statement that provide detailed description of goods, services and works characteristics and identify performance requirements prepared when procuring goods, services and works.
<b>Transversal Contract</b>	Term contracts that are facilitated and arranged by National Treasury or Provincial Treasury for goods and services that are frequently required by Municipality.
<b>Terms of Reference</b>	The statement that define clearly the task directive (method-ology), objectives, goals and scope of the assignment and provide background information, prepared when procuring professional services.
<b>Institution</b>	Terms of Reference Unit / Function in the organisation as the role player to the procedures.
<b>Division</b>	Includes the divisional section within the municipality.
<b>Firm Contract Price</b>	Contract prices provide for a fixed price which normally not subject to any adjustment.
<b>Non-Firm Contract Price</b>	Contracts prices that are subjected to changes if they are explicitly included in the agreement based on the economic pricing escalations.
<b>Head Of Department</b>	Any Director or Chief Financial Manager of the Municipal, including any Director reporting directly to the Municipal Manager

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<b>Contract</b>	The agreement that results from the acceptance of a bid by the Rustenburg Local Municipality
<b>Long-Term Contract</b>	A contract with a duration exceeding one year
<b>Contract Management</b>	The holistic term for all role players involved in an agreement
<b>Constitution</b>	The Constitution of the Republic of South Africa, 1996
<b>Contract Alteration</b>	Changing technical writing or input errors to the original agreement of the contract without changing the scope of the contract
<b>Contract Amendment</b>	Changing the scope, nature, duration, purpose or objective of the agreement or contract (in the context of circular 62 and section 113(3) of the MFMA)
<b>Competitive Bidding Process</b>	A competitive bidding process referred to in the SCM policy of the Rustenburg Local Municipality
<b>Competitive Bid</b>	A bid in terms of the competitive bidding process
<b>Two Stage Bidding</b>	Two stage bidding process referred to in the SCM policy of the Rustenburg Local Municipality
<b>Final Award</b>	In relation to bids or quotations submitted for a contract, the final decision on which bid or quote to accept
<b>Formal Written Price Quotation</b>	Quotations referred to in the SCM policy of the Rustenburg Local Municipality
<b>Fruitless And Wasteful Expenditure</b>	Expenditure that was made in vain and would have been avoided if reasonable care been taken
<b>Regulation</b>	The Municipal Supply Chain Management Regulations promulgated in terms of the Local Government: Municipal Finance Management Act, 2003
<b>Sole Supplier</b>	Goods and services procured in terms of section 110(2) of the MFMA
<b>Supply Chain Management Code Of Conduct</b>	The National Treasury's Code of Conduct for Supply Chain Management Practitioners and other role players in the Rustenburg Local Municipality
<b>Systems Act</b>	The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), as amended
<b>Treasury Guidelines</b>	Any guidelines on Supply Chain Management issued by the Minister in terms of section 168 of the Act
<b>Unsolicited Bid</b>	Bids as defined in terms of section 113(1)(2)(3) of the MFMA
<b>Supply Chain Management</b>	A systems approach to manage the entire flow of goods and services that will create and optimise value for customers in the form of products and services which specifically satisfy customer demands
<b>Service Provider</b>	An accredited service provider of the Rustenburg Local Municipality, goods and services required by the Municipal from time to time
<b>Guide For Accounting Officers</b>	The supply chain management guide for accounting officers/authorities from the National Treasury, Republic of South Africa, 2004

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### ABBREVIATIONS

<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CIDB</b>	Construction Industry Development Board Act, 2000 (Act 38 of 2000)
<b>MM</b>	The official appointed by the Council as Municipal Manager and who will be the accounting officer of the Rustenburg Local Municipality as contemplated in the Act
<b>GCC</b>	General Conditions of Contract
<b>GCFO</b>	Group Chief Financial Officer of the Rustenburg Local Municipality
<b>MFMA</b>	Municipal Finance Management Act, 2003 (Act 56 of 2003)
<b>MSA</b>	Municipal Systems Act, 2000 (Act 32 of 2000)
<b>NT</b>	National Treasury
<b>SCC</b>	Special Conditions of Contract
<b>SCM</b>	Supply Chain Management
<b>SDA</b>	Service Delivery Agreement
<b>SLA</b>	Service Level Agreement
<b>PPPFA</b>	Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
<b>CRA</b>	Contract Registration Application
<b>CFO</b>	Chief Financial Officer
<b>MCMG</b>	Municipal Contract Management Guideline
<b>CPA</b>	Contract Price Adjustments
<b>BAC</b>	Bid Adjudication Committee
<b>GPG</b>	Gauteng Provincial Government
<b>GPT</b>	Gauteng Provincial Treasury
<b>MBD</b>	Municipal Bidding Document
<b>TOR</b>	Terms of Reference
<b>RT</b>	National Treasury Transversal Contract



## **1 INTRODUCTION**

This policy framework provides a guide to contract management and a tool for effective contract management and it applies to all municipal employees and contractors that are involved in the management of supplier contracts.

Good contract management is essential for sound financial management and contributes greatly to effective and efficient service delivery. Contract management is concerned with monitoring supplier performance to avoid bid violations (e.g. submission and payment of fictitious invoices and abuse of the variation procedures)

Contract management leads to increased savings and good quality on-time delivery. Furthermore, it is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract and invoices building a good working relationship between the parties. Contract management continues throughout the life of a contract and also involves managing proactively to anticipate future needs as well as reacting to situations that arise.

One of the key aims of contract management is to accelerate service delivery in accordance with the signed contract and attainment of value for money while managing risks. Active management of contractual relationship with the contractor will yield optimum efficiencies, effectiveness and economy of the service and balance in cost and risk.

This policy gives effect to the following legislation:

### **1.1 Section 217 of the Constitution, which states:**

“When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.”

### **1.2 Section 195(1) (a) to (i) of the Constitution**

### **1.3 Section 116(1), (2) and (3) of the MFMA, which states:**

“(1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must—

(a) be in writing;

(b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—

(i) the termination of the contract or agreement in the case of non- or underperformance;

(ii) dispute resolution mechanisms to settle disputes between the parties;

(iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and

(iv) any other matters that may be prescribed.

(2) The accounting officer of a municipality or municipal entity must—

(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;

(b) monitor on a monthly basis the performance of the contractor under the

- contract or agreement;
- (c) establish capacity in the administration of the municipality or municipal entity—
- (i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and
  - (ii) to oversee the day-to-day management of the contract or agreement; and
- (d) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
- (3) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—
- (a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
  - (b) the local community—
    - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
    - (ii) has been invited to submit representations to the municipality or Municipal entity.”

## **2. PURPOSE**

The purpose of the Municipal Contract Management policy is to establish sound and consistent management practices with respect to municipal contracts. It describes the processes and assigns responsibilities to effectively administer contracts from:

- Preparation of contracts;
- Maintenance of contract register;
- Monitoring of payments;
- Control contract variation and price adjustment;
- Assess and monitor performance; and
- Manage contract disputes and close out of contracts.

- 2.2 Any other regulations pertaining to the Municipal's SCM Policy.  
This policy applies when a municipality or a municipal entity –

- ❖ procures goods or services;
- ❖ disposes of goods no longer needed; and
- ❖ selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where chapter 8 of the Municipal Systems Act applies.

## **3 ROLE PLAYERS IN CONTRACT MANAGEMENT**

- 3.1 Contract Administration/SCM
- 3.2 Legal Services
- 3.3 Contract Management/Project Manager/User department
- 3.4 All officials of the Rustenburg Local Municipality

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

<b>PROJECT MANAGER/USER DEPARTMENT</b>	<b>CONTRACT ADMINISTRATION</b>
<p>Nominated by the head of the section to manage the specific project.</p> <p>Often described as reporting officer in terms of the supplier's performance management system.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> <li>a) quality control, financial management and other technical expertise needed for the success of the project;</li> <li>b) facilitating the signing of contracts with service providers; and</li> <li>c) assessing the performance in line with the Suppliers Performance Monitoring System (SPMS).</li> </ul>	<p>Official from the SCM Division responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> <li>a) the safekeeping of all contract-related documents; and</li> <li>b) advising the reporting officer/project manager on the following: <ul style="list-style-type: none"> <li>i. Drafting of the Service Level Agreement (SLA)</li> <li>ii. Contract expiry date</li> <li>iii. Price adjustments</li> <li>iv. Reporting on performance of the supplier to the accounting officer and the Council</li> </ul> </li> </ul>
<b>LEGAL SERVICES</b>	<b>ALL OFFICIALS OF THE RLM</b>
<p>Official from the Legal Division responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> <li>a) Interprets contracts and advises sales / consulting managers on contractual responsibilities;</li> <li>b) Translates complex commercial/legal scenarios into simple language and action plans.</li> <li>c) Prepares contracts for internal review and approval and ensures compliance with company policies as well as applicable laws or regulations.</li> </ul>	<p>Official from the RLM responsible for contract administration.</p> <p>Responsible for –</p> <ul style="list-style-type: none"> <li>a) Manage contracts and drive spending</li> <li>b) Manage KPI's and time lines</li> <li>c) Mitigate risks.</li> </ul>

#### **4 CUSTODIAN OF BID AND CONTRACT DOCUMENTS**

- 4.1 All bid and contract documents will be kept by the SCM Division.
- 4.2 No Directorate will keep original bid documents and contracts in his/her office.
- 4.3 Directorates will, however, be allowed to keep copies of contracts and bid documents for assessment and contract performance management purposes.

#### **5 SCOPE AND OBJECTIVES**

- 5.1 The objective of this policy/procedure is to set out the procedure that should be followed when drafting, monitoring, cancelling or renewing contracts or agreements procured through the Municipality's SCM.
- 5.2 This policy/procedure applies to all contracts entered into by the Municipality as a result of its SCM Policy.
- 5.3 This policy/procedure should be read and used in conjunction with the Municipality's SCM Policy.

**6 CONTRACTS**

**6.1 TYPES OF CONTRACTS**

The bidding documents should clearly state the type of contract to be entered into and contain the appropriate contract provisions.

**6.1.1. LUMP SUM (FIRM FIXED PRICE) CONTRACT**

- ❖ The most common types of contracts provide for payments based on lump sum prices, unit prices, reimbursable cost plus fees, or combinations thereof.
- ❖ Lump sum contracts are used mainly for assignments in which the content and the duration of the services and the required output of the consultants are clearly defined.
- ❖ They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth.
- ❖ Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programs.
- ❖ Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

**6.1.2 TIME-BASED CONTRACT**

- ❖ This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess.
- ❖ This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments.
- ❖ Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and / or agreed unit prices.
- ❖ The rates for staff include salary, social costs, overheads, fees (or profit), and, where appropriate, special allowances.
- ❖ This type of contract should include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration and provision for price adjustments, where appropriate.
- ❖ Time-based contracts need to be closely monitored and administered to ensure that the assignment is progressing satisfactorily and payments claimed by the consultants are appropriate.
- ❖ Again the Guidelines on fees for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

### **6.1.3. PERCENTAGE CONTRACT**

- ❖ These contracts are commonly used for architectural services. They may be also used for procurement and inspection agents.
- ❖ Percentage contracts directly relate the fees paid to the consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected.
- ❖ The contracts are negotiated on the basis of market norms for the services and / or estimated staff-month costs for the services, or competitive bid. It should be borne in mind that in the case of architectural or engineering services, percentage contracts implicitly lack incentive for economic design and are hence discouraged.
- ❖ Therefore, the use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services (for example, not works supervision).

### **6.1.4. INDEFINITE DELIVERY CONTRACT (PRICE AGREEMENT)**

- ❖ These contracts are used when Accounting Officers / Authorities need to have "on call" specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance.
- ❖ These are commonly used to retain "advisers" for implementation of complex projects (for example, dam panel), expert adjudicators for dispute resolution panels, Accounting Officer / Authority reforms, procurement advice, technical Trouble-shooting, and so forth, normally for a period of a year or more.
- ❖ The Accounting Officer / Authority and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.

### **6.1.5 REIMBURSABLE COST CONTRACTS**

- ❖ Reimbursable cost contracts should be acceptable only in special circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy.
- ❖ Such contracts should include appropriate incentives to limit costs and may only be concluded subject to the approval of the accounting officer/authority.
- ❖ It is advisable that the reasons and formal approval for following the reimbursement route are recorded for auditing purposes.

## **7. CONTRACT MANAGEMENT LIFECYCLE**

The lifecycle begins with setting direction; high-level objectives and policies for the Municipality. This leads to the identification of needs of the Municipality that can be fulfilled by acquiring goods, works and / or services to fulfill the need. Once the service is acquired, Contract Management comes into effect. An ongoing analysis of municipal needs is critical to ensure that goods, services and works provided are what the municipality and entity really need.

An effective Contract Management life cycle constitutes planning, contract arrangement, administration, performance management and close out.

## **7.1. STAGE 1: PLANNING**

This stage refers to consideration of contracts during the planning and budgeting processes. These processes will identify the need for contract creation and timeframes for implementation to ensure that delivery of goods and services occurs as approved in the budget.

During the strategic planning phase of the institution, goods, works and services required to execute the identified functions are determined and captured in the procurement plans.

Procurement plans containing all planned procurement for the financial year in respect of the procurement of goods, services and works which exceed R200 000.00 must be submitted by Accounting Officers to Gauteng Provincial Treasury by the 31 July of each year. Records of planned procurement below R200 000.00 may be kept for contract reporting and monitoring.

The Procurement Plan document provides detailed information about the description of goods, services and works, estimated value, envisaged date of advertisement, closing of bid and date of award including the responsible office.

Contract management unit / function will in consultation with the Acquisition unit be responsible for monitoring contracts in line with the projects listed in the procurement plans and approved budgets.

It is vital for Contract Management unit / function to monitor contracts accordingly with approved procurement plans after award as it can lead to significant improvement on service delivery.

Contract planning should also cover the entire Service Delivery Budget Implementation Plan (SDIBP) period and beyond where applicable.

## **7.2. STAGE 2: CONTRACT ARRANGEMENT**

This stage refers to the arrangement of signing the contract, making it legally enforceable and formalising the terms and conditions concluded between parties.

The unit / function responsible for Contract Management will arrange for the signing of the contract as follows:

- ❖ Submit the tender document, which becomes the contract, to the Municipal Manager for signature;
- ❖ Issue an appointment letter, signed by the CFO and relevant head of department, to the successful bidder;
- ❖ Arrangement of a Service Level Agreement (SLA) and / or contract document with the end user, if applicable. The SLA must be legally sound and vetted by the Municipal Legal Service prior to signing of the parties;
- ❖ Capture contract award details in the Contract Management system of the Municipality and Contract Registration Application (CRA);
- ❖ Original signed contract resides with Contract Management unit, copy of which will be scanned and archived in supply chain filing system of the municipality;
- ❖ A copy of the signed contract is issued to the end-user to prepare requisition for creation of purchase order.

**7.2.1. SERVICE LEVEL AGREEMENT**

Service level agreements are negotiated agreements for the delivery of specified services between the contractor and the Municipality. An SLA is not compulsory and is solely at the discretion of the user department, especially if the specifications in the tender document is not sufficient. The SLA specifies services or goods required. The level of quantities and quality of service to which both parties agree and designed to indicate and evaluate the quality of the service delivered. Agreement is negotiated at the commencement of a contract and involves the understanding of the needs and constraints of both parties.

The purpose of developing SLA's and setting service levels is to enable the municipality to monitor and control the performance of the service received from the contractor against agreed standards. Service levels should be agreed by both parties and these are:

- ❖ Established at a reasonable level in line with the TOR / Specifications which contain the scope of work.
- ❖ Prioritised by the municipality in order of importance and on an agreed scale for example: critical, major, urgent, important, minor, easily monitored, such as objectives, tangible and quantifiable;
- ❖ To conclude the SLA within the shortest possible timeframe after the award of a contract as best practice;
- ❖ The SLA may be included in the bid document to allow bidders to have ample time to review the SLA, or a draft SLA may be requested together with the bid document;
- ❖ Unambiguous and understandable by all parties;
- ❖ Open to re-negotiation if justifiable to do so;
- ❖ The contractor and the municipality jointly identify a statement of expectations and ability, the cost of receiving the service and the basis for the calculation of costs.

The contractor is accountable for the quality and performance levels of the services and the availability thereof. One of the principle objectives of a SLA is that both parties understand the basis and intent of the terms and conditions under which the services are to be delivered.

The definitions of terms should be an integral part of the negotiation and discussion process between the two parties. If there are other terms identified during discussions that are not in the list of defined terms, they should be added. Negotiations should include the following conditions:

- ❖ Not allow any preferred bidder a second or unfair opportunity;
- ❖ Not to the detriment of any other bidder;
- ❖ Not lead to a higher price than the bid as submitted.

It must be noted that a SLA is an agreement in its own and it should therefore not be used to change or refine the stipulations contained in the bid documents.

The list of common provisions is not exhaustive and other provisions will need to be drafted to suit the particular contractual arrangement; as a result, professional advice should be sought to assist with drafting specific SLA provisions.



**7.2.2. LEGAL VETTING OF SERVICE LEVEL AGREEMENT / FORMAL CONTRACT**

Prior to signing a formal contract or service level agreement with a contractor, Accounting Officers / Authorities must ensure that such contracts or agreements are legally sound to avoid potential litigation and to minimize possible fraud and corruption.

This must include legal vetting by at least the Legal Services of the municipality and such contracts or agreements must be actively managed in order to ensure that both the institution and the contractor meet their respective obligations.

The legal division provides expert advice to the Contract Management unit and must be consulted in the following circumstances:

- ❖ Vetting of contract documents and service level agreements;
- ❖ Dispute resolutions, implementation of contract terms and conditions;
- ❖ Contract change of ownership, breach of contract, penalties, terminations, enforcement of indemnities, guarantees and contractual claims.

**7.3 STAGE 3: CONTRACT ADMINISTRATION**

This stage is important in Contract Management and overlaps with monitoring and performance assessment. It encompasses various activities that need to be completed on a day to day basis, including among others:

**A. CONTRACT REGISTER**

- ❖ All approved contracts are registered in the Contract Management System / Tool to enable easy retrieval and identification of all contractual arrangements.
- ❖ Contracts that are partially executed, signed by one party, may be registered into the Contract Management System prior to forwarding to other parties for signature. The Contract Management unit / function should ensure that all signatures are obtained and contracts are updated in the system.
- ❖ Contract registers should be used to monitor contract end dates in order to notify the end user to commence with the procurement strategy on time, at least 6 or 12 months prior to the expiry of the contract.

Effective contract register should have the following characteristics:

- ❖ Contract number, name of contractor, description, award date, type of contract, amount, contract period, department, project manager, contact details, expenditure, commitment;
- ❖ This will simplify the reconciliation or cross-check between the register and the Municipality's financial management information system;
- ❖ Expenditure against the contract and value of commitment.

Contract register report will be established detailing status of contracts and the reports to be provided by the 6th of every month to the Head of SCM on the following: (See Annexure F):

- ❖ Valid contracts in place;
- ❖ Contracts captured on the system; (where applicable)



- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Contracts due to expire in six or twelve months;
- ❖ Contracts extended;
- ❖ All expired contracts;
- ❖ Contract variation;
- ❖ Cancelled contracts;
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendments to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Any delays that might have an impact on the completion of the contract
- ❖ Value of commitments;
- ❖ Value of accruals.

The Accounting Officer of a Municipality or Municipal Entity must annually report to the council of the Municipality on the management of the contract or agreement and the performance of the contractor.

#### **B. CONTRACT PAYMENTS**

- ❖ Payments should be made in accordance with the provisions of the contract after delivery and budget confirmation should be attached by the end user before effecting payments.
- ❖ Evidence of delivery is required that the end user has certified that the work has been satisfactorily executed and met the required standards of performance, e.g. Goods Received Voucher (GRV), Payments certificates, etc.
- ❖ Payments for satisfactory performance should not be delayed because this can undermine the relationship with the service provider. All payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment. This implies that amounts owing must be paid within 30 days from receipt of invoice if the goods, works or services were delivered to the satisfaction of the Accounting Officer or delegated authority.
- ❖ In cases where a discount is not a contract condition and the contractor offers a discount on the invoice, the discount if possible must be utilized for instance by making the payment within the time limit specified on the invoice.

- ❖ In the event that only part of the invoice is queried, arrangement should be made to pay that portion of the amount payable which is not subject to dispute, and separately take action to remedy the disputed amount.
- ❖ Payment outside the prescribed period of 30 days from receipt of invoice is deemed to be a contravention and may be reported as such by the Auditor-General as part of its audit finding.
- ❖ Interest incurred on late payments will be declared fruitless and wasteful and should also be disclosed as such in the Annual Financial Statements.

### **C. CONTRACT VARIATION**

It is recognized that, in exceptional cases, an Accounting Officer may deem it necessary to expand or vary orders against the original contract. The reasons for the variation should be clearly documented and should occur in defined circumstances.

A variation is mostly issued when extra work is added to the project after the contract has been signed. Deliverables and value for money should be assessed.

In order to mitigate against such practices, Accounting Officers / Authorities of Municipalities and Municipal Entities are directed that contracts may be expanded or varied by not more than 20% for construction related goods, services and / or infrastructure projects and 15% for all other goods and / or services of the original value of the contract. Furthermore, any variation beyond the abovementioned thresholds must be reported to Council or the Board of Directors.

An expansion or variation in excess of the threshold where the contract or agreement procured through the Supply Chain Management policy of the Municipality or Municipal Entity may be amended by the parties.

The reasons for the proposed amendment should be tabled in the Council of the Municipality or, in the case of a Municipal Entity the Council of its parent Municipality. The local community should be given reasonable notice of the intention to amend the contract or agreement; including an invite to submit representations to the Municipality or Municipal Entity as stated in Municipal SCM circular 62.

Such reports must include among others, the contract number, description, name of contractor, original contract amount, value and percentage of the variation and the reasons thereof.

End users also need to ensure that contract variations are not of such a level that they significantly change the contract requirement and / or substantial parts of the original transaction. If this is the case, it may be necessary to undertake another procurement process because the revised arrangements are substantially different to those selected through the original procurement. However, the Municipality should be aware of the following impacts associated with amendments, namely, financial resources and litigations.

No variation or modification of the terms of the contract may be made except by a written amendment signed by the contracted parties.

Municipalities should be aware of the impact that variation orders may have and should therefore endeavor to restrict the application to the absolute minimum through proper planning, comprehensive scope of work / Terms of Reference when inviting bids or quotations.

The Contract Management unit / function will forward the submission to the relevant committee as per municipal delegation authority for approval if consultation with legal services is required.

Upon approval, the Contract Management unit / function will issue a letter of amendment / addendum to the contractor and also inform the end-user to prepare a purchase requisition to create an order.

A contract cannot be varied after the original contract has ceased to exist.

The Contract Management unit / function will update the contract register and applicable Contract Management system

#### **D. CONTRACT SECURED BY OTHER ORGANS OF STATE**

The Municipality or Municipal Entity must obtain approval according to the municipal delegation of authority to procure goods, works and / or services under contracts secured by another organ of state. Accounting Officers should satisfy themselves that the applicable procurement processes were followed by obtaining any other information, including but not limited to, the following documents from the other organ of state:

- ❖ The bid advertisement;
- ❖ BSC, BEC and BAC appointment letters;
- ❖ Bid Evaluation report and minutes;
- ❖ Bid Adjudication report / minutes;
- ❖ Acceptance letter; and the Service Level Agreement / Contract document.

The Municipality or Municipal Entity must enter into a separate service level agreement (addendum) in line with the specification I Terms of Reference of the goods or services between the consenting service provider and the requesting municipality may not exceed the contract period concluded in the original contract of the organ of the state.

#### **E. CONTRACT PRICE ADJUSTMENT**

Contractual conditions must stipulate circumstances under which the adjustments shall be considered and the process to be followed.

When prices are subjected to adjustment as a result of escalation in prices of labour and material, the contractor must indicate the various elements of the contract price that will escalate (e.g. labour, transport, fuel, protective etc.). The baseline date and relevant index and index numbers which were used in calculating the price.

Where a firm price is quoted, application for an adjustment of price will not be considered. However, if the increased price is as a result of unforeseen circumstances beyond the control of the contractor and could lead to his / her downfall such application may be considered. (Only statutory increases and cost factors). Such adjustments are to the disadvantage of the Municipality, thus it must be approved by the Accounting Officer or delegated authority.

The contractor will submit a letter to the end-user requesting price adjustments together with documentation substantiating or motivating for the adjustment. The application should be in line with signed terms and conditions of the contract and according to pricing schedule and costs.

The end-user will submit a request to Contract Management unit for consideration, and calculation should be prepared to justify the escalation or price adjustment thereof.

Approval of the price adjustment should be done within the municipal delegation authority by the Municipal Manager.

The amendment letter will be issued to the contractor and end user on acceptance of the price adjustment.

The contract register will be updated and the applicable Contract Management system.

#### **F. CONTRACT EXPIRY NOTIFICATION**

SCM unit in collaboration with Contract Management unit / function is responsible to ensure that timeous arrangement is made to notify end users when a contract is due for renewal within 6 months or 12 months prior to expiry. Communication with the end users must be in writing and documentation must be properly filed.

#### **G. EXTENSION OF CONTRACT**

Extension of a contract is undesirable because it often leads to uncontrolled increases in the contract prices and it can also be a contributing factor to circumventing the procurement processes. Lack of proper planning does not constitute a justifiable reason for dispensing with prescribed bidding processes by extending contracts.

Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached by SCM unit with the request to indicate whether they are prepared to extend the contract period.

Approval to extend the contract should be requested before the expiry date of the contract taking into account the existing terms and conditions of the contract. It is advisable that when a contract is extended, terms and conditions remain the same.

The applicable Contract Management system must be updated.

#### **H. TRANSVERSAL CONTRACTS**

Transversal contracting enables the Municipality at all levels to purchase goods and services from a central list of approved suppliers who have been vetted for cost and quality.

Participating Municipalities will be responsible for Contract Management, placing purchase orders against transversal contracts, paying suppliers for goods / services rendered satisfactorily according to the terms and conditions of the contract, monitoring and reporting supplier performance.

**I. RECORDS MANAGEMENT**

It is important that the updated version of the contract incorporates any variations and correspondence related to the contract document and should be appropriately stored. This provides the basis for effecting payments and the ongoing management of the contract.

All tender documents and contract documents relating to a specific tender must be stored at the Supply Chain Management unit.

**7.4 STAGE 4: CONTRACT PERFORMANCE MANAGEMENT**

Performance management involves, performance monitoring, collecting data on performance, performance assessment, deciding whether performance meets the entity's needs, and taking appropriate action – such as understanding and extending features of good performance, correcting areas of under-performance; or amending contract requirements to meet changing needs.

A contract or agreement procured through the Supply Chain Management policy of a Municipality or Municipal Entity must stipulate the terms and conditions of the contract or agreement, which must include provisions for a periodic review of the contract or agreement once every three years in the case of a contract or agreement longer than three years to determine value for money.

The Accounting Officer / Authority or delegated authority of a Municipality or Municipal Entity must monitor on a monthly basis the performance of the contractor under the contract or agreement.

Performance management must be undertaken throughout the life of the contract and for all contracts, whether simple or complex. Along with performance indicators and standards, arrangements for monitoring and assessment should have been set out and agreed in the contract along with remedial action plans on non-performance.

The performance monitoring and assessment arrangements should also have been reviewed at the contract start up stage and any necessary plans, tools or systems developed. Systematic monitoring underpins performance assessment and these do not occur in isolation from one another.

Poor performance should be recorded appropriately after engagement with the contractor. It should be taken into account that if proper record is not kept, such non- performance cannot be deemed a sound reason for passing over such contractor when evaluating future bids. In addition to any contractual or other remedies that may be pursued, the municipality may commence action in terms of Municipal Supply Chain Management Regulation 15(2) (d), thus the Accounting Officer must:

- ❖ Inform the contractor or person(s) by registered mail or by delivery of the notice by hand of the intention to impose the restriction, provide the reasons for such decision and the envisaged period of restriction;
- ❖ Allow the contractor and / or person(s) fourteen (14) calendar days to provide reasons why the envisaged restriction should not be imposed;
- ❖ If requested, allow the contractor and / or person(s) the right to present evidence in person and consider reasons submitted by the contractor;
- ❖ Impose the restriction or amended restriction;
- ❖ Inform the contractor and! or person(s) of the decision; and

- ❖ Inform the National Treasury within five working days of such restriction, particulars of the person(s) to be restricted, (including, where applicable, names of the restricted persons, identity numbers, trade name of enterprises, company registration numbers, income tax reference numbers and vat registration numbers), the reason(s) for the restriction, the period of restriction and the date of commencement of the restriction.

In practice, performance will be assessed, feedback and reports provided throughout the monitoring process.

The following are the reports to monitor performance of contracts on monthly basis:

**(a) PROGRESS REPORTS**

- ❖ The end-user will complete a progress report indicating the stage of contract; achievement of milestones as per contract agreement; response time and deliveries within the contract period; quality of work, payments; poor performance; and actions.
- ❖ The progress report will be regularly submitted to the unit / function responsible for Performance Management for deliberations; recording discrepancies and filing. (Submission of progress reports will be determined by the nature and timeline of the project).

**(b) PERFORMANCE SCORE CARDS**

- ❖ The score cards will be applicable to once off purchases for goods and services where the end-user completes a score card after receipt of goods and services rating the performance of the contractor against agreed milestones and ensuring that goods / services are received within the agreed time- lines, acceptable quantity and quality. Furthermore, the score card will compel the end user to comment on the overall performance of the contractor;
- ❖ The completed score card will be submitted to the Performance Management unit for deliberations; recording and determining the aggregate performance of contractor and where applicable contractor database will be updated. (This implies that score performance cards will apply to once off purchases and progress reports will be used to assess performance of long term projects)

**(c) EXPENDITURE REPORT**

- ❖ The Contract Management unit will on a regular basis extract the expenditure report where the contract value will be verified against the progress payments and validity of the contract;
- ❖ Discrepancies identified should be communicated timeously to the end-user and CFO to curb irregular expenditure.

**7.4.1 CONTRACT RELATIONSHIP MANAGEMENT**

It is important to establish and maintain a constructive relationship with the contractor and have regular communication. Providing positive and constructive feedback will assist in maintaining such a relationship.

<b>Overall responsibility:</b>	Each party nominates one person with the appropriate skills and experience as its representative to be responsible for the co-ordination and management between the parties over the life of the contract.
<b>Weekly performance:</b>	Nominated representatives, including the contractor's service delivery manager and the project management meet formally to review performance; aimed at discussing and resolving any minor issues relating to the performance of the contract.
<b>Contract Management:</b>	At least quarterly, or regularly, a formal meeting is held. The meeting comprises senior representatives from the end user and the contractor. The purpose is to formally monitor performance of the contract, consider any ways in which services may be improved, amendments to service levels and resolve, where possible, any issues that remain unresolved from the weekly contract meetings.

Relationship management is focused on keeping the relationship between the two parties' open and constructive, resolving or easing tensions and identifying problems early.

Relationships should always be managed in a professional manner and be based on cooperation and mutual understanding taking into account the need for ethical behaviour.

Apart from formal monitoring, and in order to improve trust between the parties to the contract, it is important that the parties maintain regular contacts without waiting for the official reporting deadlines.

#### **7.4.2 CONTRACT DISPUTES MANAGEMENT**

A contract or agreement procured through the Supply Chain Management system of a Municipality or Municipal Entity must stipulate the terms and conditions of the contract or agreement, which must include provisions providing for dispute resolution mechanisms to settle disputes between the parties.

During the Contract Management phase, a disagreement becomes a dispute when it is not possible for the parties to resolve it without resorting to a formal resolution mechanism. Generally, what a dispute is and when it is deemed to have occurred is defined in the contract, often in a dispute resolution clause.

Many disagreements and disputes arise when the parties cannot agree on issues related to the interpretation of contract provisions, the definition of deliverables, meeting performance standards and/or the effect of unexpected events.

It is important that any possibility of dispute or an actual dispute be recognised at an early stage and addressed as quickly as possible. Avoiding escalation of disagreements can impact on contract deliverables and reduce the costs to both parties.



Where a dispute arises, the Contract Management Unit / function will obtain evidence from both parties and refer the matter to the legal service for opinion. The outcome and recommendation of the dispute will be submitted to the BAC for review and final recommendation to Accounting Officer / Authority for approval.

In the case of non-performance, a letter informing the contractor that contract conditions have not been honoured should be issued affording the contractor at least 14 days to respond. If the contractor does not respond within the specified period, the Municipality shall without prejudice under the contract consider termination of the contract

#### **7.4.3 FORMS OF DISPUTE RESOLUTION**

The following forms of dispute resolution should be considered as options in the special condition of contracts:

**Negotiation:**

Negotiating between the Municipality and the contractor is the most common approach to resolving disagreements and disputes. The intention of the negotiation is to reach a mutually acceptable solution, where both sides consider they have gained the best possible result in the circumstances. It is important that one party does not consider they have been unduly pressured to agree to a particular solution as a result of the negotiation as this can lead to an escalation or reappearance of the dispute at a later stage.

**Mediation:**

Mediation involves the use of a neutral third party to assist in resolving the dispute. The mediator does not impose a decision on the parties in the way a court or arbitrator does, but instead seeks to help the parties resolve the dispute themselves. Mediation is usually regarded as a faster, less formal and less costly process than court proceedings or arbitration.

**Arbitration:**

The aim of arbitration is to obtain a final and enforceable result without the costs, delays and the formalities of litigation. Arbitration proceedings are private, can be held at a mutually convenient time and the actual proceedings are less complex than litigation.

**Litigation:**

Litigation is the act or process of contesting a lawsuit or seeking redress through the courts. It can be an expensive and time consuming procedure and is generally taken when other avenues of dispute resolution have not been successful or are not available. Other approaches to resolving disputes or Contractor defaults should therefore be considered prior to litigation



#### **7.4.4 RISKS RELATED TO CONTRACT MANAGEMENT**

Contract risk must be appropriately managed such that:

- ❖ All contracts set out risk identification, monitoring and escalation procedures and mechanisms which are in line with the institutions enterprise risk management plan.
- ❖ All contracts identify contingency plans for supplier or buyer failure.
- ❖ For key suppliers and buyers, the contract manager monitors the financial health, tax compliance and overall performance of the supplier or buyer.
- ❖ Contract terms and potential ramifications around key issues including: termination; warranty; indemnity; security; confidentiality; and dispute resolution are understood by the contract manager.

#### **7.4.5 PENALTIES**

Penalties between the Municipality and the contractor may include:

- ❖ Penalties: In accordance with paragraph 22 of the General Conditions of Contract, the Municipality/Entity will have the right to enforce the penalty clause on goods, works and services where the contractor fails to perform in accordance with contractual obligations.
- ❖ These penalties usually vary according to several factors, including the type of breach and its severity, duration, frequency, and effect on customers.
- ❖ The benefit of this approach is that the penalties are clear, agreed on, and more easily enforceable than a general claim for damages.

Some of the risks involved with contracts and penalty clauses to be applied per nature of contract:

Risk	Penalty clause
Late delivery	<ul style="list-style-type: none"><li>❖ Where deliveries are made (after the agreed delivery date), the purchaser has the right to enforce the penalty clause by deducting from the contract price a sum calculated on the delivered price of delayed goods or unperformed services using the ruling prime interest rate calculated for each day of the delay until actual delivery of performance</li><li>❖ In case of a delay in excess of 4 weeks, the Municipality is entitled to declare the order null and void without any cost being charged for this. The statutory cases of force majeure are considered to be reasons to suspend the agreement if they make the execution of the order impossible and in so far the supplier notifies the Municipality in writing within 5 days.</li></ul>
Non delivery	<ul style="list-style-type: none"><li>❖ Termination of the contract if delivery does not take place within 4 months or cancellation of the order. (To reduce open ended commitments)</li></ul>

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	❖ In the event of non-delivery, and upon comprehensive justification that the contractor has been engaged to remedy the unsatisfactory performance, the Municipality may impose as a penalty, a sum calculated on the delayed goods or unperformed services using the current prime interest rate calculated for each day of the actual performance
Inferior quality	❖ Enforcement of contract conditions ❖ Settlement of disputes
Inability of contractor to perform as required	❖ Performance securities should be applied. The contract should dictate what must happen with the security if the contract is not to be completed and the Municipality suffered losses, the performance security shall be utilized to compensate for any loss. The SCC must specify the performance security amount.
Buy out transactions from transversal contracts	❖ When the time provided for the contractor to respond to the claim of non-performance has lapsed, the Municipality can buy out and any difference in cost must be recovered from the contractor
Sub-contractors not performing	❖ Disputes must be resolved between the main contractor and his sub-contractors ❖ Liability and obligations are under the contractor ❖ Enforce Termination of default ❖ Prohibit supplier from rendering any goods, service, and works in organ of state – Restrict supplier on the National Treasury 's Central Supplier Database
Skills not transferred in terms of consultants services	❖ The Municipality shall deduct from the contract price a percentage as a penalty for not transferring skills or for underperformed service.
Breach of contract	❖ Termination of default and recover any loss which the Municipality suffered as a result of arranging another contract
Contractor unfairly benefited using wrong preference points	❖ Misrepresentation of preference points should constitute termination of contract if it is justifiable and will be defendable in the court of law ❖ Impose a penalty of a percentage of the monetary value of the contract
Prohibition of State employees doing business with state	❖ No contracts must be awarded to state employees

### 7.4.6 TRANSFER AND CEDING OF CONTRACTS

The General Conditions of Contract section 19.1 dictate that the supplier shall not assign, in whole or in part, its obligations to perform under the contract except with the purchaser's prior written consent.

The Special Conditions of Contract should stipulate the conditions under which transfers / cessions shall be considered and the processes to be followed under such circumstances.

Applications for transfers / cession shall be completed and signed by both the transferor and the transferee and countersigned by two parties.

Full reasons for the transferring of the contract must be provided and the transferee's ability to carry out the contract must be established and reported to the Accounting Officer or delegate.

Unless it is otherwise in the best interest of the Municipality, it is unlikely that the transfer will be approved if the Municipality would suffer a loss as a result thereof or if there is an increased risk to the Municipality.

The principle of fairness dictates that should the contract be transferred to another provider it must be checked whether the number of preference points scored is at least the same or more than that scored by the original contractor. Thus it should be indicated if the transfer would have had an influence on the award. However the circumstances leading to the transfer must be pointed out and taken into consideration.

The contractor will raise the issue with the user division in writing where after the user division must comment on the viability of the transfer / cession and submit the request to the SCM unit / CSC.

If the transfer / cession is not viewed favourably for a justifiable reason, the SCM unit must inform the contractor of the decision in writing and provide the user division with the copies of the correspondence for filing purposes.

If the transfer / cession is viewed favourably, the SCM unit must involve Legal Services for the purposes of drawing up the transfer / cession documentation.

The SCM unit must facilitate the signing of the transfer / cession by all parties, must forward a copy to the user division and the contractor and must file the original signed transfer / cession documentation appropriately.

If the transfer/cession is not approved the original contractor will still be accountable to execute the contract.

#### **7.4.7      TERMINATION OF THE CONTRACT AND EXIT FROM THE RELATIONSHIP**

Contract termination is the last resort to be sought by Municipality when dealing with disputes and non-performance. It should be taken into consideration that solving disputes through courts usually costs a lot of time and money.

Termination of a contract may be considered for a variety of reasons, such as non-compliance with contract conditions, delayed deliveries, bribery, death or sequestration/liquidation of the contractor.

If termination is considered, the following factors must be addressed to the Bid Adjudication Committee:

- ❖ The particular contract condition empowering the action for the purpose of resolving any dispute;
- ❖ What further arrangements will be made for completing the contract;
- ❖ Whether additional cost will be recovered from the contractor; and
- ❖ Payment of work already executed prior to cancellation of the contract.

The contract should contain detailed provisions on the mechanism to terminate all or part of the contract and exit from the relationship.

Under the following conditions, Municipalities may consider their rights to terminate the contracts through delegated authority if they are appropriately drafted:

- ❖ Failure to meet the service performance targets for critical services on a repeated basis;
- ❖ Failure to meet a certain number of service performance targets during a specified period or supplier has engaged in corrupt and fraudulent practices during the bidding process or the execution of the contract;
- ❖ Material breach of terms and conditions with the breach being either irreparable or not having been remedied within a specified period;
- ❖ Major financial difficulties being encountered by the contractors (e.g. under liquidation);
- ❖ Failure to meet mandatory requirements or failure to acquire certain accreditation or licence or approval during the life of the contract.

Exit provisions should be included in the contract to cover specific rights that will be required for termination, such as:

- ❖ The continued provision of the services following the notification of termination.
- ❖ The right of Municipalities or the new contractors, if necessary, to approach key members of the contractor's staff and to offer them jobs so as to retain the delivery capability;
- ❖ The right to perform inventory check of assets owned by Municipalities;
- ❖ The right to transfer ownership of assets and equipment upon termination and
- ❖ The migration of data and systems and the provision of relevant information to Municipalities or the new contractor.

Contracts must include the possibility to be terminated. This will normally include the details of timing including periods of notice (exit clause) and direction on the payment upon termination. The contract or agreement will have stated the initial term with specified period after which either party may terminate or renew the agreement, provided both parties agree to the terms and conditions.

Termination of a contract is usually detrimental to the municipality; therefore, serious thought must be given to the grounds for considering termination with legal assistance.

The Contract Management System must be updated by cancelling the contract on the system and contract register.

## **7.5 STAGE 5: CLOSE OUT**

This stage refers to the necessary actions to end or reconsider the contractor for future agreement and associated performance review. The activities associated with closing the project down, whether in accordance with the contract or as a result of early termination.

At the completion of the contract, the end-user will provide the contract close out report indicating overall performance of the contractor; stage of contract; achievement of milestones against the original contract agreement and timelines, payments; poor performance; action and other observation.

The close out report will be submitted to Contract / Performance Management team for deliberation; filing purposes; recording discrepancies and where applicable a register and appropriate contract system will be updated. A close out report is applicable to contracts irrespective of contract period.

Different activities of course are associated with the different forms that contract termination can take. In the case of more complex, long-term or construction contracts ending in accordance with the original contract plan, best practice requires the need for evidence that the contract has been completed to the satisfaction of all parties. This is normally carried out in two stages;

- ❖ To ascertain internally that there are no outstanding matters and,
- ❖ To secure agreement from contractor(s) that, apart from agreed ongoing liabilities, the contract(s) has ended.

The aim of the closure procedure is to provide a mechanism for managing the closure of the contract following the end of any retention or guarantee periods and the resolution of all other outstanding matters. The procedure is designed (where and if applicable) to:

- ❖ Ensure completion of all administrative matters;
- ❖ Record that all technical issues have been completed;
- ❖ Determine the extent of any liquidated damages to be deducted from the contract price;
- ❖ Record the end of the retention and guarantee periods and the date of the final inspection carried out;
- ❖ Record the date of release of retention and / or bank guarantees;
- ❖ To agree a statement of specific limits on continuing contractual obligations after completion of work and any ongoing obligations following the end of guarantees or maintenance periods;
- ❖ Transfer any assets, including data and intellectual property, and any loan items;
- ❖ Transfer operational systems to the successful contractor;
- ❖ Record the process of final contract payments and a summary of the financial payments made and received;
- ❖ Summarise claims made against or received from the contractor;
- ❖ Ensure the retention of records relating to the contract to counter any subsequent claims that may be brought. The Limitation sets out the general periods for six years or twelve years according to the type of contract within which an action maybe brought.

On completion of this activity, agreement should have been reached on all technical and commercial aspects of the contract. The agreement should require the signature of the parties to a document which records the acceptance of the work or service, the obligations fulfilled and the price paid or to be paid.

Another important activity conducted at this stage, particularly in the case of high value, large contracts, is the preparation of a post-contract project report. This may follow a formal post-contract review, undertaken to assess the business benefits or losses from carrying out the procurement, how those benefits may be further enhanced and / or costs and risks reduced and how the losses can be recouped and turned to benefits.

The review should also gather the lessons that can be learnt from the management processes and procedures followed during the contract and implemented in the future. The review should include the views of all stakeholders and the report should relate to the costs and benefits set out in the original business.

**8 PROCEDURE WHEN DRAFTING CONTRACTS**

8.1 All contracts of the Rustenburg Local Municipality should be in writing and should at least include the following:

- ❖ Termination of the agreement in case of non-performance or underperformance
- ❖ Dispute resolution mechanisms to settle disputes between the parties
- ❖ Price of the goods or services to be delivered to the Municipality and how performance will be evaluated
- ❖ Penalties in case of non-performance or underperformance
- ❖ Duration of the contract
- ❖ A periodic review of the contract or agreement once every three years in the case of a contract or agreement lasting longer than three years

8.2 All contracts that have serious financial implications for the Municipality should be handed over to the Municipal's legal adviser for review before being signed by the accounting officer or delegated official.

8.2.1 The following are regarded as contracts that have serious financial implications:

- ❖ A contract value to the amount of R200 001,00 or more; and/or
- ❖ a contract for a period of 12 months and more.

**9 PROCEDURE AFTER DRAFTING CONTRACTS**

9.1 After the contract has been signed by the Municipal Manager, it should be entered the contract register that should be maintained by the contract administration officer.

9.2 The register should at least include the following information (See Annexure D):

- ❖ Date that the contract was signed
- ❖ Contract value
- ❖ Contract start and end date
- ❖ Authority number
- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Review date, if it is a contract of more than three years
- ❖ Remarks/Comments
- ❖ Financial implications, e.g. increase in rent amount

9.3 The contract administration officer should update this register monthly with all contracts entered into by the Municipality during that month.

9.4 A separate register should be maintained for contracts above R500 000 in addition to the register mentioned in 8.1 above. The following information should be included in that register (See Annexure E):

- ❖ Contract number

- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided
- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendment to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Financial implications

9.5 The contract administration officer should update this additional register monthly with all the information affecting the contract, and comments from the head of department that procured the goods.

## **10 PROCEDURE FOR REVIEW OR CANCELLATION OF CONTRACTS**

10.1 The head of SCM should inform the relevant head of department and/or municipal manager about the date of the review of the contract, at a reasonable period before the review date.

10.2 In case of non-performance or underperformance by the contractor, remedies as outlined in the contract should be used by the Municipal.

## **11 AMENDMENT OF A CONTRACT**

A contract or agreement procured through the SCM policy of the municipality or municipal entity may be amended by the parties, but only after—

- a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community—
  - (i) has been given reasonable notice of the intention to amend the contract or agreement; and
  - (ii) has been invited to submit representations to the municipality or municipal entity.

## **12 REPORTING TO THE COUNCIL**

12.1 The head of the SCM Division, with the assistance of the contract administration officer, should prepare monthly reports for submission to the accounting officer on the state of all contracts entered into through the Municipal's SCM system.

This report is required by section 116(d) of the MFMA.

12.2 The following information should be contained in the report (See Annexure F):

- ❖ Contract number
- ❖ Name of the contractor
- ❖ Brief description of the goods or services to be provided

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- ❖ Duration of the contract
- ❖ Penalties under the contract
- ❖ Payments made to date
- ❖ Penalties paid by the municipality or contractor
- ❖ Amendments to the contract
- ❖ Remarks from site meeting or contract steering committee meeting that have impact on the contract
- ❖ Progress report from the head of department that procured the goods or services
- ❖ Any delays that might have an impact on the completion of the contract

### **13 REPORTING TO THE NATIONAL TREASURY**

- 13.1 The Group Chief Financial Officer is required to submit information in respect of each contract and advertised quotations from R30 000 to R200 000 (VAT inclusive) and tenders from R200 000 and above, and must be signed by all parties to the National Treasury.
- 13.2 A report must be submitted each time a contract is awarded and signed by no later than 15 days after the end of each month.
- 13.3 Completed reports are to be emailed to the National Treasury at [contracts@treasury.gov.za](mailto:contracts@treasury.gov.za) or by facsimile to 012 326 5445.
- 13.4 The following information should be contained in the report:
- ❖ Name of the municipality
  - ❖ Contract reference number
  - ❖ Contract signing date
  - ❖ Contract description
  - ❖ Name of contractor
  - ❖ Percentage equity ownership by black persons (no franchise prior to elections) based on information provided in Municipal Bid Document (MBD) 6.1
  - ❖ Percentage equity ownership by black women based on information provided in MBD 6.1
  - ❖ Percentage equity ownership by white women based on information provided in MBD 6.1
  - ❖ Outsourced/subcontracted businesses to small businesses as a percentage of the annual turnover based on information provided in MBD 6.3, if applicable
  - ❖ Percentage local content of final product in relation to the bid price based on the information provided in MBD 6.4, if applicable
  - ❖ Total contract price (A)
  - ❖ Total price of lowest acceptable bid (price of bid scoring the highest points for price) (B)
  - ❖ Premium paid to promote specified goals (C) ( $C=A-B$ )
  - ❖ Percentage premium paid ( $C/B \times 100$ )

### **14 PROCEDURE FOR PERFORMANCE MANAGEMENT**

- 14.1 Key components of an effective performance approach:
- ❖ Establish appropriate key performance indicators that are aligned with contract objectives



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- ❖ Set clear targets
- ❖ Define monitoring and reporting process

14.2 The following KPIs must be applicable:

Quality	Level of goods/services delivered
Outputs	Total output delivered by supplier to deliver contract
Productivity	Measured output produced/delivered per unit (services performed per day)
Cost	Total cost incurred to deliver service/good
Savings	Total savings delivered by the supplier to deliver the contract
Responsiveness	Lead-time to respond to requests
Customer delivery	Percentage of orders delivered

### 15 PROCEDURE FOR CONTRACT PRICE ESCALATION

- 15.1 An appropriate contract adjustment formula must be specified in the bid documents if deemed necessary (Annexure A).
- 15.2 Escalation notification must be in writing and presented before implementation for approval.

### 16 GENERAL AND SPECIAL CONTRACT CONDITIONS

- 16.1 To strive towards uniformity, all contracts must be based on the General Conditions of Contract (GCC), issued by the National Treasury (Annexure B).
- 16.2 Any aspect not covered by the GCC should be dealt with in the Special Contract Conditions (SCC).
- 16.3 These conditions should form an integral part of the bidding documents.
- 16.4 Accounting officers/authorities should ensure that the prescripts of the PPPFA and the regulations pertaining thereto, are adhered to.
- 16.5 The basis for bid evaluation and selection should be clearly outlined in the instructions to bidders and/or in the specifications.

### CONCLUSION

This policy is applicable to all Rustenburg Local Municipality officials and must be implemented from the date of approval.

**Annexure A**

**Contract Price Escalation**

**1 Price adjustments due to escalation**

- 1.1 The procedure requires a careful analysis of all related aspects that will influence the adjusted price, including the cost for the additional administrative work.
- 1.2 If the accounting officer/authority resolves to allow price escalation as part of the contract, this should be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments should be considered.

**2 Price adjustments due to the fluctuation in the Rate of Exchange (ROE)**

- 2.1 Rate of exchange claims relate to the fluctuation of other currencies in relation to the South African rand. When the government advertises bids which might involve imported contents, whether wholly or partially, the ROE and future fluctuations are of vital importance, especially if it is a transversal contract for delivery over a specified period of more than one year.
- 2.2 The decision of who should take responsibility for any absorption of the fluctuation of a currency is similar to a decision of allocating risk. In this regard, there are two extreme possibilities:
  - ❖ The supplier should bear all the risk and it is prescribed that the price will be fixed for the tenure of the contract, irrespective of the fluctuation of the currency. In such a case the supplier is free to arrange forward cover and/or to increase his/her price at bidding stage to cater for any fluctuation, thereby taking the risk of not being the successful bidder. Whatever route the supplier opts to follow, it will probably lead to an increase in price at the original bidding stage. This might lead to a situation at the commencement of the contract where the government will be obliged to pay more for the product than the retail price to the general public.
  - ❖ The government can absorb the risk and suppliers may bid firm prices, subject to ROE variation. In such cases the supplier(s) may apply for price increases/decreases when the currency fluctuates in relation to the agreed currency. The problem in this regard is that the prices are not always adjusted when the Rand appreciates. In such cases, it is of vital importance that the accounting officer/authority ensures that prices are adjusted to the benefit of the State.
- 2.3 The ideal would be to find a balanced approach between the above extremes, considering other contributing factors that will influence the final price. According to proposals by the World Bank, price increases based on ROE should not be allowed if the tenure of a contract is less than 18 months. Due to the recent fluctuations of the Rand, this might be a very long period when seen in the South African context and a period of twelve months may be more appropriate.
- 2.4 The local and imported contents of the products under consideration will also have a vital impact on determining prices. Another aspect that will also impact on the determination of prices will be the frequency of price adjustments. If the contract allows for a monthly adjustment of prices, the supplier hardly bears any risk in this regard. Prescribing that

price adjustments will only be considered at prescribed intervals (say every three months), it will, in a sense, split the risk between the State and the supplier.

- 2.5 It is therefore suggested that the accounting officer/authority, after thorough analysis of relevant information, determine on a case-by-case basis the optimum route to be followed for each commodity. It should, however, be emphasized that price adjustments based on ROE fluctuations should only be allowed on the imported contents of the commodity and only meet the suppliers' additional costs of the imported content.

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**Annexure B**

**General and Special Conditions of Contract**

**GOVERNMENT PROCUREMENT**

**GENERAL CONDITIONS OF CONTRACT**

**NOTES**

The purpose of this document is to –

- (i) draw special attention to certain general conditions applicable to government bids, contracts and orders; and
- (ii) ensure that clients are familiar with the rights and obligations of all parties involved in doing business with the government.

In this document words in the singular also mean in the plural and vice versa and words in the masculine also mean in the feminine and neuter.

- ❖ The General Conditions of Contract (GCC) will form part of all bid documents and may not be amended.
- ❖ Special Conditions of Contract (SCC) relevant to a specific bid, should be compiled separately for every bid (if applicable) and will supplement the General Conditions of Contract. Whenever there is a conflict, the provisions in the SCC will prevail.

**TABLE OF CLAUSES**

1. Definitions
2. Application
3. General
4. Standards
5. Use of contract documents and information; inspection
6. Patent rights
7. Performance security
8. Inspections, tests and analyses
9. Packing
10. Delivery and documents
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- 23. Termination for default
- 24. Anti-dumping and countervailing duties and rights
- 25. Force Majeure
- 26. Termination for insolvency
- 27. Settlement of disputes
- 28. Limitation of liability
- 29. Governing language
- 30. Applicable law
- 31. Notices
- 32. Taxes and duties
- 33. National Industrial Participation Programme (NIPP)
- 34. Prohibition of restrictive practices

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**General Conditions of Contract**

**1. Definitions**

The following terms will be interpreted as indicated:

1.1 "Closing time" means the date and hour specified in the bidding documents for the receipt of bids.

1.2 "Contract" means the written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

1.3 "Contract price" means the price payable to the supplier under the contract for the full and proper performance of his contractual obligations.

1.4 "Corrupt practice" means the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution.

1.5 "Countervailing duties" are imposed in cases where an enterprise abroad is subsidised by its government and encouraged to market its products internationally.

1.6 "Country of origin" means the place where the goods were mined, grown or produced or from which the services are supplied. Goods are produced when, through manufacturing, processing or substantial and major assembly of components, a commercially recognised new product results that is substantially different in basic characteristics or in purpose or utility from its components.

1.7 "Day" means calendar day.

1.8 "Delivery" means delivery in compliance of the conditions of the contract or order.

1.9 "Delivery ex stock" means immediate delivery directly from stock actually on hand.

1.10 "Delivery into consignee's store or to his site" means delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the contract or order, the supplier bearing all risks and charges involved until the supplies are so delivered and a valid receipt is obtained.

1.11 "Dumping" occurs when a private enterprise abroad markets its goods on own initiative in the RSA at lower prices than that of the country of origin and which have the potential to harm the local industries in the RSA.

1.12" Force majeure" means an event beyond the control of the supplier, not involving the supplier's fault or negligence, and was not foreseeable. Such events may include, but is not restricted to, acts of the purchaser in its sovereign capacity, wars or revolutions, fires, floods, epidemics, quarantine restrictions and freight embargoes.

1.13 "Fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of any bidder, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels and to deprive the bidder of the benefits of free and open competition.

1.14 “GCC” means the General Conditions of Contract.

1.15 “Goods” means all the equipment, machinery, and/or other materials that the supplier is required to supply to the purchaser under the contract.

1.16 “Imported content” means that portion of the bidding price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or his subcontractors) 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 place of entry, as well as transportation and handling charges to the factory in the Republic where the supplies covered by the bid will be manufactured.

1.17 “Local content” means that portion of the bidding price which is not included in the imported content, provided that local manufacture does take place.

1.18 “Manufacture” means the production of products in a factory using labour, materials, components and machinery and includes other related value-adding activities.

1.19 “Order” means an official written order issued for the supply of goods, works or the rendering of a service.

1.20 “Project site,” where applicable, means the place indicated in bidding documents.

1.21 “Purchaser” means the organisation purchasing the goods.

1.22 “Republic” means the Republic of South Africa.

1.23 “SCC” means the Special Conditions of Contract.

1.24 “Services” means those functional services supplementary to the supply of the goods, such as transportation and any other incidental services, such as installation, commissioning, provision of technical assistance, training, catering, gardening, security, maintenance and other such obligations of the supplier covered under the contract.

1.25 “Written” or “in writing” means handwritten in ink or any form of electronic or mechanical writing.

## **2. Application**

2.1 These general conditions are applicable to all bids, contracts and orders including bids for functional and professional services, sales, hiring, letting and the granting or acquiring of rights, but excluding immovable property, unless otherwise indicated in the bidding documents.

2.2 Where applicable, special conditions of contract are also laid down to cover specific supplies, services or works.

2.3 Where such special conditions of contract conflict with these general conditions, the special conditions will apply.

### **3. General**

3.1 Unless indicated otherwise in the bidding documents, the purchaser will not be liable for any expense incurred in the preparation and submission of a bid. Where applicable, a non-refundable fee for documents may be charged.

3.2 With certain exceptions, invitations to bid are only published in the Government Tender Bulletin. The Government Tender Bulletin may be obtained directly from the Government Printer, Private Bag X85, Pretoria 0001, or accessed electronically from [www.treasury.gov.za](http://www.treasury.gov.za)

### **4. Standards**

4.1 The goods supplied will conform to the standards mentioned in the bidding documents and specifications.

### **5. Use of contract documents and information; inspection**

5.1 The supplier will not, without the purchaser's prior written consent, disclose the contract, or any provision thereof, or any specification, plan, drawing, pattern, sample, or information furnished by or on behalf of the purchaser in connection therewith, to any person other than a person employed by the supplier in the performance of the contract. Disclosure to any such employed person will be made in confidence and will extend only so far as may be necessary for purposes of such performance.

5.2 The supplier will not, without the purchaser's prior written consent, make use of any document or information mentioned in GCC clause 5.1, except for purposes of performing the contract.

5.3 Any document, other than the contract itself mentioned in GCC clause 5.1, will remain the property of the purchaser and will be returned (all copies) to the purchaser on completion of the supplier's performance under the contract if so required by the purchaser.

5.4 The supplier will permit the purchaser to inspect the supplier's records relating to the performance of the supplier and to have them audited by auditors appointed by the purchaser, if so required by the purchaser.

### **6. Patent rights**

6.1 The supplier will indemnify the purchaser against all third-party claims of infringement of patent, trademark, or industrial design rights arising from use of the goods or any part thereof by the purchaser.

### **7. Performance security**

7.1 Within thirty (30) days of receipt of the notification of contract awarded, the successful bidder will furnish the purchaser with the performance security of the amount specified in the SCC.

7.2 The proceeds of the performance security will be payable to the purchaser as compensation for any loss resulting from the supplier's failure to complete his obligations under the contract.

7.3 The performance security will be denominated in the currency of the contract, or in a freely convertible currency acceptable to the purchaser and will be in one of the following forms:



- (a) a bank guarantee or an irrevocable letter of credit issued by a reputable bank located in the purchaser's country or abroad, acceptable to the purchaser, in the form provided in the bidding documents or another form acceptable to the purchaser
- (b) a cashier's or certified cheque

7.4 The performance security will be discharged by the purchaser and returned to the supplier not later than thirty (30) days following the date of completion of the supplier's performance obligations under the contract, including any warranty obligations, unless otherwise specified in the SCC.

## **8. Inspections, tests and analyses**

8.1 All pre-bidding testing will be for the account of the bidder.

8.2 If it is a bid condition that supplies to be produced or services to be rendered should, at any stage during production or execution or on completion, be subject to inspection, the premises of the bidder or contractor will be open, at all reasonable hours, for inspection by a representative of the department or an organisation acting on behalf of the department.

8.3 If there are no inspections requirements indicated in the bidding documents and no mention is made in the contract, but during the contract period it is decided that inspections will be carried out, the purchaser will make the necessary arrangements itself, including payment arrangements with the testing authority concerned.

8.4 If the inspections, tests and analyses referred to in clauses 8.2 and 8.3 show the supplies to be in accordance with the contract requirements, the cost of the inspections, tests and analyses will be defrayed by the purchaser.

8.5 Where the supplies or services referred to in clauses 8.2 and 8.3 do not comply with the contract requirements, irrespective of whether such supplies or services are accepted or not, the cost regarding these inspections, tests or analyses will be defrayed by the supplier.

8.6 Supplies and services which are referred to in clauses 8.2 and 8.3 and which do not comply with the contract requirements may be rejected.

8.7 Any contract supplies may be inspected on or after delivery, may be tested or analysed and may be rejected if found not to comply with the requirements of the contract. Such rejected supplies will be held at the cost and risk of the supplier who will, when called upon, remove them immediately at his own cost and forthwith substitute them with supplies which do comply with the requirements of the contract. Failing such removal, the rejected supplies will be returned at the supplier's cost and risk. Should the supplier fail to provide the substitute supplies forthwith, the purchaser may, without giving the supplier further opportunity to substitute the rejected supplies, purchase such supplies as may be necessary at the expense of the supplier.

8.8 The provisions of clauses 8.4 to 8.7 will not prejudice the right of the purchaser to cancel the contract because a breach of the conditions thereof, or to act in terms of Clause 23 of the GCC.

## **9. Packing**

9.1 The supplier will provide such packing of the goods as is required to prevent their damage or deterioration during transit to their final destination, as indicated in the contract. The packing will be sufficient to withstand, without limitation, rough handling during transit and exposure to

extreme temperatures, salt and precipitation during transit, and open storage. Packing, case size and weights will take into consideration, where appropriate, the remoteness of the goods' final destination and the absence of heavy handling facilities at all points in transit.

9.2 The packing, marking, and documentation within and outside the packages will comply strictly with such special requirements as will be expressly provided for in the contract, including additional requirements, if any, specified in the SCC, and in any subsequent instructions ordered by the purchaser.

## **10. Delivery and documents**

10.1 Delivery of the goods will be made by the supplier in accordance with the terms specified in the contract. The details of shipping and/or other documents to be furnished by the supplier are specified in the SCC.

10.2 Documents to be submitted by the supplier are specified in the SCC.

## **11. Insurance**

11.1 The goods supplied under the contract will be fully insured in a freely convertible currency against loss or damage incidental to manufacture or acquisition, transportation, storage and delivery in the manner specified in the SCC.

## **12. Transportation**

12.1 Should a price other than an all-inclusive delivered price be required, this will be specified in the SCC.

## **13. Incidental services**

13.1 The supplier may be required to provide any or all of the following services, including additional services, if any, specified in the SCC:

- (a) performance or supervision of on-site assembly and/or commissioning of the supplied goods;
- (b) furnishing of tools required for assembly and/or maintenance of the supplied goods;
- (c) furnishing of a detailed operations and maintenance manual for each appropriate unit of the supplied goods;
- (d) performance or supervision or maintenance and/or repair of the supplied goods, for a period agreed upon by the parties, provided that this service will not relieve the supplier of any warranty obligations under this contract; and
- (e) training of the purchaser's personnel, at the supplier's plant and/or on-site, in assembly, start-up, operation, maintenance, and/or repair of the supplied goods.

13.2 Prices charged by the supplier for incidental services, if not included in the contract price for the goods, will be agreed upon in advance by the parties and will not exceed the prevailing rates charged to other parties by the supplier for similar services.

## **14. Spare parts**

14.1 As specified in the SCC, the supplier may be required to provide any or all the following materials, notifications, and information pertaining to spare parts manufactured or distributed by the supplier:

- (a) Such spare parts as the purchaser may elect to purchase from the supplier, provided that this election will not relieve the supplier of any warranty obligations under the contract
- (b) In the event of termination of production of the spare parts –
  - (i) advance notification to the purchaser of the pending termination, in sufficient time to permit the purchaser to procure needed requirements; and
  - (ii) following such termination, furnishing at no cost to the purchaser, the blueprints, drawings, and specifications of the spare parts, if requested.

## **15. Warranty**

15.1 The supplier warrants that the goods supplied under the contract are new, unused, of the most recent or current models, and that they incorporate all recent improvements in design and materials, unless provided otherwise in the contract. The supplier further warrants that all goods supplied under this contract will have no defect, arising from design, materials, or workmanship (except when the design and/or material is required by the purchaser's specifications) or from any act or omission by the supplier, that may develop under normal use of the supplied goods in the conditions prevailing in the country of final destination.

15.2 This warranty will remain valid for twelve (12) months after the goods, or any portion thereof as the case may be, have been delivered to and accepted at the final destination indicated in the contract, or for eighteen (18) months after the date of shipment from the port or place of loading in the source country, whichever period concludes earlier, unless specified otherwise in the SCC.

15.3 The purchaser will promptly notify the supplier in writing of any claims arising under this warranty.

15.4 Upon receipt of such notice, the supplier will, within the period specified in the SCC and with all reasonable speed, repair or replace the defective goods or parts thereof, without costs to the purchaser.

15.5 If the supplier, having been notified, fails to remedy the defect(s) within the period specified in the SCC, the purchaser may proceed to take such remedial action as may be necessary, at the supplier's risk and expense and without prejudice to any other rights which the purchaser may have against the supplier under the contract.

## **16. Payment**

16.1 The method and conditions of payment to be made to the supplier under this contract will be specified in the SCC.

16.2 The supplier will furnish the purchaser with an invoice accompanied by a copy of the delivery note and upon fulfilment of other obligations stipulated in the contract.

16.3 Payments will be made promptly by the purchaser, but in no case later than thirty (30) days after submission of an invoice or claim by the supplier.

16.4 Payment will be made in Rand unless otherwise stipulated in the SCC.

## **17. Prices**

17.1 Prices charged by the supplier for goods delivered and services performed under the contract will not vary from the prices quoted by the supplier in his bid, with the exception of any

price adjustments authorised in the SCC or in the purchaser's request for bid validity extension, as the case may be.

**18. Contract amendments**

18.1 No variation in or modification of the terms of the contract will be made except by a written amendment signed by the parties concerned.

**19. Assignment**

19.1 The supplier will not assign, in whole or in part, its obligations to perform under the contract, except with the purchaser's prior written consent.

**20. Subcontracts**

20.1 The supplier will notify the purchaser in writing of all subcontracts awarded under these contracts if not already specified in the bid. Such notification, in the original bid or later, will not relieve the supplier from any liability or obligation under the contract.

**21. Delays in the supplier's performance**

21.1 Delivery of the goods and performance of services will be made by the supplier in accordance with the time schedule prescribed by the purchaser in the contract.

21.2 If at any time during performance of the contract, the supplier or its subcontractor(s) should encounter conditions impeding timely delivery of the goods and performance of services, the supplier will promptly notify the purchaser in writing of the fact of the delay, its likely duration and its cause(s). As soon as practicable after receipt of the supplier's notice, the purchaser will evaluate the situation and may, at his discretion, extend the supplier's time for performance, with or without the imposition of penalties, in which case the extension will be ratified by the parties by amendment of contract.

21.3 No provision in a contract will be deemed to prohibit the obtaining of supplies or services from a national department, provincial department or a local authority.

21.4 The right is reserved to procure small quantities or to have minor essential services executed if an emergency arises outside of the contract if the supplier's point of supply is not situated at or near the place where the supplies are required, or if the supplier's services are not readily available.

21.5 Except as provided under GCC Clause 25, a delay by the supplier in the performance of its delivery obligations will render the supplier liable to the imposition of penalties, pursuant to GCC Clause 22, unless an extension of time is agreed upon pursuant to GCC Clause 21.2 without the application of penalties.

21.6 Upon any delay beyond the delivery period in the case of a supplies contract, the purchaser will, without cancelling the contract, be entitled to purchase supplies of a similar quality and up to the same quantity in substitution of the goods not supplied in conformity with the contract, and to return any goods delivered later at the supplier's expense and risk, or to cancel the contract and buy such goods as may be required to complete the contract and without prejudice to his other rights, be entitled to claim damages from the supplier.

## **22. Penalties**

22.1 Subject to GCC Clause 25, if the supplier fails to deliver any or all of the goods or to perform the services within the period(s) specified in the contract, the purchaser will, without prejudice to its other remedies under the contract, deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. The purchaser may also consider termination of the contract pursuant to GCC Clause 23.

## **23. Termination for default**

23.1 The purchaser, without prejudice to any other remedy for breach of contract, by written notice of default sent to the supplier, may terminate this contract in whole or in part –

- (a) if the supplier fails to deliver any or all of the goods within the period(s) specified in the contract, or within any extension thereof granted by the purchaser pursuant to GCC Clause 21.2;
- (b) if the supplier fails to perform any other obligation(s) under the contract; or
- (c) if the supplier, in the judgment of the purchaser, has engaged in corrupt or fraudulent practices in competing for or in executing the contract.

23.2 In the event that the purchaser terminates the contract in whole or in part, the purchaser may procure, upon such terms and in such manner as it deems appropriate, goods, works or services similar to those undelivered, and the supplier will be liable to the purchaser for any excess costs for such similar goods, works or services. However, the supplier will continue performance of the contract to the extent not terminated.

## **24. Anti-dumping and countervailing duties and rights**

24.1 When, after the date of bid, provisional payments are required, or anti-dumping or countervailing duties are imposed, or the amount of a provisional payment or anti-dumping or countervailing right is increased in respect of any dumped or subsidised import, the State is not liable for any amount so required or imposed, or for the amount of any such increase. When, after the said date, such a provisional payment is no longer required or any such anti-dumping or countervailing right is abolished, or where the amount of such provisional payment or any such right is reduced, any such favourable difference will be paid forthwith on demand by the contractor to the State or the State may deduct such amounts from moneys (if any) which may otherwise be due to the contractor with regard to supplies or services which he delivered or rendered, or is to deliver or render in terms of the contract or any other contract or any other amount which may be due to him.

## **25. Force Majeure**

25.1 Notwithstanding the provisions of GCC Clauses 22 and 23, the supplier will not be liable for forfeiture of its performance security, damages, or termination for default if, and to the extent that, his delay in performance or other failure to perform his obligations under the contract is the result of an event of force majeure.

25.2 If a force majeure situation arises, the supplier will promptly notify the purchaser in writing of such condition and the cause thereof. Unless otherwise directed by the purchaser in writing, the supplier will continue to perform its obligations under the contract as far as is reasonably practical, and will seek all reasonable alternative means for performance not prevented by the force majeure event.

**26. Termination for insolvency**

26.1 The purchaser may at any time terminate the contract by giving written notice to the supplier if the supplier becomes bankrupt or otherwise insolvent. In this event, termination will be without compensation to the supplier, provided that such termination will not prejudice or affect any right of action or remedy which has accrued or will accrue thereafter to the purchaser.

**27. Settlement of disputes**

27.1 If any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties will make every effort to resolve such a dispute or difference amicably by mutual consultation.

27.2 If, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party.

27.3 Should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law.

27.4 Mediation proceedings will be conducted in accordance with the rules of procedure specified in the SCC.

27.5 Notwithstanding any reference to mediation and/or court proceedings herein,

- (a) the parties will continue to perform their respective obligations under the contract unless they agree otherwise; and
- (b) the purchaser will pay the supplier any monies due the supplier.

**28. Limitation of liability**

28.1 Except in cases of criminal negligence or wilful misconduct, and in the case of infringement pursuant to Clause 6,

- (a) the supplier will not be liable to the purchaser, whether in contract, tort, or otherwise, for any indirect or consequential loss or damage, loss of use, loss of production, or loss of profits or interest costs, provided that this exclusion will not apply to any obligation of the supplier to pay penalties and/or damages to the purchaser; and
- (b) the aggregate liability of the supplier to the purchaser, whether under the contract, in tort or otherwise, will not exceed the total contract price, provided that this limitation will not apply to the cost of repairing or replacing defective equipment.

**29. Governing language**

29.1 The contract will be written in English. All correspondence and other documents pertaining to the contract that is exchanged by the parties will also be written in English (section 5 (1-8) of the Rustenburg Local Municipality Language Policy of 2012).

**30. Applicable law**

30.1 The contract will be interpreted in accordance with South African laws, unless otherwise specified in the SCC.

**31. Notices**

31.1 Every written acceptance of a bid will be posted to the supplier concerned by registered or certified mail and any other notice to him will be posted by ordinary mail to the address furnished in his bid or to the address notified later by him in writing and such posting will be deemed to be proper service of such notice.

31.2 The time mentioned in the contract documents for performing any act after such aforesaid notice has been given, will be reckoned from the date of posting of such notice.

**32. Taxes and duties**

32.1 A foreign supplier will be entirely responsible for all taxes, stamp duties, license fees, and other such levies imposed outside the purchaser's country.

32.2 A local supplier will be entirely responsible for all taxes, duties, license fees, etc., incurred until delivery of the contracted goods to the purchaser.

32.3 No contract will be concluded with any bidder whose tax matters are not in order. Prior to the award of a bid the department must be in possession of a tax clearance certificate, submitted by the bidder. This certificate must be an original issued by the South African Revenue Service.

**33. National Industrial Participation Programme (NIPP)**

34.1 The NIP Programme administered by the Department of Trade and Industry shall be applicable to all contracts that are subject to the NIP obligation.

**34. Prohibition of restrictive practices**

34.1 In terms of section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if a bidder (s) is / are or a contractor(s) was / were involved in collusive bidding (or bid rigging).

34.2 If a bidder(s) or contractor(s), based on reasonable grounds or evidence obtained by the purchaser, has / have engaged in the restrictive practice referred to above, the purchaser may refer the matter to the Competition Commission for investigation and possible imposition of administrative penalties as contemplated in the Competition Act No. 89 of 1998.

34.3 If a bidder(s) or contractor(s), has / have been found guilty by the Competition Commission of the restrictive practice referred to above, the purchaser may, in addition and without prejudice to any other remedy provided for, invalidate the bid(s) for such item(s) offered, and / or terminate the contract in whole or part, and / or restrict the bidder(s) or contractor(s) from conducting business with the public sector for a period not exceeding ten (10) years and / or claim damages from the bidder(s) or contractor(s) concerned.

**Annexure C**

**Registration of contracts**

Annexures A to C are typical annexures applicable to all municipal contracts. Information required may vary in detail depending on the nature of the project.

IN THE ANNEXURES		
	ANNEXURE	TITLE
	D	Register of all municipal contracts
	E	Register of all contracts above R500 000,00 for a period exceeding three months
	F	Report to the Council on contract management



## ANNEXURE D

## REGISTER OF ALL MUNICIPAL CONTRACTS

[illegible]

# ANNEXURE E

**REGISTER OF ALL CONTRACTS ABOVE R500 000,00 FOR A PERIOD EXCEEDING THREE MONTHS**

[illegible]

# ANNEXURE F

# REPORT TO THE COUNCIL ON CONTRACT MANAGEMENT

[illegible]

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

Approved/Not Approved

RECOMMENDED BY:

\_\_\_\_\_  
Financial Officer

\_\_\_\_\_  
Date

Chief

SUPPORTED BY:

\_\_\_\_\_  
Municipal Manager

\_\_\_\_\_  
Date

APPROVED BY:

\_\_\_\_\_  
Council

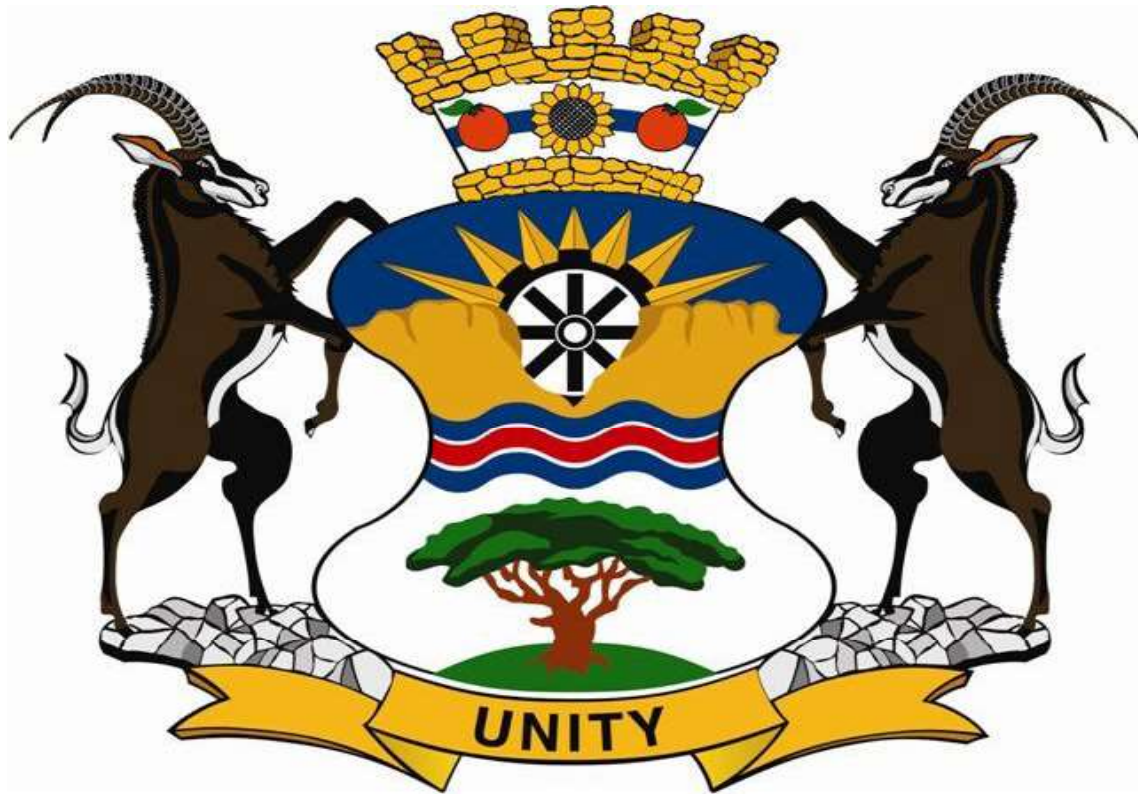
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Date

**Policy Review**

**Document Control**

DRAFT

# **Rustenburg Local Municipality**



## **COST CONTAINMENT POLICY**

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# **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

## **PREAMBLE**

Cost containment is the business practice of maintaining expense levels to prevent unnecessary spending or thoughtfully reducing expenses to improve profitability without long-term damage to the municipality. Cutting expenses in ways that decrease quality or reduce marketing efforts to bring in new business can lead to a company's demise and are not examples of a cost-containment strategy.

The following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

### **1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners**

#### **Measure**

- ❖ Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the employment categories.

#### **Controls**

- ❖ Directors must ensure that the employment contracts for the categories that are in line with the applicable HR policies, and must in conjunction with the Administration, Monitoring and Evaluation Directorate (AME), ensure compliance.
- ❖ The Administration, Monitoring and Evaluation Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)
- ❖ The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies.



## **2. Travel claims**

### **Measure**

- ❖ Ensure effective control over travel claims.

### **Controls**

- ❖ Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
- ❖ Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
- ❖ The respective Directors should exercise control over the distances travelled.

## **3. Essential Vehicle User Scheme**

### **Measure**

- ❖ Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

### **Controls**

- ❖ Policy guidelines must be formulated by the Administration, Monitoring and Evaluation Directorate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties.

## **4. Acting Allowances**

### **Measure**

Acting allowances must be paid in accordance with the applicable HR policies, South African Local Government Bargaining Council (SALGBC Collective Agreements) and any applicable legislation.

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### Controls

- ❖ Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
- ❖ Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
- ❖ Acting **must** only be permitted in funded vacant positions.
- ❖ Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
- ❖ Acting for extended periods **must** be discouraged, unless **motivated** to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

### 5. Overtime

#### Measure

- ❖ Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

#### Controls

- ❖ Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.
- ❖ Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
- ❖ The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Municipal Manager prior** to the actual overtime being worked.

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- ❖ The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
- ❖ The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- ❖ The Administration, Monitoring and Evaluation Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

### 6. Catering, Refreshments & Entertainment

RLM relates to expenses for catering and events, states the following: -

- i. **Constitutional institutions** may not incur catering expenses for **internal meetings**, i.e. for meetings attended only by **persons in its employ**, unless approved by the accounting officer.

Catering expenses shall require prior approval.

- ii. **Constitutional institutions** may not incur expenses on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -

- a. State banquets;
- b. The promotion of South Africa and any of its goods or services;

or

- c. The hosting of foreign dignitaries.

- iii. The Accounting officers must ensure that team building exercises and social functions, including year-end functions, **are not financed from the budgets of their respective establishments or by any suppliers or sponsors.**

In implementing the aforementioned instruction, the following control measures are applicable as it relates to catering and entertainment: -

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### **Control Measures**

- ❖ Apart from tea, coffee and muffins, **no catering and refreshments** will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
- ❖ At the discretion of the Municipal Manager, catering and refreshments **may** only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

### **7. Attendance of Conferences, Seminars & Workshops**

#### **Measures and Controls**

- ❖ Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- ❖ The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- ❖ In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager.

**8. Municipal Workshops, Retreats, Strategic Sessions and Internal training**

**Controls**

- ❖ Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.
- ❖ Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- ❖ The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

**9. Projects /Programme Launches**

**Controls**

- ❖ The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.
- ❖ When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

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### 10. Use of Consultants

RLM relates to expenses for the use of consultants, states the following: -

- i. **Constitutional institutions** may only contract in consultants after a gap analysis has confirmed that the constitutional institution concerned does not have the requisite skills or resources in its fulltime employ to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the accounting officer.
- ii. Appoint consultants on a time and cost basis with specific start and end dates.
- iii. Ensure the transfer of skills by consultants to the relevant officials of the municipality.
- iv. Consultants may only be remunerated at the rates: -
  - a. Determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
  - b. Set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA), or
  - c. Prescribed by the body regulating the profession of the consultant.
- v. All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers must invoke such clauses were deemed necessary.
- vi. The accounting officer must develop and maintain a consultancy reduction plan to reduce the reliance on consultants.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

#### **Measure**

- ❖ The use of consultants **must** be reviewed and curtailed.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### **Controls**

- ❖ All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Director concerned, endorses the procurement process.
- ❖ Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- ❖ Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
- ❖ Any SLA or contract signed with consultants, must include
  - (i) penalty clauses for poor performance,
  - (ii) clauses that deal with skills transfer,
  - (iii) period of the contract must be clearly stated, amongst other pertinent clauses.
- ❖ The Municipal Manager **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

### **11. Telephone Costs (Landlines)**

#### **Measure**

- ❖ The Council's policy relating to payment for private calls must be fully enforced by all Directorates.

#### **Controls**

- ❖ The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salaries.

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### 12. Uniforms and Clothing

#### Controls

- ❖ A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.
- ❖ A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

### 13. Travel and Subsistence

RLM relates to travel and subsistence expenses, the following control measures must be implemented: -

#### Control measures

- ❖ Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.
- ❖ The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
- ❖ Purchasing of air tickets for first class travel is not permitted, under any circumstances.
- ❖ Domestic hotel accommodation linked to travel and subsistence may not exceed R1 700 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.
- ❖ The amount of R1700 quoted above may be exceeded with approval of the Municipal Manager in instances:

- (i) such as peak holiday periods, and



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- (ii) (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
- ❖ Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.
- ❖ Sharing of the mode of transport when Employees / Councillors travel to the same destination.
- ❖ Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
- ❖ When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
- ❖ Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

### **14. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 1) The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package for different grades, whichever is greater.
- 2) The procurement of vehicles must be undertaken using the national government transversal contract mechanism.
- 3) If any other procurement process is used, the cost may not exceed the threshold set out in sub-regulation (1)
- 4) Before deciding on other procurement process as contemplated in sub-regulation (3), the Chief Financial Officer must provide the council with information relating to the following criteria which must be considered:
  - a) Status of the current vehicles
  - b) Affordability
  - c) Extent of service delivery backlogs
  - d) Terrain for effective usage of vehicle; and
  - e) Any other policy of council

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### **15. GENERAL MEASURES TO BE IMPLEMENTED**

- ❖ In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

### **16. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY**

The accounting officer is to communicate this Policy for application in the municipality to ensure adherence with the reporting procedures and requirements.

### **17. MONITORING AND EVALUATION**

Directors must put monitoring measures in place to ensure that the cost containment measures are strictly adhered to in their respective directorates.

The required reporting framework will be developed by the Director:

Administration, Monitoring and Evaluation and will be made available to all Directors. The Directors **must** report on the implementation of the CCP, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.

### **18. CONSEQUENCE MANAGEMENT**

Failure to implement or comply with this policy may result in any official of the municipality, political office bearer and councillor that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct or a financial offence in the case of political office bearers and councillors as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014

- 18.1** The expenditure incurred contrary to this policy will also be measured against the definitions of unauthorised, irregular, and fruitless and wasteful expenditure.
- 18.2** Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality or delegated official.
- 18.3** The accounting officer must consider the allegations and determine whether to investigate and if disciplinary steps should be instituted.

# **Rustenburg Local Municipality Draft Cost Containment Strategy**

## **1. INTRODUCTION**

In the current economic world, it is crucial for the organization to develop a strategy to minimize cost and achieve the desired results of the organization at the end. Improved accountability and transparency can be realized through a more proactive and regular reporting of both cost containment activities and the results generated. The issues for concentration could be; security cost, cost of hiring equipment, catering cost, use of council vehicles, energy management. Consultation with employees and also obtaining input from all affected stakeholders (business, ratepayers, etc) can be beneficial to cost containment plan. Although some of the many cost saving measures have been implemented over years, it will assist to revisit them with the intention to improve. Proper planning also may assist the municipality to contain cost.

## **2. COST SAVING COMMITTEE**

- 2.1 Each business unit must create a cost saving committee or cost saving must be a standing item on the agenda of monthly meeting of each business unit.
- 2.2 Increase accountability and evaluation of all cost saving planning measures must be communicated to all staff members.
- 2.3 Staff should be encouraged to come up with ideas and if the idea is implemented and cost saving is being realized the employee who came up with the idea be formally recognized in the form of an incentive.
- 2.4 A suggestion box must be placed in all major council offices for staff and the public to post their ideas on the box or an e-mail address be created where any staff member or member of the public can send their ideas.
- 2.5 Advertising of best and most successful initiative in municipal website and through corporate communicate can be effective communication tool.

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## **3 AREAS FOR COST CONTAINMENT**

### **3.1 Facilities**

- 3.1.1 As far as possible encourages the use of council facilities for community meetings and staff meetings. This will mean a reduction in cost of hiring venues for meetings.
- 3.1.2 A study be undertaken to compare cost of hiring marquees versus cost of purchasing marquees in the long run.
- 3.1.3 List of available council facilities for meetings be provided on council website for staff to know and book the facility with the responsible person.
- 3.1.4 Cease all non-essential and non-routine maintenance unless there are health and safety issues concerns.

### **3.2 Security Cost**

- 3.2.1 Review the need for security personnel in council facilities during the day and at night. In some facilities an alarm system can be at night (at low cost) and a security guard during the day.

### **3.3 Cost of Hiring Plant and Equipment**

- 3.3.1 Council spent lot of money hiring plant/equipment and sound system.
- 3.3.2 Fleet must develop a register of items that are hired to monitor cost and identify those items that are hired on a regular basis. A plan be developed to acquire these items within 5 years.
- 3.3.3 Review cost of hiring compared to cost of purchasing and owning the equipment in the long term.

### **3.4 Catering Cost**

- 3.4.1 Minimize catering for meetings and consider providing light meal where possible with the intention to reduce cost.
- 3.4.2 All catering requests to be submitted to the accounting officer for consideration and approval, subject to availability of funds.
- 3.4.3 The Chief Financial Officer submits to the Strategic Management Committee a list for consideration of which meetings should be permitted to have catering services.

### **3.5 Use of Council Vehicles**

- 3.5.1 All employees who enjoy the benefit of taking council vehicle home after work must submit a motivation to Strategic Management Committee for review of the need for such benefit.
- 3.5.2 All new requests for employee to take council vehicle home after work must be submitted to Strategic Management Committee with a detailed motivation for consideration and approval.
- 3.5.3 A vehicle replacement programme must be developed to ensure that ageing fleet that is not cost effective to repair is replaced on time.

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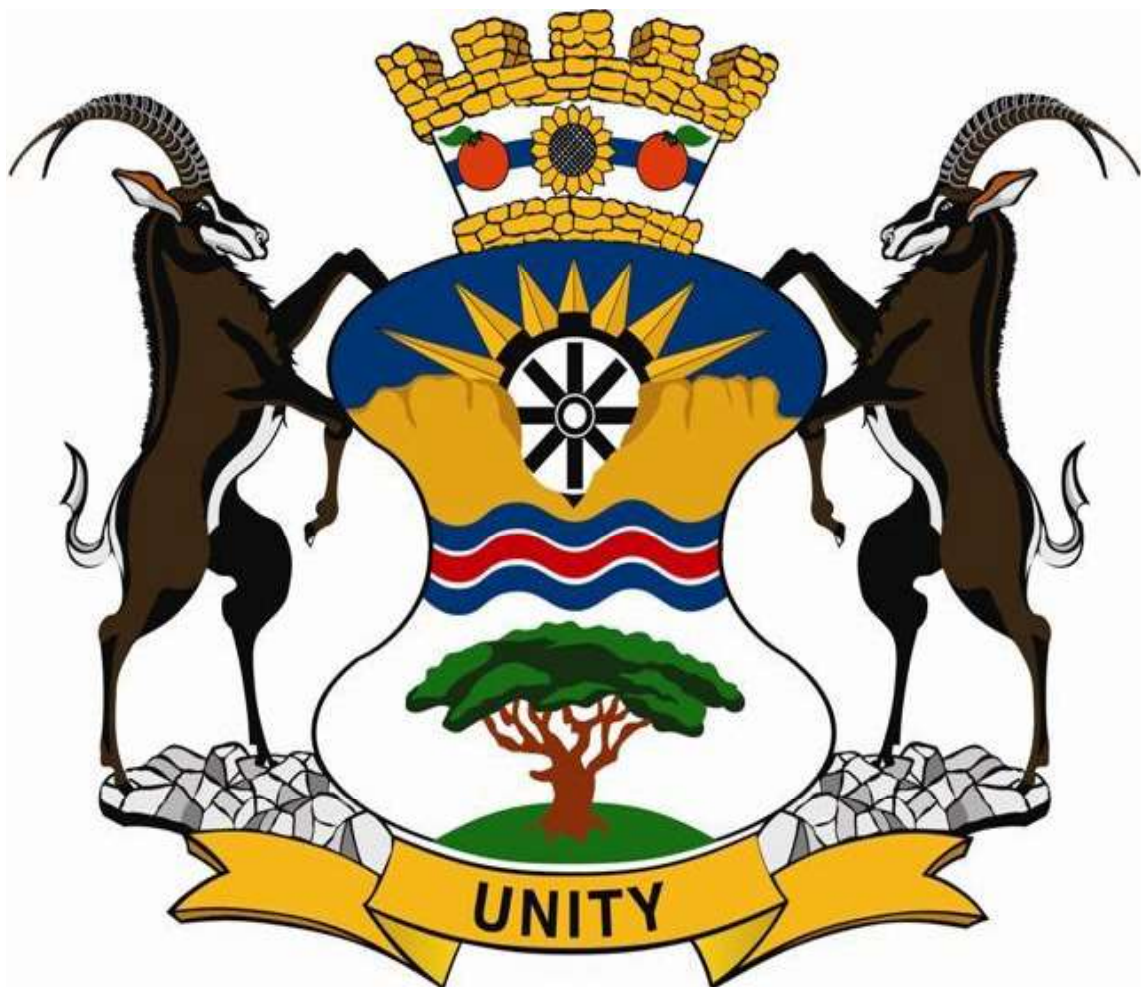
- 3.5.4 Employees that cause damage to council vehicle must be investigated and if found negligent disciplinary action must be taken and cost of repair be recovered from the employee.
- 3.5.5 Fleet must keep a register of repairs to vehicles and where cost to repair are more than the net book value step to auction the vehicle in terms of council policy must be taken.

### **3.6 Energy Management**

- 3.6.1 Install motion lights or timers in all council buildings.
- 3.6.2 Install individual lights switches in each office instead of central controlled lights.
- 3.6.3 Encourage staff to turn off electric equipment in offices when not in use or after work.

# **RUSTENBURG**

## **LOCAL MUNICIPALITY**



### **CREDIT CONTROL AND DEBT COLLECTION POLICY**

**PREAMBLE**

- (1) **WHEREAS** section 152(1)(b) of the Constitution of the Republic of South Africa, Act 108 of 1996 (hereinafter referred to as “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;
- (2) **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;
- (3) **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;
- (4) **AND WHEREAS** section 18(1)(a), read with sub-section (2) of the Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”) provides that an annual budget of the Municipality should be funded from realistically anticipated revenues to be collected taking into account projected revenue for the current year based on collection levels to date and the actual revenue collected in the previous financial years;
- (5) **AND WHEREAS** section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as “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;

- (6) **AND WHEREAS** section 5(1)(g), read with sub-section (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 Registered Indigent debtors, they pay promptly for services and pay the fees, surcharges on fees, other taxes, levies and duties imposed by the Municipality;
- (7) **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 and of the costs involved and the persons in charge;
- (8) **AND WHEREAS** in terms of the provisions of section 95 of the Systems Act, the Rustenburg Local Municipality (hereinafter referred to as “the Municipality”), in relation to the levying of rates and other taxes and the charging of fees for municipal services and within its financial and administrative capacity, must:
  - (a) establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality, and where applicable a service provider;
  - (b) establish mechanisms for consumers of municipal services and ratepayers to give feedback to the Municipality or other service provider regarding the quality of the municipal services and performance of the service provider;
  - (c) take reasonable steps to ensure that users of municipal services are informed of the costs involved in municipal service provision, the reasons for the payment of municipal service fees and the manner in which monies raised from such municipal service are utilised;



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- (d) where the consumption of municipal services has to be measured, take reasonable steps to ensure that the consumption by individual users of municipal services is measured through accurate and verifiable metering systems;
  - (e) ensure that persons liable for payments receive regular and accurate statements that indicate the basis for calculating the amounts due;
  - (f) provide accessible mechanisms for those persons to query or verify statements and accounts and metered consumption;
  - (g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the Municipality which includes the declaring of disputes and procedures which allows for the dealing with such disputes;
  - (h) provide mechanisms to monitor the response time and efficiency in complying with sub-paragraph (g) above; and
  - (i) provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for municipal services;
- (9) **AND WHEREAS** and in terms of the provisions of section 96 of the Systems Act, the Municipality must collect all money which is due and payable to it subject to the provisions of the Systems Act and other applicable legislation and for this purpose must adopt, maintain and implement a Credit Control and Debt Collection Policy which complies with the provisions of the Systems Act and is consistent with the Rates and Tariff Policies of the Municipality;

**NOW THEREFORE** the Municipality has adopted this policy in compliance with the provisions of the above referred to sections and specifically the provisions of section 97 of the Systems Act, to be known as the “Credit Control and Debt Collection Policy” which provides the contents for this policy.

# **THE RUSTENBURG LOCAL MUNICIPALITY: CREDIT CONTROL AND DEBT COLLECTION POLICY**

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**CHAPTER 1**

**INTRODUCTORY PROVISIONS**

**1. DEFINITIONS**

In this policy, except where the context otherwise indicates or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of the Systems Act and the Tariff Policy or By-Law or the Rates Policy or By-Law of the Municipality, will have a corresponding meaning assigned thereto in terms of such policies or by-laws. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
<b>“A”</b>		
1.1	<b>“account”</b>	<p>Means the account opened for a customer in the financial system of the Municipality and in respect of which an account number is allocated, and in context also refer and include the entries and activities and/or arrears reflected on the account, containing and reflecting the liability of the consumer for the payment of rates, tariffs, levies, fees and the consumption of municipal services, which includes charges in respect of the following:</p> <ul style="list-style-type: none"> <li>(a) electricity consumption;</li> <li>(b) water consumption;</li> <li>(c) refuse removal and disposal;</li> <li>(d) sewerage services and sewer availability fees;</li> <li>(e) interest; and</li> <li>(f) miscellaneous and sundry fees and collection charges.</li> </ul>

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1.2	<b>“arrears”</b>	<p>Means any amount due, owing and payable in respect of rates, tariffs, levies, fees and for the consumption of municipal services in terms of this policy and includes <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>(a) the principal amount;</li> <li>(b) collection charges;</li> <li>(c) interest;</li> <li>(d) default charges;</li> <li>(e) connection and disconnection fees;</li> <li>(f) any other amount owed to the Municipality not referred to above;</li> </ul> <p>and which was not paid on or before the payment date.</p>
<b>“B”</b>		
1.3	<b>“billing”</b>	<p>Means proper notification and invoicing of a statement to a customer of amounts levied for rates, tariffs, levies, fees and the consumption of municipal services including all other amounts and charges due in terms of this policy as well as the net accumulated balance of the account.</p>
1.4	<b>“billing cycle”</b>	<p>Means the time period in respect of which a customer is liable to effect payment to the Municipality for rates, tariffs, levies, fees and consumption of municipal services, being a monthly cycle in respect of the tariffs, levies, fees and consumption of municipal services, and either a monthly or an annual cycle in respect of rates, and which cycle ends on the payment date.</p>
<b>“C”</b>		
1.5	<b>“Chief Financial Officer”</b>	<p>Means a person appointed by the Council and designated by the Municipal Manager of the Municipality to manage the financial administration of the Municipality and who remains directly accountable to the Municipal Manager as</p>

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		contemplated in terms of the provisions of section 80(2)(a) read with the provisions of section 1 and section 81 of the MFMA.
1.6	<b>“collection charges”</b>	<p>Means all costs incurred by the Municipality during the process of recovering monies due and payable to it, or arrears, including the charges which may be recovered by the Municipality in terms of section 75A of the Systems Act and includes:</p> <ul style="list-style-type: none"> <li>(a) the cost of reminding a customer of monies due and payable or arrears;</li> <li>(b) the cost of the termination, disconnection, restriction and reinstatement of municipal services;</li> <li>(c) the cost of any notice rendered, sent or delivered;</li> <li>(d) all legal cost, including attorney and client cost incurred in the recovery of arrears; and</li> <li>(e) any commission and other expenses relating to the recovery of arrears payable by the Municipality to any person or service provider.</li> </ul>
1.7	<b>“consumer”</b>	<p>Means any person or entity consuming or receiving municipal services, irrespective of whether such a person has concluded a service level agreement with the Municipality, and may also include a person who illegally and unlawfully connects to the municipal services infrastructure or who illegally and unlawfully gains access to or usage of the municipal services or who consumes any municipal services unlawfully.</p> <p>This also includes beneficiaries of RDP houses and documented beneficiaries of deceased estates who are still awaiting transfers.</p>
1.8	<b>“Council”</b>	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.



1.9	<b>“credit control”</b>	Includes all the functions relating to the collection of monies owed to the Municipality by consumers. Credit control under this definition starts once an account is in arrears or any consumer connects to any service infrastructure or consumes any municipal service lawfully or unlawfully.
1.10	<b>“credit controller”</b>	Means a person appointed by the Municipality to manage <i>inter alia</i> , the financial and administration credit control and debt collection of the Municipality's debtors.
1.11	<b>“customer”</b>	<p>Means the owner of the premises or in exceptional circumstances a tenant, and includes a person or entity liable to the Municipality for the payment of tariffs, levies, fees and municipal consumption charges in terms of a service agreement concluded with the Municipality, and may include a person who applied to the Municipality to become a Registered Indigent in terms of the Indigent Policy, and who is not the owner of the premises, but who is:</p> <ul style="list-style-type: none"> <li>(a) the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or</li> <li>(b) the party to whom the residential property is awarded in the event of a divorce; or</li> <li>(c) where a deceased estate has not been wound up: <ul style="list-style-type: none"> <li>(i) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or</li> <li>(ii) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both</li> </ul> </li> </ul>

		<p>spouses' names, and the surviving spouse is the sole heir; or</p> <p>(iii) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or</p> <p>(iv) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;</p> <p>and who simultaneously with the application for indigent support in terms of the Indigent Policy, applied for the provision of municipal services in terms of this policy to be granted an account and to conclude a service agreement with the Municipality, and whose application has been approved by the Municipality, and as such has concluded a service agreement with the Municipality.</p>
1.12	<b>“customer management”</b>	Means focusing on the customer's needs in a responsive and proactive manner to encourage payment, thereby limiting the need for credit control.
<b>“D”</b>		
1.13	<b>“day(s)”</b>	Means a normal calendar day which include a Saturday, Sunday and public holidays.
1.14	<b>“debt collection”</b>	Means the functions relating to the collection of arrears and includes the restructuring of such debt, and procedures and mechanisms for the collection of all monies due and payable to the Municipality in terms of this policy, and in respect of rates, tariffs, levies, fees and municipal consumption charges for municipal services, in order to ensure financial sustainability and the uninterrupted delivery of municipal services in the interest of the community.

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1.15	<b>“debtor”</b>	Means any person, including a customer or consumer, who has failed to make payment of a debt due, owing and payable to the Municipality on or before the payment date.
1.16	<b>“dispute”</b>	Means a dispute as contemplated in terms of the provisions of section 102(2) of the Systems Act.
<b>“E”</b>		
1.17	<b>“equipment”</b>	Includes any building or other structure, pipe, pump, wire, cable, meter, engine, any apparatus, tools, device, connection system or network, service protection device, reticulation network or supply mains or any part of any of the foregoing supplied or used in the supply, distribution or conveyance of municipal services or the measurement of consumption of such services, or any other accessories to any of the aforementioned.
1.18	<b>“exceptional circumstances”</b>	Means such circumstances which in the sole discretion of the Chief Financial Officer constitute an exception.
1.19	<b>“Executive Mayor”</b>	Means the Executive Mayor of the Municipality as elected in terms of section 55 of the Structures Act.
<b>“H”</b>		
1.20	<b>“household”</b>	Means the total number of persons who permanently resides and occupy a single premise for residential purposes.
<b>“I”</b>		
1.21	<b>“indigent support”</b>	Means the financial and other support, discounts, subsidies and assistance which the Municipality renders to Registered Indigents and households headed by Registered Indigents in terms of the Indigent Policy of the Municipality.
1.22	<b>“interest”</b>	Means the charge levied on arrears as referred to in the provisions of section 75A(1)(b) of the Systems Act and at the rate as resolved by the Council.

<b>“M”</b>		
1.23	<b>“Mayoral Committee”</b>	Means the Mayoral Committee as envisaged in terms of the provision of section 60 of the Structures Act.
1.24	<b>“MFMA”</b>	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.25	<b>“MPRA”</b>	Means the Local Government: Municipal Property Rates Act, Act 6 of 2004.
1.26	<b>“Municipality”</b>	<p>Means the RUSTENBURG LOCAL MUNICIPALITY (also referred to as “RLM”) a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: Missionary Mpheni House, CNR NELSON MANDELA &amp; BEYERS NAUDE STREET, RUSTENBURG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <ul style="list-style-type: none"> <li>(a) its successor in title; or</li> <li>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or</li> <li>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</li> </ul>
1.27	<b>“Municipal Manager”</b>	Means the Municipal Manager of the Municipality appointed in terms of the provisions of section 54A of the Systems Act and as referred to in the

		definition of “Accounting Officer” in section 1 of the MFMA, and also referred to in section 60 of the MFMA, and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act.
1.28	<b>“municipal services” or “services”</b>	<p>Means a service that a Municipality provides or may provide in terms of its powers and functions to or for the benefit of the local community irrespective of whether:</p> <p>(a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76 of the Systems Act or by engaging an external mechanism contemplated in section 76; or</p> <p>(b) fees, charges or tariffs are levied in respect of such service or not.</p>
<b>“O”</b>		
1.29	<b>“occupier”</b>	Means any person who occupies premises or part thereof, without taking cognisance of the title under which he or she occupies the premises.
1.30	<b>“official application form”</b>	Means the application form provided in Schedule 1 to this policy.
1.31	<b>“owner”</b>	<p>Means:</p> <p>(a) the person in whose name the property is registered;</p> <p>(b) in the case where the person in whose name the property is registered, is insolvent or deceased, or is disqualified in terms of any legal position, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other duly authorised or appointed representative;</p>

		<p>(c) in the case where the Municipality or service provider is unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon;</p> <p>(d) in the case of a lease agreement entered into for a period of 30 (thirty) years or longer, or for the natural life of the lessee or any other person mentioned in the lease, or is renewable from time to time at the will of the lessee indefinitely or for a period of periods which, together with the first period of the lease, amounts to 30 (thirty) years, the lessee or any other person to whom he has ceded his right, title and interest under the lease, or gratuitous successor to the lessee;</p> <p>(e) in relation to:</p> <p>(i) a piece of land delineated on a sectional title plan and which is registered in terms of the Sectional Title Act, Act 95 of 1986, without limiting it to the developer or body corporate in respect of the common property;</p> <p>(ii) a section as defined in the Sectional Title Act, Act 95 of 1986, the person in whose name that section is registered in terms of a "sectional title deed", including the lawfully appointed representative or agent of such person;</p> <p>(f) any legal entity including but not limited to:</p> <p>(i) a company registered in terms of the Companies Act, Act 61 of 1973, a trust inter vivos, trust mortis causa, a close corporation registered in terms of the Close Corporation Act, Act 69 of 1984 and any voluntary organisation;</p>
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		<p>(ii) any provincial or national government department, or local authority;</p> <p>(iii) any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and</p> <p>(iv) any embassy or other foreign entity in whose name the property is registered;</p> <p>(g) in relation to property owned by the Municipality and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and</p> <p>(h) in relation to property owned by or under the control or management of the Municipality while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.</p>
<b>“P”</b>		
1.32	<b>“payment date”</b>	Means the date by which any amount due, owing and payable should have been paid.
1.33	<b>“person”</b>	Means any natural or juristic person, local government body or like authority or an organ of state as defined in terms of section 239 of the Constitution, a company incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association, club or trust.
1.34	<b>“prepayment meter”</b>	Means a meter whereby payment for municipal services is first made elsewhere and credit is transferred to such meters by means of a token or coded number or credit card or other means and such meter is programmed and dispenses pre-

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		purchased municipal services as it is consumed by the consumer at a predetermined rate or charge.
1.35	<b>“prepayment measuring system”</b>	Means a meter and ancillary devices, approved by the Municipality designed to measure and allocate to a consumer the quantity of municipal services pre-purchased by the consumer.
1.36	<b>“premises”</b>	Means any property or any building or structure above or below ground levels on property and may include any vehicle, aircraft or vessel.
1.37	<b>“property”</b>	<p>Means:</p> <ul style="list-style-type: none"> <li>(a) immovable property registered in the name of a person/owner including in the case of a sectional title scheme, a sectional title unit registered in the name of any person/ owner;</li> <li>(b) a right registered against immovable property in the name of a person excluding a mortgage bond registered against the property;</li> <li>(c) any piece of land, the external surface boundaries of which are delineated on: <ul style="list-style-type: none"> <li>(i) a general plan or diagram registered in terms of the Land Survey Act, Act 9 of 1927 or in terms of the Deeds Registries Act, Act 47 of 1937 or;</li> <li>(ii) a sectional plan registered in terms of the Sectional Titles Act, Act 95 of 1986;</li> </ul> <p>which is situated within the area of the Municipality;</p> </li> <li>(d) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or</li> <li>(e) public service infrastructure.</li> </ul>
<b>“R”</b>		



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1.38	<b>“rates”</b>	Means a municipal rate on property levied in terms of section 229(1)(a) of the Constitution and section 2(1) the MPRA.
1.39	<b>“Registered Indigent”</b>	Means a person who has applied to the Municipality in terms of the Indigent Policy to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Register as contemplated in the Indigent Policy of the Municipality.
<b>“S”</b>		
1.40	<b>“service agreement”</b>	Means the written agreement concluded between the Municipality and a customer for the provision of municipal services to premises once the Municipality has approved the customers official application form for the rendering of such services to the customer and which contains the terms and conditions upon which the Municipality will render such services to the customer.
1.41	<b>“service provider”</b>	Means the Municipality as well as any external entity that provides municipal services to the consumer on behalf of the Municipality, pursuant to a service delivery agreement entered into with Municipality in terms of section 80 of the Systems Act, and may also include any authorised agent of the Municipality.
1.42	<b>“statement”</b>	Means the statement furnished to a customer reflecting the status of the account of the customer, or the liability of the consumer where such a consumer has no account, for the payment of rates, tariffs, levies, fees and the consumption of municipal services and which reflects the amount due to the Municipality by such customer/consumer in respect of the rates, tariffs, levies, fees and municipal services consumed and which includes charges in respect of the following:

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		(a) electricity consumption; (b) water consumption; (c) refuse removal and disposal; (d) sewerage services and sewer availability fees; (e) interest; and (f) miscellaneous and sundry fees and collection charges.
1.43	<b>“Structures Act”</b>	Local Government: Municipal Structures Act, Act 117 of 1998.
1.44	<b>“Systems Act”</b>	Local Government: Municipal Systems Act, Act 32 of 2000.
<b>“T”</b>		
1.45	<b>“tamper”</b>	Means any interference with, damage to, alteration of, by-passing of any connection to, or removal of any equipment and includes the consumption of or use of any municipal services not in accordance with this policy.
1.46	<b>“tariff policy”</b>	Means the Tariff Policy of the Municipality as envisaged in terms of the provisions of section 74 of the Systems Act.
1.47	<b>“Tariff Schedule”</b>	Means the Tariff Schedule as referred to in the Tariff Policy and approved by Council.
1.48	<b>“tenant”</b>	Means a person who is entitled to the use and enjoyment of premises for the payment of rent as a result of an agreement concluded with a person who has the right to extent such rights regarding the premises.
1.49	<b>“this policy”</b>	Means the Credit Control and Debt Collection Policy of the Municipality.

## 2. AIM AND PURPOSE

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- (1) This policy constitutes the policy of the Municipality as contemplated in terms of the provisions of section 96(b) of the Systems Act, read with the provisions of section 97 of the same act.
- (2) This policy further provides for and gives effect to those matters set out in the provisions of section 95 of the Systems Act.
- (3) The aim and purpose of this policy is to:
  - (a) ensure that all monies due and payable to the Municipality in respect of rates, tariffs, fees, levies, municipal services, surcharges on such fees, charges, tariffs, levies and interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges in respect thereof, are collected promptly and efficiently;
  - (b) provide for credit control and debt collection procedures and mechanisms;
  - (c) provide relief for Registered Indigent account holders;
  - (d) provide for the setting of realistic targets consistent with generally recognised practices and collection ratios and the estimates of income as set out in the annual budget of the Municipality less the acceptable provision for bad debt as provided in Chapter 6 of this policy;
  - (e) provide for the levying of interest on arrears;
  - (f) provide for collection charges on the payment of any arrears;
  - (g) provide for the extension of time for the payment of arrears;
  - (h) provide for the dealing with disputes declared in terms of the provisions of section 102(2) of the Systems Act;
  - (i) provide for matters relating to the unauthorised consumption, theft and/or damages of or to equipment or municipal services;
  - (j) to provide for conditions relating to the supply of municipal services and the termination of municipal services or for restrictions on the provisions of municipal services when payments are in arrears;

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- (k) to provide for mechanism whereby statements or meter reading services may be queried or verified;
- (l) to provide for mechanisms where irrecoverable debt is written off;
- (m) to provide for penalties for non-compliance with the policy;
- (n) to provide for incentives and disincentives in order to ensure cost effective debt collection; and
- (o) to enable the Municipality to collect all budgeted income in order to fund its operational requirements in respect of service delivery to the community within its municipal area.

### **3. TITLE AND APPLICATION**

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- (1) This policy is known as the Credit Control and Debt Collection Policy of the Rustenburg Local Municipality and is applicable to the municipal area of the Municipality.
- (2) This policy revokes and replaces all previous policies, decisions and/or *ad hoc* paragraphs within any other policy, regarding the subject matter of this policy.
- (3) This policy further applies to all monies due and payable to the Municipality for:
  - (a) rates levied in terms of the MPRA;
  - (b) fees, charges and tariffs levied in terms of section 75A of the Systems Act;
  - (c) the provision of municipal services by the Municipality, respective of whether such municipal service(s) is provided by the Municipality itself or on behalf of the Municipality through a service provider;
  - (d) interest which has or will accrue in respect of any arrears;
  - (e) collection charges; and/or
  - (f) municipal services provided through prepayment meters, as well as any fees, surcharges on fees and/or tariffs in respect thereof.

**4. COMMENCEMENT AND VALIDITY**

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This policy shall come into full force and effect upon the acceptance hereof by the Council of the Municipality by resolution.

**5. RESPONSIBLE AUTHORITY**

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- (1) The responsible authority for the adoption and implementation of this policy is the Municipality and where applicable the Council of the Municipality.
- (2) The Executive Mayor of the Municipality, in collaboration with his/her Mayoral Committee, as the supervisory authority in terms of the provisions of section 99 of the Systems Act, is responsible for and must:
  - (a) oversee and monitor the implementation and enforcement of this policy as well as the Credit Control and Debt Collection By-Law of the Municipality;
  - (b) oversee and monitor the performance of the Municipal Manager in implementing this policy and the Credit Control and Debt Collection By-Law of the Municipality;
  - (c) if and when necessary, evaluate or review this policy or the Credit Control and Debt Collection By-Law of the Municipality, in order to improve the efficiency of the credit and debt collection mechanisms, processes and/or procedures; and
  - (d) at such intervals as may be determined by the Council, report to a meeting of the Council on the execution of its supervisory duty.
- (3) The Municipal Manager or any service provider, as the implementing authority in terms of the provisions of section 100 of the Systems Act, is responsible for and must:

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- (a) implement and enforce this policy and the Credit Control and Debt Collection By-Law of the Municipality;
- (b) establish effective administrative mechanisms, processes and procedures in order to collect monies due and payable to the Municipality in accordance with this policy and the Credit Control and Debt Collection By-Law of the Municipality; and
- (c) at such intervals as may be determined by the Council report the prescribed particulars to a meeting of the supervisory authority referred to in sub-paragraph (2) above.

### **6. GENERAL PRINCIPLES FOR CREDIT CONTROL AND DEBT COLLECTION**

- (1) The administrative integrity of the Municipality must be maintained in the implementation and enforcement of this policy.
- (2) All customers must complete an official application form, formally requesting the Municipality to provide municipal services to such customers and to a specific premise. The rights and obligations of the customer and the Municipality are set out in the service application form and the service agreement, as well as the terms and conditions upon which the Municipality will provide the municipal services to the customer.
- (3) Upon the approval of an application by the Municipality, the official application form will constitute a service agreement between the customer and the Municipality, which service agreement sets out the terms and conditions upon which the Municipality will provide the municipal services to such customer. The Municipal Manager may from time to time direct that a new service agreement be concluded with existing customers. The credit-worthiness and other information which the Municipality deems necessary in order to approve an application may be obtained and confirmed by the Municipality.

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- (4) A copy of the official application form, the terms and conditions upon which the Municipality will provide the municipal services and extracts of this policy and the relevant Credit Control and Debt Collection By-Law of the Municipality, must be handed to every customer upon request at such fees as may be prescribed by Municipality.
- (5) The Municipality will render a statement to the customer and will endeavour to cause it to be accurate and understandable and to be delivered to an address indicated by the customer.
- (6) The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (7) The customer is entitled to efficient, effective and reasonable responses to enquiries and the resolution of disputes.
- (8) Enforcement of payment, collection of arrears and the termination or restriction of municipal services for non-payment must be prompt and consistent.
- (9) Unauthorised consumption, connection and reconnection of municipal services, the tampering with or theft of meters, municipal service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to summary disconnections, penalties, loss of rights and criminal prosecution.
- (10) Incentives and disincentives may be used as part of the debt collection procedures.
- (11) The debt collection process must be cost-effective and efficient.

- (12) The effectiveness of the implementation of this policy by the Municipality will be regularly and efficiently reported on and monitored.
- (13) The official application forms will be used to, *inter alia*, identify the category of customers according to this policy, credit risk and to determine the relevant levels of municipal services and deposits required as well as the premises in respect of which these municipal services should be rendered.
- (14) Targets for performance in both customer service and debt collection will be set and pursued, as well as remedies implemented for non-performance.
- (15) Customers that meet the criteria of the Municipality set out in the Indigent Policy to be recognised as Registered Indigents must be identified and supported, but must take note that their status as Registered Indigents will be listed for credit rating and reporting purposes.



**CHAPTER 2**

**DUTIES AND FUNCTIONS**

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**7. DUTIES AND FUNCTIONS OF THE COUNCIL AND/OR MUNICIPALITY**

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- (1) To approve a budget in terms of the applicable provisions of the MFMA, consistent with the Integrated Development Plan of the Municipality and having regards to the needs of communities, ratepayers and residents.
- (2) To determine and impose rates, fees, charges and tariffs to finance the budget of the Municipality and to take reasonable steps to collect funds due to the Municipality.
- (3) To facilitate sufficient funds to enable the Municipality to give access to basic municipal services to the poor.
- (4) To provide for provision for bad debts, in line with the payment record of customers as reflected in the financial statements of the Municipality.
- (5) To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.
- (6) To provide a reporting framework for customer care, credit control and debt collection.
- (7) To consider and approve a by-law to give effect to this policy.
- (8) To revise the budget should the targets of the Municipality for customer care and management, credit control and debt collection not be met.

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- (9) To take disciplinary and/or legal action against Councillors, officials and service providers who/which do not execute the policies and by-laws of the Municipality, or act improperly in terms of such policies and by-laws.
- (10) To delegate the required authority to monitor and enforce this policy to the Executive Mayor, Municipal Manager and Chief Financial Officer of the Municipality, as may be required in terms of section 59 of the Systems Act.
- (11) To ensure sufficient capacity within the Directorate: Finance, for the implementation of this policy by the Municipality or to appoint a service provider to execute certain functions in terms of this policy.
- (12) To assist the Municipal Manager in the execution of his/her duties, if and when required.
- (13) To provide funds for the training of staff.
- (14) To monitor the performance of the Executive Mayor and the Mayoral Committee regarding their respective roles in credit control and debt collection, supervising the implementation and enforcement of this policy and the Credit Control and Debt Collection By-Law.

### **8. DUTIES AND FUNCTIONS OF COUNCILLORS AND EMPLOYEES OF THE MUNICIPALITY**

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- (1) To hold regular ward meetings to discuss matters relating to debt collection and credit control.
- (2) To adhere to and convey the policies of the Municipality to customers.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- (3) To adhere to the Code of Conduct for Councillors as set out in Schedule 1, and the Code of Conduct for Municipal Staff Members as set out in Schedule 2 to the Municipal Systems Act.
- (4) To give inputs regarding applications to be registered as a Registered Indigent and related matters.
- (5) To treat all customers with dignity and respect at all times.
- (6) To exercise their duties in a honest and transparent manner.
- (7) To ensure the proper functioning of the ward committee system.
- (8) To address any unacceptable level of indebtedness within his/her ward as advised from time to time by the Executive Mayor, and the Councillor concerned:
  - (a) must without delay convene a meeting of the ward committee and report the matter to the committee or meeting for discussion and advice; and
  - (b) make appropriate recommendations to the Executive Mayor.

### **9. DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR**

- (1) To ensure that the budget of the Municipality, cash flow and targets for debt collection are met and enforced in terms of this policy.
- (2) To monitor the performance of the Municipal Manager in the implementation and enforcement of this policy.
- (3) To review and evaluate this policy and the Credit Control and Debt Collection By-Law of the Municipality in order to improve the efficiency of the customer

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

care and management, credit control and debt collection procedures, mechanisms and processes of the Municipality.

- (4) To report to the Council on the above referred to matters at intervals of 3 (three) months.

### **10. DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER**

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- (1) To implement a sustainable and proficient customer care management system.
- (2) To implement this policy effectively and efficiently and to utilise the delegation system of the Municipality as provided for in terms of the provisions of section 59 of the Systems Act, to do so.
- (3) To implement and maintain an appropriate accounting and credit control system.
- (4) To bill customers by delivering statements.
- (5) To demand payments of statements by not later than the payment date.
- (6) To levy interest and collection fees on arrears.
- (7) To appropriate payments received.
- (8) To collect arrears.
- (9) To provide different payment methods to customers and debtors.

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- (10) To determine, execute and enforce customer care and management and credit control and debt collection measures.
- (11) To determine all relevant work procedures for, *inter alia*, public relations, arrangements, the dealing with disputes declared in terms of the provisions of section 102(2) of the Systems Act, the disconnection of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- (12) To instruct the attorneys of the Municipality to proceed with legal processes.
- (13) To set performance targets for staff.
- (14) To determine control and performance procedures.
- (15) To monitor and enforce the performance of contracts with service providers who render services to the Municipality pertaining to credit control and debt collection as envisaged in terms of the provisions of section 116(2) of the MFMA.
- (16) To report to the Executive Mayor as required in terms of the provisions of section 100(c) of the Systems Act.
- (17) To appoint staff to execute and enforce the provisions of this policy and the by-laws executed in terms of this policy.

### **11. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS**

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- (1) Members of the community, ratepayers and residents have the duty to comply with the provisions of sections 5(2) of the Systems Act.

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- (2) To pay rates, levies, fees, charges and duties levied by the Municipality on or before the payment date in respect of all services consumed.
- (3) To obtain a duplicate statement at the help desk of the Municipality where a statement has not been furnished by the Municipality.
- (4) To notify the Municipality when municipal services are no longer required at a property(ies), and of any address or contact detail changes of the consumer.
- (5) To safeguard and maintain service meters in a readable condition and to notify the Municipality immediately in the event that any meter is no longer accurate or functioning correctly.
- (6) To observe and comply with the mechanisms, processes and policies of the Municipality in exercising their rights.
- (7) To allow municipal officials reasonable access to their premises or property to execute any required functions regarding the municipal services including the reading of meters measuring consumption.
- (8) To comply with the by-laws and other legislation of the Council of the Municipality.
- (9) To refrain from tampering with municipal services, equipment and/or property of the Municipality and not to consume any municipal services unlawfully.
- (10) To comply with the obligations, duties, terms and conditions in terms of which the Municipality provides municipal services.

**CHAPTER 3****PERFORMANCE EVALUATION AND REPORTING**

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**12. TARGETS AND PERFORMANCE OBJECTIVES**

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The Council, in consultation with the Municipal Manager, must establish a mechanism to set targets for debt collection, customer care and management and administrative performance, evaluate performances and take corrective actions on a regular basis to enhance credit control and debt collection.

**13. INCOME AND COLLECTION TARGETS**

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The Council must set targets for the reduction of unpaid amounts for rates, fees, charges, tariffs and the consumption of municipal services, the increase of payments, the collection of arrears and the effective administration of accounts for these charges and the collection of the amounts due in terms of such statements, on or before the payment date as set out in such statements.

**14. CUSTOMER SERVICE TARGETS**

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The Municipality has identified the following customer-targets and the Municipality sets as its aim the compliance with these targets.

(1)	Response time to a consumer on queries and service complaints:	Provide a reference number and acknowledge receipt within 7 (seven) days.
(2)	Resolution of/or response to queries and service complaints:	14 (fourteen) days from acknowledgement of receipt as referred to above, to resolve and/or respond to queries and service complaints.
(3)	Dealing with a dispute duly declared in terms of section 102(2) of the Systems Act:	As per the various time frames stipulated in this policy.

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(4)	Date of delivery of first statement to new customers:	By second billing cycle after date of conclusion of a services agreement.
(5)	Reconnection time for municipal services which have been disconnected or suspended:	Within 24 (twenty four) hours after payment/arrangement acceptable to the Municipality has been made.
(6)	Meter reading cycle:	Meters should be read on a monthly basis.
(7)	Applications to be recognised as Registered Indigents:	Within second billing cycle response for approval or disapproval, as well as provision of subsidy.
(8)	Debt turnover ratio:	45 (forty five) days.
(9)	Issuance of clearance amounts payable:	10 (ten) working days.
(10)	Issuance of clearance certificate following payment of clearance amount:	7 (seven) working days from actual payment at cashiers and EFT into Municipality bank account from the same bank as Municipality or 10 (ten) working days following EFT from a bank that is not the bank where the Municipality keep its primary bank account.

### **15. ADMINISTRATIVE PERFORMANCE**

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The Council of the Municipality must set targets for the collection of debt and the application of debt collection mechanisms, based on the following principles:

- (1) Debt collection must be prompt, efficient and cost effective, based on the following principles:
  - (a) the cost of the collection should not exceed the capital debt amount and recoverable charges and interest;
  - (b) the cost of the collection must be recovered from the defaulting customer; and
  - (c) reasonable steps must be taken to limit the cost of debt collection to the Municipality provided that the limitation on costs for debt collection does not hamper the prompt and efficient collection of the debt.



- (2) Queries and disputes must be promptly addressed and disposed of.
- (3) The debt collection mechanisms, as provided for in this policy must be applied without favour, consistently and equally against all debtors.

## **16. REPORTING**

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- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor, as supervisory authority in terms of the provisions of section 99 of the Systems Act, read with the provisions of section 100(c).
- (2) The report contemplated in sub-paragraph (1) above must contain particulars on:
  - (a) debt collection and cash collection statistics, showing detailed debt collection information, high level debt recovery information (numbers of customers, number of enquires and disputes, arrangements for the payment of debt, the arrears showing the different stages of maturity of debt). Where possible, the statistics should be divided into the following categories: wards, business (commerce and industry), domestic, state, institutional and other such divisions as required by from time to time by the Municipal Manager; and
  - (b) performance on all areas against targets agreed to in this policy.
- (3) If in the opinion of the Chief Financial Officer, the Municipality will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by the Council, the Chief Financial Officer will report this (with motivation), to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

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- (4) The Executive Mayor, as supervisory authority, shall, at intervals of 3 (three) months, report to the Council in terms of the provisions of section 99(c) of the Systems Act.

**CHAPTER 4**

**CUSTOMER CARE AND MANAGEMENT**

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**17. CUSTOMER CARE AND MANAGEMENT PRINCIPLES**

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The Municipality must manage its interaction with its customers in a responsible and pro-active manner with the aim of enhancing the payments for rates, fees, charges, tariffs and the consumption of municipal services, the reduction of arrears and to create a positive and co-operative relationship between the customer or consumer and the Municipality, and where applicable, a service provider.

**18. COMMUNICATION**

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- (1) The Municipality must publish the annual budget of the Municipality in terms of the provisions of section 22 of the MFMA and regulation 18 of the Municipal Budget and Reporting Regulations which will include the rates, fees, charges and tariffs the Municipality intends to adopt and has in fact adopted.
- (2) This policy must be available in English and be made available by general publication and on specific request, and must also be available for perusal at the offices of the Municipality. This policy is also a “budget related policy” as contemplated in terms of the provisions of section 17(3)(e), section 21(1)(a) and 21(1)(b) of the MFMA and regulation 7 of the Municipal Budget and Reporting Regulations.
- (3) Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues must be given prominence.
- (4) On approval of this policy, a comprehensive communication plan will be devised and implemented in order to inform customers of the provisions of this policy in respect of incentives, payment terms and arrangements in conjunction with the ward committees.

**19. PROVISION OF MUNICIPAL SERVICES TO CUSTOMERS, MUNICIPAL SERVICE AGREEMENT AND CUSTOMER REGISTRATION**

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- (1) Within the limits of its resources, municipal services will be provided by the Municipality to consumers, who are the owners of the premises to which the municipal services are provided or relate or in exceptional circumstances a tenant, and who have applied by way of the official application form for such services to be provided to the said premises indicated on the application form (as per Schedule 1 to this policy) and whose application was, in the discretion of the Municipality, approved by the Municipality. The approval of the application by the Municipality will constitute a service agreement between the Municipality and the consumer, and constitute the opening of the account for the consumer. Once a consumer's application is approved, the consumer becomes a customer. The service agreement so concluded between the Municipality and the customer, together with the provisions of this policy and the applicable By-Laws of the Municipality shall in all respects govern the supply of the municipal services to the customer and the supply of the municipal services to the customer will at all times be subject to and provided in accordance with and upon the condition stipulated in the said agreement, policy and by-laws.
- (2) The Municipality accepts that it has limited resources which in turn limit the nature and extent of municipal services that can be provided. The Municipality, having due regard to the Legislative Framework within which it operates, must endeavour to increase payments, reduce arrears and to extend the services it can provide. That said, the Municipality can only provide services within its ability and available resources.
- (3) Notwithstanding the limitations as per clause 19(2), and in regards to clause 6 (4) of this policy, the Municipality shall endeavour to ensure that the accurate capture and verification of Customer information that is captured on its systems and applications, which will assist the Municipality in achieving the following
  - (a) Customer will receive a statement at a valid address, as indicated by the customer and validated by the Municipality

- (b) The successful serving of Notices and other correspondence will increase, thus improving the success of Credit Control
  - (c) Improve the Contactability rate of Customers that are in the Debt Collection process
- (4) The Municipality is in the process of phasing out the practice of opening accounts and concluding service agreements with accounts opened and service agreements concluded in the past for persons that do not fall within the definition of “customer”, as set out in this policy. Such accounts will be closed and phased out upon the termination of the service agreement to which the account relates. However, these accounts are still valid and persons with whom the Municipality concluded service agreements, and for whom the accounts were opened in the past, will have the rights extended in this policy to a customer, and such persons will for all intents and purposes be considered as “customers” in terms of this policy.
- (5) No new accounts will be opened and no service agreements concluded by the Municipality with persons who do not qualify as a “customer”, as defined in this policy. The Municipality however reserves the right to make an exception to this provision in this policy should a person who does not qualify as a “customer” in terms of this policy, satisfies the Municipality that there are exceptional circumstances requiring the status of “customer” to be extended to that person. A further exception to the afore referred to provision pertains to persons who apply to the Municipality to become a Registered Indigent, in terms of the Indigent Policy of the Municipality, for which applications the following conditions apply:
  - (a) the applicant for the indigent support must be:
    - (i) the holder of an account with the Municipality for the provision of municipal services to the premises referred to in sub-paragraph (a) above, who has concluded a service agreement with the Municipality, as referred to above; or
    - (ii) in an instance where the applicant for the indigent support is not the holder of an account and has not concluded a service

agreement with the Municipality, as required by sub-paragraph

(i) above: the applicant must:

- (aa) be the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or
- (bb) be the party to whom the residential property is awarded in the event of a divorce; or
- (cc) be, where a deceased estate has not been wound up:
  - (aaa) in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or
  - (bbb) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir; or
  - (ccc) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of that deceased; or
  - (ddd) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate;
- (dd) submit, simultaneously with the application for indigent support in terms of the Indigent Policy, an application for the provision of municipal services as referred to above, applying to the Municipality to be granted an

account and to conclude a service agreement with the Municipality; and

- (b) the total household income of all the household occupants in the indigent household (a household headed by a Registered Indigent, as defined and referred to in the Indigent Policy of the Municipality) above the age of 18 (eighteen) years on the residential property, may not exceed the amount as determined by Council from time to time. Currently the income amount is deemed to be less or equal to the amount received by two state pensioners as determined annually by the Minister of Finance; and
  - (c) the premises to which the municipal services are rendered (or to be rendered) or relate must be a “residential property”, as classified in terms of the categories of properties in terms of the provisions of the Rates Policy and By-Law of the Municipality, and must be utilised solely for residential purposes, as well as situated within the municipal area of the Municipality; and
  - (d) the applicant may not be the registered owner of more than one immovable property nationally and internationally; and
  - (e) be a full-time occupant of the residential property or where the registered owner is unable to occupy the property due to no fault of such registered owner, the spouse or minor children may satisfy the occupancy requirement; and
  - (f) where applicable, must have a prepayment electricity meter, a water management device or a prepayment water meter installed.
- (6) Any person who consumes or utilises any municipal services without entering into a service agreement with the Municipality and or who does not have an account for such services, shall be liable for the rates, fees, charges and tariffs relating to such municipal services, as provided for in this policy and the relevant By-Laws of the Municipality to the Municipality as if such a person had an account and concluded a service agreement with the Municipality and as such will be considered as a customer.

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- (7) Where any premises and/or consumer is provided with municipal services or municipal services are consumed or utilised at the premises and/or by the consumer, it shall be deemed that a service agreement has been concluded between the Municipality and the consumer and/or owner of the premises on the terms prevailing at the time and the owner of the premises will be billed and be liable for payment of the fees, charges and tariffs relating to such municipal services.
- (8) The municipal services will only be provided by the Municipality to a customer under and upon the following conditions:
- (a) Where the services are services that a municipality can provide and to the extent that the ability and resources of the Municipality allow the provision of such services.
  - (b) On approval by the Municipality of the written application for the municipal services which has been made on the prescribed form attached hereto as Schedule 1.
  - (c) The information and documentation required by the Municipality being furnished to the Municipality to its satisfaction.
  - (d) The amount of the deposit as prescribed in terms of this policy being paid to the Municipality, and deposited as security, or any other acceptable security, in the sole discretion of the Municipality, having been furnished to the Municipality.
  - (e) The applicant is an owner as defined in this policy or a holder of an account as contemplated in this policy.
  - (f) If the customer is an existing customer of the Municipality and any amount in respect of any rates, tariffs, fees, levies, municipal services, surcharges on such rates, fees, charges, tariffs, levies and interest which has accrued on any amounts due and payable in respect of the afore going and any collection charges in respect thereof, is in arrears, then:
    - (i) such arrears must be paid; or



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- (ii) an agreement for payment of the arrears in terms of this policy must have been entered into and payment in terms thereof must not be in arrears.
  - (g) The Municipality has verified through its billing system that the customer does not have an outstanding account in respect of any rates or municipal services relating to any other premises or accounts.
- (9) The application form with which a customer applies to be provided with municipal services must at least contain the following information:
- (a) confirmation by the customer that the customer is aware of and understands the contents of the form;
  - (b) acceptance by the customer of the provisions of the by-laws relating to the provision of the municipal services and acceptance of liability for the cost of the said services rendered until the service agreement is terminated or until such time as any arrears have been paid;
  - (c) name and full details of the customer;
  - (d) Any Unique Identifier such as but not limited to Identity Number or Passport Number with Date of Birth and Biometric Data
  - (e) address and stand/ erf number of premises to or on which the municipal services are to be rendered;
  - (f) address where the statement must be sent;
  - (g) extent and source of income of the customer;
  - (h) name and address of the applicant's employer, where appropriate;
  - (i) the purpose for which the municipal services will be supplied;
  - (j) the date on which the customer requires provision of the municipal services;
  - (k) an undertaking by the customer:
    - (i) that the customer is liable for the costs of debt collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees; and

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- (ii) that any alleged non-receipt of a statement does not exempt the customer from the duty to enquire from the Municipality as to the outstanding debt on the statement and to make payment to the Municipality of the debt;
  - (l) the type of municipal services to be supplied to the customer.
- (10) The municipality must take reasonable steps to validate and or verify the information as per 9(c-h) provided by the customer in the application form
- (10) When a customer makes application to the Municipality for the provision of municipal services, the Municipality must inform the customer of the different levels of services available and the tariffs and/or charges associated with each level of service and, where applicable, different metering options.
- (11) The Municipality must ensure that the registration of new and existing customers is efficiently performed in regard to the following:
  - (a) new customer registrations must be correctly administered with the fully completed application form being duly signed by the customer and upon approval by the Municipality, duly countersigned by the Municipality;
  - (b) these service agreements must be retained and be readily accessible to authorised persons and employees of the Municipality only;
  - (c) the employees of the Municipality with customer contact must endeavour to update personal records of customers whenever customers liaise with the Municipality.
- (12) A customer may at any time apply to the Municipality, in writing, to alter the level of municipal services elected in terms of the service agreement entered into, provided that such services are available and that any costs and expenditure associated with altering the level of services will be payable by the customer.

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- (13) A customer shall be liable for the payment of prescribed tariffs, fees, levies, municipal services consumed and surcharges on such, fees, charges, tariffs, levies and interest which has accrued on arrears and any debt collection charges in respect thereof.
- (14) If the Municipality declines an application for the provision of municipal services or is unable to render such municipal services on the date requested for the provision of such municipal services to commence, or is unable to render the municipal services, the Municipality will inform the customer of such refusal and/or inability, the reasons therefore and, if applicable, when the Municipality will be able to provide such municipal services.
- (15) The Municipality may, if circumstances require, enter into a special service agreement for the provision of municipal services without requiring the customer to which such municipal services are to be rendered to submit an application form and upon different terms and conditions than those stipulated in the service agreement annexed hereto as Schedule 1, provided that such a special service agreement does not amount to unfair discrimination against customers of whom it is required to apply for the provision of municipal services as set out in Schedule 1, especially if the rendering of the municipal services warrants or requires the imposition of conditions not contained in the prescribed form.
- (16) An application for the provision of municipal services for a period of less than one year shall be regarded as an application for a temporary supply of such services and shall be considered at the discretion of the Municipality, which may specify any special conditions to be satisfied in such case.
- (17) When the application for the provision of municipal services relates to the supply of electricity, the application must be processed and if approved the municipal service of electricity must be available within the periods stipulated in NRS 047-1:2005, Edition 3, Electricity Supply Quality of Service.

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- (18) The Municipality may, if it deems necessary, require a third party to be bound jointly and severally as surety and co-principal debtor with the consumer for the payment of any prescribed levies, fees, charges and tariffs under these By-Laws.
- (19) Municipal services shall be paid for by the consumer at the prescribed tariff or charge set out in the Tariff Policy of the Municipality and the accompanying Tariff Schedule thereto.
- (20) If a customer uses a municipal service for a category or usage type other than that for which it is provided by the Municipality in terms of the service agreement with the customer, and as a consequence, is charged at a rate lower than the rate which should have been charged, the Municipality may make an adjustment of the amount charged in accordance with the rate which should have been charged and recover from the customer according to the tariffs and charges payable in accordance with such adjustment and may also review the amount of the deposit held in terms of this policy.
- (21) If amendments to the prescribed tariff or charges formulated in terms of the Tariff Policy for municipal services provided, become operative on a date between measurements for the purpose of rendering a statement:
  - (a) it shall be deemed that the same quantity of municipal services was provided for in each period of twenty four hours during the interval between measurements;
  - (b) any prescribed tariff or charge shall be calculated on a pro rata basis in accordance with the tariff or charge that applied immediately before such amendment; and
  - (c) any fixed charge shall be calculated on a pro rata basis in accordance with the charge that applied immediately before such amendment and such amended change.

- (22) Where municipal services used by a consumer are charged at different tariff rates, the consumption shall be metered separately for each rate.

## **20. DEPOSIT**

- (1) At the time when the consumer makes written application to the Municipality applying for the provision of municipal services by the Municipality to a property, as set out and regulated in terms of this policy, the consumer shall upon the approval of the application become a customer and shall first pay to the Municipality the deposit as set out in this policy, read with the Tariff Schedule, before such municipal services will be provided by the Municipality.
- (2) The deposit shall be made in cash payment. Exceptions can be made by the Chief Financial Officer only for large power users( as defined in sub-paragraph 7 below) whose deposit is R1 000 000 or more, to accept 50% bank guarantee and 50% cash.
- (3) Subject to the contents of sub-paragraph (6) below, the amount of the deposit in respect of a municipal account of a customer is calculated as set out below, and if the amount cannot be calculated the amount as set out in the Tariff Schedule, which may vary according to different categories of consumers, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination, and shall be determined by the Municipality in accordance with the Tariff Policy, this policy, any applicable by-laws of the Municipality and/or resolutions of the Council.
- (4) The paying of a deposit is also required in the instance where the municipal services of water and electricity are provided by means of a prepayment meter system as provided in this policy.
- (5) The deposit shall be used as security for payment of any service charges which are due or may become due to the Municipality arising out of the

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provision of municipal services, or the payment of any amount the customer may be liable for to the Municipality, or for any damage to equipment of the Municipality.

(6) The amount of the deposit payable by a customer shall be determined by the Municipality and will be set out in the provisions of the Tariff Policy and Tariff Schedule of the Municipality.

(7) In the case of Large Power Users (LPU) equal or greater than 500KVA, deposit for all existing customers will be managed on an ongoing basis in terms of the following principles:

i. When a customer gets into arrears with the payment of his electricity accounts and the Municipality holds zero deposit, there will be an immediate review of his Consumer agreement and the required deposit will be raised on his account.

ii. ~~When a customer gets into arrears with his account and the Municipality holds inadequate deposit, the deposit will only be reviewed once the threshold of the credit risk matrix is breached.~~

iii. Where an existing customer with a good payment recorded applies for a substantial increase in his supply capacity or an additional point of delivery, additional deposit must be called for.

iv. ~~Customer has acceptable payment recorded and pays by Direct Debit or EFT~~ Customer has 14 (fourteen) days, from bill date, in which to pay monthly account. A 14 (fourteen) days' notice, from final payment date, is given in cases of default before termination of supply

~~8). The Municipality may implement the paying of deposits by either a minimum deposit payable in the amount equal to twice the amount of the average monthly consumption pertaining to the property as calculated by the duly authorised municipal official, calculated for a period of 2 (two) months immediately preceding the payment of the deposit (if available), or in instances where it is not possible to calculate the amount of the deposit set out in the premise, prescribe a deposit amount for different categories of consumers, debtors, service providers, services, service standards and geographical areas, as~~

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~~determined annually by the Municipality, and set out in the Tariff Schedule of the Municipality.~~

9) The Municipality may increase a deposit payable in respect of an arrear account as may be determined annually by the Council in terms of the Tariff Schedule of the Municipality.

~~10)The deposit shall, after the disconnection of a customer service in terms of this policy by the Municipality, be automatically increased to an amount as determined annually by the Council in terms of its Tariff Schedule for disconnected accounts. The deposit shall be adjusted upwards in terms of this paragraph notwithstanding that the customer is also liable for a service reconnection fee. The Municipality may in case of disconnection of an unpaid arrear account, allocate the deposit to the arrear account and the new increased deposit must be paid before the municipal service is reconnected.~~

11)The Municipality may also increase a deposit payable in respect of municipal services if the consumer uses the municipal service for a different usage type as for which the municipal services were provided for by the Municipality and as applied for.

~~(2) — The Municipality may from time to time review the amount of the deposit in respect of any account and may increase or decrease the deposit, if such an adjustment is justifiable.~~

(3) The Municipality will not pay any interest to a customer on the deposit made by a customer and held by the Municipality.

(4) Upon the termination of the service agreement between the Municipality and a customer the deposit paid by a customer will be offset against any and all arrears or other outstanding amounts or balances owed to the Municipality. The balance of such a deposit will be refunded to the customer in terms of this policy.

(5) The different deposits provided for in terms of this paragraph will be reviewed annually both in terms of this policy and in terms of the Tariff Schedule. The

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Municipality shall maintain a register of deposits for this purpose. The total sum of deposits received shall constitute a short term liability in the books of account of the Municipality.

- (6) The Municipality may require a customer to whom municipal services are provided, and who was not previously been required to pay a deposit, for whatever reason, to pay a deposit on request, within a specified period.
- (7) A deposit shall be forfeited to the Municipality if it has not been claimed within 3 (three) years of the termination of the service agreement.
- (17) The payment of a deposit shall not be regarded as being a payment or part payment of any accounts due for the supply of municipal services for the purposes of obtaining any discount provided for in the Tariff Policy
- (8) Notwithstanding the provisions of this paragraph regarding the calculation of the amount of the deposit, the Municipality may in its sole discretion elect to increase the amount of the deposit if the consumer applying for an account, or the customer with an existing account is, or becomes a credit risk to the Municipality.
- (9) The Municipality will automatically raise a deposit in circumstances wherein the customer is consuming Municipal services without making a written application to the Municipality for provision of such services
- 1 Existing guarantee older than 5 years held by the Municipality in lieu of a deposit must be replaced with cash deposit under the following conditions:
  - The guarantee has expired/ no longer valid
  - The account holder is unable to confirm in writing if the guarantee is still valid
- 2 Existing guarantee older than 5 years held by the Municipality in lieu of a deposit shall be honoured for the duration of the contract with the Municipality under the following conditions:
  - a. The guarantee is still active and valid



**b. The account holder is able to confirm in writing if the guarantee is still valid.**

**21. METERING**

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- (8) The Municipality shall at the customer's cost, in the form of a direct charge or prescribed fee, or if and when the Municipality so decides at the Municipality's cost, provide, install and maintain appropriately rated metering equipment, installed at the point of delivery/metering, for measuring the municipal services delivered to a premises. The metering device shall be provided and installed by the Municipality and shall at all times remain the property of the Municipality irrespective of the manner in which it is attached or installed in or on the premises.
- (9) The Municipality will endeavour, within its financial capabilities, to ensure accurate meter reading and/or measuring of consumption at fixed monthly intervals with the minimum delay between the connection of the municipal services and the first and subsequent billing, except in the case of prepayment meter system. The consumption in respect of the municipal services shall be determined by the reading of the appropriate meter or meters, and read at the determined monthly intervals except in instances where consumption shall be estimated in terms of this policy.
- (10) Nothing contained in this policy shall be construed as imposing on the Municipality an obligation to cause any meter or measuring device installed by the Municipality on any premises to be measured or read at the end of a month or any other fixed period, and the Municipality may estimate the quantity of municipal services supplied over any period during the interval between successive measurements of the meter and render a statement to a consumer for the quantity of service so estimated.

- (11) For the purposes of determining the consumption of the municipal services by a consumer, having regard to the metering system, it will be deemed unless the contrary is proved, that:
- (a) the consumption is represented by the difference between the measurements taken at the beginning and at the end of a given period;
  - (b) the measuring device or meter was accurate during such period;
  - (c) the readings and/or entries in the records of the Municipality were correctly made;
  - (d) provided that if municipal services are supplied or taken by a consumer without it passing through the meter, the estimate of the Municipality of the consumption of the service consumed, shall be deemed to be correct; and
  - (e) regarding electricity meters, a meter shall be conclusively presumed to be registering accurately if it satisfies the requirements prescribed in NRS 057 Part 3 – Electricity Metering: Minimum Requirements.
- (5) In the following instances the Municipality will be allowed to utilise estimate consumption for billing purposes:
- (a) if the Municipality is, for whatsoever reason and irrespective of whether it is due to the fault of the consumer, or the Municipality, not able to read any meter;
  - (b) if the meter is defective or becomes inaccurate or defective, and an adjustment is required to be made;
  - (c) ~~where a consumer vacates premises and a final reading is not possible;~~
  - (d) where municipal services supplied by the Municipality to any premises is in any way taken by the consumer without such service passing through any measuring device, for the period from the last previous reading of the meter until the date it is discovered that the municipal services are being used by the consumer without such services passing through the said meter;
  - (e) in the event of any unauthorised activity taking place pertaining to a measuring device or meter or municipal services as referred to in the

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provisions of this policy dealing with unauthorised activities, theft, fraud and tampering; and

- (f) before a meter or measuring device is installed.
- (6) An estimate, as referred to above, shall be based on any one of the following criteria, as the Municipality may decide, taking into account, where applicable and making allowance for seasonable or other variations which may affect the consumption of the municipal service:
- (a) the average monthly consumption (depending on the requirement of the estimate) of the municipal service to the premises during any 3 (three) months where meter readings and/or measurements were obtained, during an 18 (eighteen) month period prior to the date on which the estimate is required;
  - (b) the average monthly consumption (depending on the requirement of the estimate) of the municipal service to the premises during any 3 (three) months where meter readings and/or measurements were obtained, during an 18 (eighteen) month period after the date on which the estimate is required;
- (7) In instances where a consumer is charged and/or liable toward the Municipality for the payment of municipal consumption charges based on estimated consumption as contemplated in this policy, the statement reflecting the estimated consumption will be adjusted to reflect actual consumption once the Municipality is able to obtain the actual reading of the meter concerned.
- (8) Where the consumer requires a special reading, the Municipality must on receipt of a written notice from a consumer, of not less than 14 (fourteen) days notice and subject to the payment of the prescribed charge, measure the quantity of municipal service supplied to a consumer at a time or on a day other than that upon which it would normally be measured.

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- (9) A consumer is entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof. This request must be made as a query in terms of the procedure prescribed in this policy.
- (10) The Municipality will inform a customer when a meter replacement is to be made.
- (11) The consumer shall at all times during the business hours between 8am and 5pm ensure that the Municipality has free and undisturbed access to metering equipment and the consumer shall accept any cost occasioned to permit such access including the cost of relocating any meter, if necessary.
- (12) The following provisions will apply to the testing of meters:
  - (a) a meter shall be conclusively presumed to be registering accurately when it is tested and found to be within the limits of error as provided for in the applicable standard specifications for such a meter;
  - (b) the Municipality shall have the right to test its metering equipment. If it is established by test or otherwise that such metering equipment is defective or inaccurate, the Municipality shall:
    - (i) in the case of a conventional meter, adjust the statement rendered;
    - (ii) in the case of prepayment meters:
      - (aa) render a statement where the meter has been under-registering; or
      - (bb) issue a free token where the meter has been over-registering;
  - (c) the customer shall be entitled to have the metering equipment tested by the Municipality on payment of the prescribed fee and by way of lodging a query as provided for in this policy with the Municipality querying the accuracy of the measuring device or meter. If the metering equipment is found not to comply with the meter accuracy requirements, applicable

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to the relevant meter, an adjustment to the customer's account shall be made and the aforesaid fee shall be refunded;

- (d) when a customer requires the accuracy of a measuring device or meter to be tested or verified the Municipality shall inform the customer of the prescribed range of accuracy applicable for the measuring device or meter as well as the cost implications, or estimated cost implications, occasioned by the testing or the measuring device or meter;
- (e) a consumer is entitled, on giving the Municipality reasonable notice of the consumer's intention, to be present at the testing of any meter in which the consumer is interested;
- (f) a customer shall have the right, at his own cost, to have the metering equipment tested by an accredited independent testing authority approved by the Municipality [and the result of such test shall be final and binding on both parties];
- (g) meters shall be tested in the manner as provided for in the applicable standard specifications for the specific meter, or where the meter is a water meter, the meter must conform to the specifications as prescribed in terms of the Water Services Act, Act 108 of 1997
- (h) the Municipality's finding as to the accuracy of a meter, after testing has been carried out, shall be final;
- (i) the Municipality shall before removing a meter for testing take a reading of the meter and the current meter reading period shall be terminated at the time of the taking of such a reading;
- (j) if after testing a meter the Municipality is satisfied that the meter is not registering correctly, it shall render the consumer an adjusted statement as referred to above;
- (k) if the outcome of any test shows that a measuring device or meter is:
  - (i) within a prescribed range of accuracy, the consumer will be liable for the costs of such test and any other amounts outstanding. Such costs may be debited against the customer's account to which the measuring device or meter relates;
  - (ii) outside a prescribed range of accuracy, the Municipality will be liable for the costs of such test and the consumer must be

informed of the amount of any credit to which the consumer is entitled;

- (l) if the measuring device or meter is found to be defective, the Municipality must:
    - (i) repair the measuring device or meter or install another device which is in good working order, without charge to the customer, unless the costs thereof are recoverable from the customer due to the measuring device or meter being tampered with; and
    - (ii) determine the quantity of municipal service for which the customer will be charged in lieu of the quantity measured by the defective measuring device or meter by making an estimate as provided for in this policy;
  - (m) any meter removed for testing by the Municipality must be retained intact and be available for inspection for a period of 3 (three) months after testing.
- (13) The Municipality will allow readings of meters taken by consumers and submitted either telephonically, by fax or personally under the following conditions:
- (a) provided the Municipality may obtain readings at any point in time to verify readings taken by the consumer, and in particular that the Municipality obtains any final reading should the consumer furnish the Municipality with a termination notice or move to another supply address;
  - (b) an audit reading during the normal reading cycles shall be obtained by the Municipality once every 6 (six) months;
  - (c) the Chief Financial Officer may, however cancel the voluntary reading convenience on any customer's account if the consumer fails to ensure that the audit reading referred to in above is obtained or should the consumer fail to render readings on 2 (two) consecutive occasions.

- (14) The Municipality reserves the right to meter the supply of municipal services to shops and flats, tenement houses, sectional titles and similar buildings for the buildings as a whole or for individual units or for groups of units.
- (15) The Municipality may require the installation at the customer's expense of a measuring device or meter to each dwelling unit, in separate occupancy, on any premises, for use in determining the quantity of municipal services supplied to each such unit provided that where fixed quantity delivery systems are used, a single measuring device may be used to supply more than one unit.

## **22. PRE-PAYMENT METER SYSTEM**

The Municipality may avail the municipal services of electricity and water by means of a pre-payment metering system to which the following provisions apply:

- (a) a customer may convert from a conventional meter to a pre-payment meter upon payment to the Municipality for the installation thereof and a deposit in an amount equal to the consumption of municipal services of such customer for the month preceding such installation;
- (b) no pre-payment meter will be installed or activated by the Municipality where there is any outstanding amount due to the Municipality in respect of the account of a customer, except where an arrangement has been entered into with regards to the debt;
- (c) customers whose supply of municipal services have been terminated or disconnected on at least 3 (three) occasions as a result of non-payment, are compelled to install a pre-paid meter before any re-connection will be made;
- (d) no refund of the amount for which the customer purchased prepaid municipal services (water and electricity) shall be given at the point of sale;
- (e) when a customer vacates any premises where a pre-payment meter is installed, no refund for the credit remaining in the meter shall be made to the customer by the Municipality;

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- (f) the Municipality shall not be liable for the reinstatement of credit in a pre-payment meter lost due to tampering with, or the incorrect use or the abuse of, pre-payment meters and/or tokens;
- (g) the Municipality may appoint vendors for the sale of credit for pre-payment meters and shall not guarantee the continued operation of any vendor services;
- (h) where a customer is indebted to the Municipality for municipal services consumed or for any other service supplied by the Municipality, including rates, or for any tariff, fees or charges previously raised against the customer in connection with any service rendered, the Municipality may cease the purchasing of any additional prepaid services, and
- (i) the provisions relating to Metering and the Limitation, Disconnection and Termination of the Municipal Services of Water and Electricity, as set out in this policy, apply *mutatis mutandis* to prepayment metering system.

### **23. STATEMENTS AND BILLING**

- (1) Customers who concluded a service agreement with the Municipality and/or who are liable to pay property rates to the Municipality, will receive a statement, at such applicable time in the billing cycle, which reflects the amounts due and payable to the Municipality for tariffs, fees, charges, the consumption of municipal services and/or property rates.
- (2) The customer shall be liable for the payment of all rates, tariffs, fees, charges and the consumption of municipal services as levied and charged in terms of the prescribed Rates Policy, Tariff Policy, Tariff Schedule and applicable by-laws of the Municipality.
- (3) The Municipality may, in addition to the charges levied for municipal services consumed or provided, levy a monthly fixed charge, annual fixed charge or once-off fixed charge in respect of the provision of municipal services in



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accordance with the Tariff Policy, Tariff Schedule and applicable by-laws of the Municipality.

- (4) Where a fixed charge is levied as referred to above it shall be payable by every customer irrespective of whether such municipal services are used or accessed by the customer.
- (5) A statement will be furnished in accordance with the applicable billing cycle and the due date for the payment of the statement will be stated on the statement.
- (6) A statement will be furnished in accordance with the applicable billing cycle at the last recorded address of the customer with the Municipality.
- (7) It is the responsibility of a customer to ensure that the postal and/or physical address of such customer, where such customer wishes to receive the statement, and other contact details of such customer are correct and up to date in respect of the records thereof with the Municipality. Any incorrect or outdated information does not excuse any customer from the duty and obligation to make payment to the Municipality of the amount due to the Municipality by such customer.
- (8) It is the customer's responsibility to make enquiries and ensure timeous payments in the event of statements not being received and such receipt of the statement is not a precondition to the duty and responsibility of a customer to effect payment thereof to the Municipality.
- (9) Where a statement is not paid in full, any lesser amount tendered and accepted by the Municipality, shall not be deemed to be in full and final settlement of such statement and acceptance shall be without prejudice to any of the rights of the Municipality.
- (10) Where any payment made to the Municipality by negotiable instrument and such negotiable instrument is subsequently dishonoured by a bank, the Municipality:

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- (a) may recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer;
  - (b) shall regard such an event as a default on payment and will be entitled to utilise debt collection mechanisms as provided in this policy and to levy the relevant costs thereof against the customer's account;
  - (c) may insist on cash payments for all future statements; and
  - (d) may hand such customer over to the legal representatives of the Municipality for further legal action.
- (11) A customer is entitled to request a duplicate statement from the Municipality at the cost of such customer.
- (12) The Municipality will endeavour to ensure:
  - (a) accurate monthly billing with the application of appropriate and correct prescribed rates, fees, levies, tariffs and service charges and other related amounts due and payable;
  - (b) the timeous dispatch of statements to all customers;
  - (c) adequate provision and efficient operation of pay facilities throughout the Municipality;
  - (d) arrangements with third party institutions to accept payments on behalf of the Municipality. The responsibility to ensure that payments are reflected on the account however remains vested with the customer;
  - (e) appropriate hours of business to facilitate account payments;
  - (f) credit timeously any payment against the correct customers account;
  - (g) to provide easily understandable statements this will contain the following information:
    - (i) the consumption or estimated consumption of municipal services as determined for the measuring or consumption period;
    - (ii) the measuring or consumption period for municipal services;

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- (iii) the amount due based on the measured or estimated consumption;
  - (iv) the amount due and payable for property rates levied, fees, levies, tariffs and charges for municipal services rendered or fixed in terms of this policy;
  - (v) the amount in arrears, if any, and a notification that the Municipality shall be entitled to limit, disconnect or terminate the municipal services of water and electricity should the account remain in arrears;
  - (vi) the interest payable on any arrears, and collection charges in so far as they may be relevant;
  - (vii) the due date for payment.
- (13) The Municipality may, in the event of a customer being in arrears, convey the following information to the customer in any such manner as the Municipality deems appropriate, including incorporating same into the statement, that:
- (a) the customer may conclude an agreement as provided for in this policy with the Municipality for payment of the arrears in instalments, at the Municipality;
  - (b) if no such agreement, as envisaged above, is entered into the Municipality will be entitled to limit, disconnect or terminate municipal services;
  - (c) legal action may be instituted against any customer for the recovery of any amount in arrears and the customer will be held liable for payment of the legal costs;
  - (d) the defaulting customer's name may be listed with a credit bureau or any other equivalent body as a defaulter;
  - (e) the account may be handed over to a debt collector or attorney for collection;
  - (f) proof of registration, as a Registered Indigent, in terms of the Municipality's Indigent Policy must be handed in before the due date; and

- (g) the municipal services may be limited, disconnected or terminated should the arrears remain unpaid.
- (14) An error or omission in any statement or the failure by the Municipality to render a statement does not relieve a customer of the obligation to pay any amount due and payable. A customer remains liable for the payment of all amounts whether a statement has been rendered or not. The onus shall be on the customer to satisfy himself/ herself that the statement rendered is in accordance with the prescribed rate, tariff, levy or charge as set out in the Tariff Policy, Tariff Schedule and by-laws of the Municipality.
- (15) Payments of statements must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the Municipality's bank account on or before the due date and not later than close of business on the said date.
- (16) If payment of a statement is received after the due date, a late payment charge or interest as may be prescribed must be paid by the customer to the Municipality.
- (10) The Municipality may hold any amount paid by a customer which is in excess of an existing debt in credit for the customer in anticipation of future rates, fees, levies and charges that may become owing in the future. In addition to the notices referred to in this policy, customers with large service accounts may also be managed by telephonic and personal contact directly with them.
- (11) Where a body corporate is responsible for the payment of any arrears to the Municipality in respect of a sectional title development, the liability of the body corporate shall be extended to the members thereof, jointly, unless a member can prove that the member has already paid he/she/it's portion of the debt directly to the Municipality.

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- (12) Payment/s or amounts received will be allocated by the Municipality, and irrespective of the description or allocation afforded thereto by the person effecting the payment, to the oldest debt first and thereafter to current charges in the following order:
- (a) **interest;**
  - (b) **administration costs;**
  - (c) **legal and credit control charges;**
  - (d) **any other charges by the Municipality;**
  - (e) **refuse;**
  - (f) **sewer;**
  - (g) **rates;**
  - (h) **water;**
  - (i) **electricity.**
- (21) The amount due and payable on an account constitutes a consolidated debt, and any payment made of an amount less than the total amount due, will be allocated in reduction of the consolidated debt in the order specified above.
- (22) The municipality may in terms of section 102, of Municipal Systems Act
- a) Consolidate any separate accounts of persons liable for payments to the Municipality
  - b) Credit a payment by such a person against any account of that person
- (22) Where an account remains in arrears for more than 60 (sixty) days:
- (a) the debtor's name may be listed with a credit bureau or any other equivalent body as a defaulter; and
  - (b) the arrears may be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against the debtor.
  - (c) the Municipality must implement procedures for the removal of any adverse information such as a default or judgment as contemplated in the National Credit Amendment Act No 19 Of 2014 ("NCAA").

- (23) Arrears of consumers who make no further use of, or has no further access to municipal services are considered inactive debtors who will automatically be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against such a debtor, provided that:
- (a) the amount owing on such an inactive account is more than R 500.00 (five hundred rand);
  - (b) if smaller than R500.00 (five hundred rand) then recovery of such amount due will be subject to consideration of the cost- benefit ratio and whether such action shall be taken will be in the sole discretion of the Chief Financial Officer of the Municipality.
- (24) Any consumer who is in arrears will not be allowed to submit any building plans for approval, or any applications for rezoning, consents or approvals in terms of the Municipality's Land Use Management Scheme and the applicable legislation.
- (25) All information relating to accounts, statements and billing of customers are not public information and may not be disclosed by the Municipality, other than as provided for in law or in terms of the policy.
- (26) in terms of section 118 (3) of the Act, an amount due for municipal service fees, surcharge on fees , property rates and other municipal taxes , levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property . Accordingly
- a) All municipal debts must be paid by the owner of such property without prejudice to any claim which the municipality may have against another person

- b) The owner of such property shall be liable for charges incurred in connection with such property during his or her ownership and shall remain liable irrespective of the change of ownership;
- c) The Municipality reserves the right to cancel a contract with the customer in default and register the owner of such property for services on the property; and
- d) The municipality will not provide any services on the property until all municipal debts on the property have been paid in full or suitable arrangements have been made to pay such debts.

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

(28) Owners shall be held jointly and severally liable, the one paying the other to be absolved , with their tenants who are registered as customers for debts on their property, except for property rates.

(29) Refuse removal shall form part of the property debt payable by the owner of the property

(30) Directors of Companies , members of Close Corporations and Trustees shall sign personal surety ships with the Municipality when opening service accounts. If they are unable to sign the personal surety, they must pay a deposit equivalent to twice the usual deposit paid for opening accounts.

(31) the municipality may apply to the Companies and Intellectual Property Commission to re-register a deregistered company or close corporation for the purposes of recovering the amounts owed by that company or close corporation for all municipal debts which have accrued and shall recover the costs of registration from the directors or members accordingly

## **24. REFUNDS**

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- (1) Any customer may apply in writing for a refund of a credit balance on an account of such customer, provided that no other account of such customer, or an

account regarding any premises to which the account with the credit balance of such customer relates, is payable or in arrears.

- (2) A written application for a refund should state the account number of the account on which the refund is requested, the amount of the refund, as well as the details of the bank account in which the refund should be deposited. The written application must be signed by the customer or the customer's authorised representative, in which instance the written application must be accompanied by a written power of attorney signed by the customer in terms of which the customer authorises the representative to apply for the refund on the customer's behalf.
- (3) Refund applications will be considered, verified and processed by the Municipality in terms of its internal financial and accounting procedure.
- (4) Refunds for an amount of less than R250 (two hundred and fifty rands) will not be granted by the Municipality as the cost and administrative burden associated with effecting such refund is not administratively and cost effective to the Municipality
- (5) The manner in which the Municipality elects to affect the refund remains in the discretion of the Municipality and may include a refund by either electronic transfer or by the issue a cheque.
- (6) A credit balance in respect of the account of a customer may be utilised to set off any arrears on any other account of such customer with the Municipality or any account regarding the premises to which the account with the credit balance of such customer relates, before the refund is effected.
- (7) The Municipality is entitled to write back or appropriate any unclaimed money arising from a credit balance of a customer, if such amount is not claimed by such customer within a period of 3 (three) years from the date upon which it became due to the customer.



- (8) The Municipality shall be entitled to utilise any sundry refundable deposit kept by the Municipality towards the payment of any arrears.

**25. PAYMENT FACILITIES AND METHODS FOR PAYMENT**

- (1) The Municipality must operate and maintain suitable payment facilities which are accessible to all customers.
- (2) Direct or electronic payments can be made into the bank account of the Municipality. The customer must state the account number allocated to the customer by the Municipality as the reference on the proof of payment and if payment is made in respect of more than 1 (one) account, the respective account numbers must be stated. It is and remains the duty of the customer, at the time of payment, to inform the Municipality of the details of the account(s) for which the customer affected a direct or an electronic payment into the bank account of the Municipality in order for the Municipality to be able to correctly assign the payment made by the customer.
- (3) The Municipality may in terms of the provisions of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement to effect payments of the customer's account.
- (4) The use of an agent by a customer to effect payment of the debt of such customer as well as the timeous payment of such debt to the Municipality is at the sole risk of the customer.

Any direct deposits or electronic fund transfers of monies into the bank account of the Municipality, without the appropriate and correct reference details will be allocated in the books of the Municipality to a suspense account and it will remain the responsibility of the customer who made such deposit to ensure that the payment is allocated to the account of the customer.

- (5) Municipal payment facilities will be maintained subject to acceptable levels of activity and having regard to the operational costs thereof.
- (6) The Chief Financial Officer shall allocate payments made by the customers according to the pre-determined priorities set out in this policy.

## **26. INCENTIVE SCHEMES**

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- 1. The Municipality may, in order to encourage prompt payment by customers and/or to reward regular payments made by customers or payments made by means of debit or stop orders or the full settlement of any arrangement for the paying off of debt in instalments, consider incentives to such customers from time to time and may enter into any arrangements available in law, including those provisions in section 103 of the Systems Act, and section 71 of NCA.
- 2. The Council may from time to time implement incentives to promote prompt payment of accounts by encouraging ratepayers /consumers who are in arrears in respect of the payment of their accounts to clear their outstanding debt within a reasonable period of time.
  - (a) The incentives offered in this policy may only be valid for a limited period of time, where after the Council may revert to normal sanctions to those customers who remain in default. The following incentive is offered when arrangement is made to settle debt outstanding.
    - (i) interest that remain unpaid in the outstanding balance will be granted written back when a once off payment/settlement is made within 30 days.
    - ~~(j) Interest may not be levied on an account where the customer has signed an acknowledgement of debt and is honoured. should the arrangement not be honoured, the interest shall be charged.~~

## **27. ENQUIRIES, DISPUTES AND SERVICE COMPLAINTS**

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- (1) The Municipality will, within its administrative and financial ability, establish:
  - (a) a central office to deal with and address enquiries, disputes and/or service complaints received from customers;

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- (b) a centralised database dealing with enquiries, disputes and/or service complaints received from customers, in order to effectively address such enquiries, disputes and/or service complaints;
  - (c) appropriate training for employees of the Municipality dealing with the public to enhance communications and service delivery and to effect the prompt and effective method for dealing with enquiries, disputes and/or service complaints; and
  - (d) a communication mechanism to provide feedback on the application of the policies on customer care and management, credit control and debt collection, enquiries, disputes and/or service complaints, or any other issues of concern to the Municipal Manager, Executive Mayor and/or Council.
- (2) A consumer may lodge a query consisting of questioning the accuracy of a statement or questioning any aspect regarding the provision of municipal services, including the accuracy of a measuring device or meter.
- (3) A consumer may lodge a service complaint consisting of a complaint regarding the manner in which the Municipality is delivering the municipal service or any complaint regarding any other aspect or attribute of the municipal service or any other public service rendered by the Municipality including the customer care and customer management of the Municipality.
- (4) A consumer may lodge a dispute as contemplated in section 102(2) of the Systems Act concerning any specific amount claimed by the Municipality from that consumer.

### **28. QUERIES AND SERVICE COMPLAINTS**

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- (1) A query or service complaint may be lodged with the Municipality by a consumer in writing and must be addressed to the office of the Chief Financial Officer or such official as designated by the Chief Financial Officer to deal with queries or

- service complaints. The query or service complaint must contain the account number of the municipal account to which the query or service complaint relates if applicable, if the details of the query or service complaint as well as the contact details and identity of the consumer lodging the query or service complaint.
- (2) The office of the Chief Financial Officer shall register the query or service complaint, provide a reference number and acknowledgment of receipt to the consumer lodging the query or service complaint within 7 (seven) days from receipt of the query or service complaint, and register the query or service complaint and its reference number in a register kept for this purpose.
- (3) The office of the Chief Financial Officer will commence dealing with the query or service complaint by first determining whether the query or service complaint must be dealt with by the office of the Chief Financial Officer, or whether it should rather be dealt with by the office of another responsible directorate more suitable to address the query or service complaint, in which instance the office of the Chief Financial Officer must immediately refer the query or the service complaint to such a directorate which directorate in turn must in writing acknowledge receipt of the query or service complaint and investigate the complaint.
- (4) The Municipality, either the office of the Chief Financial Officer or the applicable directorate, must within 14 (fourteen) days from acknowledging receipt of the query or service complaint investigate the query or service complaint and inform the consumer who has lodged the query or service complaint of the outcome of the investigation in writing. The consumer must also be simultaneously informed of the consumer's right of appeal, as set out herein below. If the query or service complaint was not dealt with by the office of the Chief Financial Officer then the applicable directorate who dealt with the query or service complaint must also inform the office of the Chief Financial Officer of the outcome of the matter, in order to allow for the office of the Chief Financial Officer to record the fact that the matter was dealt with, in the register referred to above.

- (5) Notwithstanding the lodging of a query or service complaint the consumer remains liable for the payment of the amount claimed by the Municipality in an instance where the query or service complaint pertains to an amount claimed by the Municipality or to make payment for municipal services in an instance where the query or service complaint relates to a municipal service or other public service provided by the Municipality. If the outcome of a query or service complaint indicates that the Municipality claimed payment of an amount or part of the amount which is not due, the Municipality will effect the necessary adjustment to the account and provide the required credit.
- (6) A consumer who is aggrieved by the outcome of a query or service complaint lodged by the consumer may appeal the outcome, to which appeal process the following provisions apply:
- (a) an appeal must be made in writing, setting out the details of the query or service complaint initially lodged by the consumer, the outcome which was received pertaining thereto from the Municipality as well as the grounds of the appeal and the contact details and identity of the consumer lodging the appeal;
  - (b) an appeal must be lodged with the office of the Municipal Manager within 21 (twenty one) days after the consumer received the outcome of the query or service complaint from the Municipality;
  - (c) if the appeal relates to the testing of any measuring device or meter the Municipality may require the consumer to make payment of an amount as determined by the Municipality to effect the testing of the measuring device or meter prior to the Municipality proceeding to deal with the appeal. If the outcome of the appeal is in favour of the consumer who lodged the appeal then such amount shall be refunded;
  - (d) once the office of the Municipal Manager has received a properly noted appeal, the office of the Municipal Manager must within 7 (seven) days proceed to request the office of the Chief Financial Officer or the applicable directorate who dealt with the query or service complaint to which the appeal relates to provide a written report in response to the grounds of appeal, within 14 (fourteen) days from being requested to do so, setting out the reasons of the outcome of the query or service complaint. The Municipal Manager may request any party to provide

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further detail or information as required to assist in the consideration of the appeal or to clarify any issues;

- (e) the Municipal Manager shall then within 14 (fourteen) days after having received the response of the office of Chief Financial Officer or the applicable directorate and any additional information requested, consider the appeal and inform the consumer who lodged the appeal of the outcome in writing;
- (f) if the appeal relates to the testing of any measuring device or meter the following provisions will apply to the appeal process:
  - (i) the Municipal Manager shall consider the appeal within 14 (fourteen) days after having received the outcome of the test results of the tests conducted; and
  - (ii) the provisions relating to the testing of a measuring device or meter as set out in this policy will apply *mutatis mutandis*;
- (g) the decision of the Municipal Manager is final;
- (h) the Municipal Manager may condone the late lodging of an appeal or any other procedural irregularity pertaining to an appeal in a written notice expressly doing so.

### **29. SECTION 102(2) DISPUTES**

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A dispute declared by a consumer in terms of the provisions of section 102(2) of the Systems Act, must be declared and dealt with as follows:

- (a) a consumer who wishes to declare a dispute in terms of the provisions of section 102(2) of the Systems Act, must declare such dispute in writing to the office of the Municipal Manager of the Municipality by means of a written declaration of the dispute, which writing must contain and set out the following:
  - (i) the account number to which the dispute relates;
  - (ii) the specific amount(s) to which the dispute relates;

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- (iii) a detailed description of the dispute and the grounds upon which and the reasons why the dispute is being declared together with any supporting documentation;
  - (iv) the redress requested by the consumer;
  - (v) the signature of the consumer who/which is the account holder of the account to which the dispute relates, or if the dispute is being declared by a person other than the holder of the account to which the dispute relates, a power of attorney by the holder of the account to which the dispute relates authorising the person who declares the dispute to do so, which must accompany the written declaration of the dispute;
- (b) a consumer who declares a dispute will only be entitled to the protection afforded to the consumer in terms of the provisions of section 102(2) of the Systems Act, if the dispute is declared as provided in terms of this policy;
- (c) upon receipt of the written declaration of the dispute, the office of the Municipal Manager will within 7 (seven) days after receipt of the written declaration of dispute, refer the dispute to the office of the Chief Financial Officer or any delegated official of the Municipality, who will investigate the dispute and within 14 (fourteen) days after having received the dispute, make a finding on the outcome thereof as to the redress, if any, to be afforded to the consumer who declared the dispute;
- (d) the office of the Chief Financial Officer or any delegated person must communicate the finding to the office of the Municipal Manager within the above stated 14 (fourteen) days, who in turn must communicate the finding of the Chief Financial Officer or any delegated official to the consumer who declared the dispute, within 7 (seven) days after having received the finding of the Chief Financial Officer or any delegated official;
- (e) a consumer who is aggrieved by the finding of the Chief Financial Officer or any delegated official may lodge an appeal against the finding of the Chief Financial Officer or any delegated official in accordance with the below stated provisions;

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- (f) an appeal lodged against the finding of the Chief Financial Officer or any delegated official on a dispute declared by a consumer, must:
  - (i) be lodged in writing to the office of the Municipal Manager and comply *mutatis mutandis* to the provisions of sub-paragraph (a) above;
  - (ii) be lodged within a period of 7 (seven) days after the date on which the finding of the Chief Financial Officer or any-delegated official was dispatched to the consumer by the office of the Municipal Manager; and
  - (iii) be decided on by the Municipal Manager of the Municipality who may be advised by an attorney from the Panel of Attorneys of the Municipality, who must decide the outcome of the appeal and communicate the decision on the outcome of the appeal to the consumer who lodged the appeal within 14 (fourteen) days after the appeal has been received;
- (g) the decision made by the Municipal Manager on an appeal lodged by the consumer who declared the appeal against the finding of the Chief Financial Officer or any delegated official , shall be final and binding on the parties and constitutes the disposal and end of the dispute declared in terms of section 102(2) of the Systems Act;
- (h) where a dispute has been declared and such dispute has been dealt with as set out above, the subject matter of such a dispute is disposed of and the consumer who declared the dispute may not declare a further dispute on the subject decided matter, or any part thereof;
- (i) the declaring of a section 102(2) dispute as contemplated above, does not excuse the consumer from paying, or suspend the obligation to pay the amount which forms the subject of the dispute, or any other amount due to the Municipality in terms of the statement containing the amount which forms the subject of the dispute;
- (j) if the finding of the Chief Financial Officer or any delegated official or the Municipal Manager in the event of an appeal, is that an adjustment on an account is warranted to the benefit of the consumer who lodged the appeal, the relevant account will be credited accordingly.



**30. GRANTING AN EXTENSION OF THE PERIOD IN WHICH TO MAKE PAYMENT OF AMOUNTS DUE IN TERMS OF AN ACCOUNT**

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- (1) If a customer is not able to make payment to the Municipality of the amount due in terms of the statement of such a customer, on the due date of the said statement, the Municipality may, in its sole discretion and on receipt of a written application from the debtor, grant an extension of the period in terms of which payment of such statement must be made by the customer, on the following conditions:
- (a) the customer shall apply in writing to the office of the Chief Financial Officer for an extension of the due date by which a debt reflected on a statement or portion thereof, must be paid to the Municipality;
  - (b) the written application referred to above must stipulate the account number of the customer, the reasons why the extension of the due date is required, details of the financial position of the customer as well as the contact details and identity of the customer;
  - (c) the written application must be received by the office of the Chief Financial Officer prior to the due date for payment of the amount due in terms of the statement;
  - (d) the office of the Chief Financial Officer will consider the application by the customer as soon as reasonably possible and inform the customer of whether or not the application was granted, wholly or in part, and also stipulate the date upon which payment of the amount as reflected in the statement must be made in lieu of the due date as indicated on the statement;
  - (e) no extension may be granted to any customer who is under administration in terms of the Magistrates Court Act, Act 32 of 1944 or who has an arrangement with the Municipality to pay off previous arrears in instalments or within an extended time or against whom debt collection measures have been implemented;
  - (f) an extension for payment granted by the Municipality in terms of this policy, is subject to the customer signing an acknowledgment of debt

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for the arrear amount(s) not paid to the Municipality on the due date as reflected on the statement.

- (2) If the customer fails to make payment of the amount reflected in the statement, or such amount as indicated by the office of the Chief Financial Officer, on the date indicated by the office of the Chief Financial Officer, then the customer will be in arrears with such an amount and the provisions of this policy will apply and the customer will become a debtor.

### **31. ARRANGEMENTS TO PAY ARREARS IN CONSECUTIVE INSTALMENTS**

- (1) If a debtor is in arrears with the payment of an account to the Municipality, the Municipality may, in its sole discretion, enter into a written arrangement for the payment of the arrears, on the following conditions:
  - (a) only a debtor or a person authorised in writing on behalf of a juristic person which is the debtor, will be allowed to enter into and sign an agreement or arrangement for the payment of any arrears;
  - (b) the written agreement has to be signed on behalf of the Municipality by the duly authorised official;
  - (c) the debtor must acknowledge the fact that the arrears are due and payable and that the debtor will continue to make payment to the Municipality of the debtor's current account while simultaneously reducing the arrears in terms of the arrangement and must sign a separate acknowledgement of debt;
  - (d) any debtor who did not honour a previous arrangement or agreement will not be considered for a new agreement or arrangement unless exceptional circumstances exist;
  - (e) the debtor must agree that the arrears will be settled by making consecutive monthly instalment payments which must be maintained and any default will result in the whole outstanding amount becoming immediately due and payable and the municipal services, if applicable, being limited or disconnected without further notice, upon the debtor's default;

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- (f) ~~the Municipality shall seize the further levying of interest, on the arrears in the event of an arrangement being entered into. Should the debtor fail to honour the arrangement, any interest not levied, will immediately be levied at the prescribed rate at the time and the entire amount due as interest will also become immediately due and payable together with the balance of the arrears;~~
- (g) the period over which as well as the monthly instalment which the debtor will be paying in terms of the arrangement to extinguish the arrears and interest, if any, will be agreed between the debtor and the Municipality with the provision that if the amount for the instalments or the period is not acceptable to the Municipality, the Municipality may decline to enter into the arrangement, and the debtor will be held liable for the immediate payment of the arrears and interest;
- (h) ~~a debtor will be required to complete a debit order for the payment of the instalments payable in terms of the arrangement;~~
- (i) no arrangement for the payment of arrears will be longer than a period of 24 (twenty four) months. The Municipality may on an individual basis allow a longer period than the aforementioned 24 (twenty four) months for the payment of arrears, if exceptional circumstances exist that in the opinion of the Municipality warrants such an extension;
- (2) The Municipality is entitled to require a debtor to comply with any or all of the following requirements in the event of an arrangement being granted:

  - (a) sign a consent to judgement and agreement containing the terms of the arrangement which may include terms in addition to those contained in this policy;
  - (b) provide a garnishee order/emolument order/stop order, if the debtor is employed;
  - (c) acknowledge liability of all costs including legal costs incurred; and
  - (d) prove levels of income and make reasonable payment of arrears based on the ability to pay.
- (3) The Municipality, in exercising its discretion to conclude an arrangement with a debtor for the paying of arrears may also have regard to a debtor's:

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- (a) credit record;
  - (b) consumption of municipal services;
  - (c) level of the municipal service;
  - (d) whether previous arrangements to pay off arrears were entered into with the debtor and whether any were complied with; and
  - (e) any other relevant factors.
- (4) A copy of the arrangement will be made available to the debtor.
- (5) If a debtor fails to comply with an arrangement for the payment of arrears, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will be immediately due and payable and the Municipality will be entitled to limit or disconnect any municipal services being delivered to the said debtor, without further notice.
- (6) The Municipality may at any time deviate from the arrangement guidelines provided in this policy, but only upon the written recommendation from the Chief Financial Officer to do so, which recommendation must be approved in writing by the Municipal Manager of the Municipality.
- ~~(7) In the event of debtor entering into an arrangement with the Municipality to pay the arrears off in a single instalment, the Municipality will write off interest on the arrears as at the date of the payment of the arrears.~~
- (8) Arrangements made outside the 24 (twenty four) month period will require written requested by the debtor to the office of the CFO. The request shall be accompanied by, at minimum, a 3 month bank statement, proof of identification and where necessary proof of ownership/authority over the property. Such arrangements should be limited to 36 months.

**32. CATEGORIES OF DEBTORS AND GUIDELINES FOR THE GRANTING OF EXTENSIONS OF DUE DATES FOR PAYMENT OR THE ENTERING INTO OF ARRANGEMENTS FOR THE PAYING OFF OF ARREARS**

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In exercising its discretion whether or not to grant an extension of the period in terms of which the customer may make payment of an account, or to enter into an arrangement for the paying off arrears in instalments or any other applicable action to be taken by the Municipality regarding customers whose accounts are in arrears, the Municipality may also take into account the following guidelines and norms applicable to different the different categories of debtors referred to below:

<b>OWNERS OF RESIDENTIAL PROPERTY</b>	
<b>DEBT</b>	<b>PAYMENT / ARRANGEMENT</b>
<b>R0 - R5 000</b>	<b>No arrangements will be made, and the accounts must be settled in full</b>
<i>R5 001 - R10 000</i>	40% of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of <b>3 (three)</b> months or sooner.
<b><i>R10 001.00 - R20 000.00</i></b>	<b>30%</b> of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of <b>6 (Six)</b> months or sooner.
<i>R20 001.00 - R40 000.00</i>	20% of the outstanding debt must be paid by the debtor immediately as down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 12 (twelve) months or sooner.
<i>R40 001.00 +</i>	<b>15%</b> of the outstanding debt must be paid by the debtor immediately as a down payment, and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 24 (twenty four) months or sooner.

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For all arrangements above R100 000 the Municipal Manager and/or the Chief Financial Officer must give authorisation

<b>OWNERS OF BUSINESSES, COMMERCIAL, INDUSTRIAL AND/OR MINING PROPERTY</b>	
<b>DEBT</b>	<b>PAYMENT / ARRANGEMENT</b>
R0 – R40 000	No arrangement is allowed for this amount and the full outstanding amount must be paid by the debtor.
R40 001 – R150 000	50% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 6 (six) months or sooner.
R150 001.00 – R500 000	30% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in monthly instalments within a period of 6 (six) months or sooner.
R500 001 +	25% of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in monthly instalments within a period of 12 (twelve) months or sooner.

For all arrangements above **R1 000 000** the Municipal Manager and/or the Chief Financial Officer must give authorisation

<b>OWNERS OF PROPERTY USED FOR RELIGIOUS PURPOSES, PUBLIC BENEFIT ORGANISATIONS, WELFARE ORGANISATIONS, CHARITABLE INSTITUTIONS, ANIMAL WELFARE, MUSEUMS, LIBRARIES, ART GALLERIES AND BOTANICAL GARDENS, YOUTH DEVELOPMENT ORGANISATIONS AND/OR CULTURAL INSTITUTIONS AND EDUCATION</b>	
<b>DEFAULT</b>	<b>PAYMENT / ARRANGEMENT</b>
<b>R0 - R10 000</b>	No arrangement is allowed for this amount and the full outstanding amount must be paid by the debtor.

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<b><i>R10 001 – R50 000</i></b>	<b>50%</b> of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 6 (six) months or sooner.
<b><i>R50 001 – R100 000</i></b>	<b>25%</b> of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 12 (twelve ) months or sooner.
<b><i>R100 001+</i></b>	<b>20%</b> of the outstanding debt together with the account for the month in which the arrangement is made must be paid by the debtor immediately as a down payment and the balance of the outstanding amount must be paid in consecutive equal monthly instalments within a period of 18 (eighteen) months or sooner.

<b>DEBTORS UNDER ADMINISTRATION</b>	
<b>DEFAULT</b>	<b>PAYMENT / ARRANGEMENT</b>
All debts:	The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
	The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer to the provisions of section 74S of the Magistrates Courts Act, Act 32 of 1944.
	As soon as the Municipality is informed about the status of the debtor being placed under administration, the debtor is to be placed on limited services levels. The customer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.

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	Should there be any default on the current account the supply of services is to be limited or disconnected and the debt incorporated into the administration for the collection of this debt.
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<b>COUNCILLORS AND EMPLOYEES OF THE MUNICIPALITY:</b>	
<b>DEFAULT</b>	<b>PAYMENT / ARRANGEMENT</b>
All debts:	<p>In accordance with the provisions item 12A of Schedule 1 of Systems Act, a Councillor may not be in arrears to the Municipality for rates and/or services charges for a period longer than 3 (three) months.</p> <p>In order to ensure timeous payment of Councillors' accounts, all Councillors shall be subject to an automatic deduction instituted against the Councillor allowance payments, on a monthly basis. The Municipality shall deduct any arrear amounts from the salary of such a Councilor, which deduction is 25% of the gross salary</p>
	<p>In accordance with the provisions of Item 10 of Schedule 2 of Systems Act, an employee of the Municipality may not be in arrears to the Municipality for rates and/or services charges for a period longer than 3 (three) months, In order to ensure timeous payment of employees' accounts, all employees shall be subject to an automatic deduction instituted against the employees' salary payments, on a monthly basis, and the Municipality shall deduct any arrear amounts from the salary of such an employee after this period, which deduction is 25% of the gross salary of the employee, as in line with s34(2)(d) of the Basic conditions of Employment Act.</p>



**CHAPTER 5**

**CREDIT CONTROL AND DEBT COLLECTION MEASURES AND  
OTHER INSTANCES FOR THE LIMITATION, DISCONNECTION OR  
TERMINATION OF MUNICIPAL SERVICES**

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**33. DIFFERENT DEBT COLLECTION AND CREDIT CONTROL MEASURES**

- (1) The Municipality shall be entitled to utilise and implement any one or more of the following debt collection and credit control measures in respect of any arrears and as provided for in this policy:
- (a) a notice of demand;
  - (b) the limitation, disconnection or termination of the municipal services of water and electricity;
  - (c) the raising of penalties and interest charges on arrears;
  - (d) the institution of debt collection procedures and legal proceedings to recover debt
  - e) 60/40% prepayment debt recovery, the municipality may allocate 60% of payment to the arrears and 40% to the purchase of electricity to customer who purchases prepaid electricity with other services in arrears.
- (2) As a result of the provisions of section 75A, as contained in Chapter 8 of the Systems Act, entitling a Municipality to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality and to recover collection charges and interest on any outstanding amount, the institution of legal proceedings to recover debt shall not constitute a “debt collection and credit control measure” for the purpose of and as contemplated in the provisions of section 102(1), read with section 102(2) of the Systems Act, as the Municipality’s right to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality as well as collection charges and interest on any outstanding amount, is not a debt collection and credit control measure

provided for in Chapter 9 of the Systems Act, but a statutory right of the Municipality provided for in Chapter 8.

**34. NOTICE OF DEMAND**

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- (1) When a consumer is in arrears the Municipality shall serve a notice of demand claiming payment of the arrears within 14 (fourteen) calendar ~~working~~ days from the date depicted on the notice of demand, and informing the consumer of the Municipality's right to limit, disconnect or terminate the municipal services of water and electricity should the arrears remain unpaid.
- (2) The failure to serve a notice of demand does not relieve a consumer from paying such arrears.
- (3) The notice of demand must contain the following:
  - (a) the amount in arrears and any interest payable;
  - (b) that the consumer's name may be listed with a credit bureau or any other equivalent body as a defaulter;
  - (c) that the account may be handed over to a debt collector or attorney for collection and/or the institution of legal steps; and
  - (d) and that the Municipality has the right to limit, disconnect or terminate the municipal services of water and electricity should the arrears remain unpaid, or the consumer's actions allow the Municipality to limit, disconnect or terminate the municipal services, without further notice;
  - (e) that, in the event of the limitation or discontinuation of the water or electricity provision services, the consumer is afforded an opportunity to make representations to the Municipality as to why the Municipality should not proceed to limit or discontinue the water supply services to the consumer, which representation must be made by the consumer within 14 (fourteen) days from the date of the notice of demand.

- (4) The right to be afforded reasonable notice of the Municipality's intention to limit or discontinue the water supply services to a consumer or to be afforded an opportunity to make representations to the Municipality as to why the Municipality should not proceed to limit or discontinue the water or electricity supply services to the consumer as referred to above, shall not apply in instances where:
- (a) other consumers would be prejudiced;
  - (b) there is an emergency situation;
  - (c) the consumer has interfered with a limited or discontinued service.
- (5) A notice of demand sent through ordinary post shall be deemed to be delivered and actionable should the debtor fail to make payment on the account or arrangement to settle the account.

**35. THE LIMITATION, DISCONNECTION OR TERMINATION OF THE MUNICIPAL SERVICES OF WATER AND ELECTRICITY**

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- (1) The Municipality shall be entitled, subject to the 14 (fourteen) day notice period referred to above, to limit the municipal service of water, disconnect the municipal service of electricity (both conventional and pre-payment) or to terminate the provision of municipal services altogether, save for the provision of a limited supply of potable water, to a consumer, in the following instances:
- (a) failure to pay arrears subsequent to a notice of demand being served;
  - (b) failure to rectify a breach of any of the provisions of this policy, or any other Policy, By-Law of the Municipality or statutory provision, after being notified of the said breach;
  - (c) failure to conclude or honour the terms and conditions of an arrangement to pay arrears in consecutive instalments;
  - (d) failure to comply with a condition of supply relating to any municipal service imposed by the Municipality;
  - (e) if there has been any unlawful obstruction of or interference with any equipment or services;

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- (f) if the consumer supplies or attempts to supply or “on sell” such municipal service to a person who is not entitled thereto or permits such service to continue;
  - (g) if the Municipality fails to obtain actual readings for a period of 3 (three) consecutive months and the consumer was notified in writing by the Municipality to avail the readings but fails to respond within the prescribed time;
  - (h) the building on the premises to which services were provided has been demolished;
  - (i) at the written request of the consumer;
  - (j) if there has been a material abuse of the municipal services by the consumer;
  - (k) if the execution of necessary and/or required repairs or maintenance necessitates;
  - (l) in instances of emergencies where the provision of certain municipal services are not possible; and
  - (m) if there has been any unlawful connection, or any unauthorised activity relating to any municipal installations or services or the services are used for the conducting of a category of use other than that for which the consumer is registered.
- (2) The costs of any limitation, disconnection or termination of municipal services and the restoration or re-connection thereof, including any interest thereon, administration fees, additional charges, costs incurred in taking relevant action and any penalties, including the payment of a higher deposit, payable in terms of this policy, will be payable by the consumer in full to the Municipality before any reconnection or restoration of the municipal services will take place.
- (3) The Municipality shall have the right to limit, disconnect or terminate municipal services in accordance with this policy if there is any arrears and irrespective of whether payment has been made in full or in part for or towards the municipal service which has been limited, disconnected or terminated.

- (4) Notwithstanding that a municipal service connection to an approved installation may have already been completed, the Municipality may at its absolute discretion, refuse to supply municipal services to that installation, until all arrears by the same consumer in respect of that or any other service connection, whether or not on the same premises, have been paid.
- (5) An arrangement to pay arrears in consecutive instalments entered into after the municipal services was limited, disconnected or terminated, will not result in the municipal services being restored or reconnected until the arrears, any interest, administration fees, costs incurred in taking relevant action and any penalties, including payment of a higher deposit, are paid in full.
- (6) The Municipality may without notice, limit, disconnect or terminate the provision of municipal services, including the supply of water and the supply of water and electricity services provided through pre-payment meters (which could include the restricting and/or allocation of credit purchases for pre payment meters) to any premises, and without prejudice any of the Municipality's rights, including the right to enter upon such premises and carry out, at the consumer's expense, such emergency work, as the Municipality may deem necessary and in the following circumstances:
  - (a) in an emergency where the Municipality considers it necessary as a matter of urgency to prevent any wastage of municipal services, unauthorised use of municipal services, damage to property, danger to life or pollution of municipal services, and national disaster or if sufficient municipal services are not available;
  - (b) where a consumer uses the municipal services for any purpose or deals with the supply of the municipal services in any manner which the Municipality has reasonable grounds for believing interferes in an improper or unsafe manner or is found to interfere in an improper or unsafe manner with the efficient supply of the municipal services to any other consumer. Where the consumer causes or allows any other consumer to connect to the services supplied to him, the Municipality may limit, disconnect or terminate such municipal service but shall

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restore such service as soon as reasonably possible once the cause for the disconnection has been permanently remedied or removed;

- (c) where a consumer causes a situation which is in the opinion of the Municipality constitutes a danger or potential danger to a person or property or a contravention of relevant legislation;
- (d) where a consumer interferes with the supply to any other consumer;
- (e) where there is a serious or grave risk to any person or property;
- (f) for reasons of community safety or the safety of emergency personnel;
- (g) where *prima facie* evidence exists of a consumer and/ or any person having tampered with or contravened the provisions of this policy the Municipality shall have the right to disconnect the supply of municipal services immediately and without prior notice to the consumer or premises where the contravention has taken place;
- (h) if there has been material abuse of the municipal services;
- (i) if the use of municipal services is creating unacceptable environmental damage or water pollution.

### **36. RECONNECTION OR REINSTATEMENT OF MUNICIPAL SERVICES**

- (1) The Municipality shall reconnect or reinstate municipal services limited, disconnected or terminated in terms of this policy, if:
  - (a) the arrears have been paid by the debtor, or an arrangement for the paying of the arrears in instalments has been concluded between the Municipality and the debtor; and
  - (b) the costs of any limitation, disconnection or termination of municipal services and the restoration or re-connection thereof, including any interest administration fees, additional charges, costs incurred in taking relevant action and any penalties, including the payment of a higher deposit, payable in terms of this policy, have been paid by the debtor; and
  - (c) there are no other grounds to continue the limitation, disconnection or termination provided in this policy.

- (2) The Municipality may when restoring or reinstating municipal services limited, disconnected or terminated as a result of non-payment or a breach of the terms of their policy, install or convert a conventional measuring device or meter with a prepayment metering system in order to execute credit control.

**37. TERMINATION OF MUNICIPAL SERVICES BY CUSTOMER**

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If the customer is of the intention to terminate the services agreement with the Municipality or to terminate one or more of the municipal services being rendered to the customer, the customer shall give notice in writing, of not less than 7 (seven) days to the Municipality of this intention, by completing the relevant service discontinuation and account closure forms as prescribed by the Municipality requesting the Municipality to terminate the services agreement concluded with the Municipality and/or the provision of the municipal service(s). Until such time as the service agreement or municipal services have been terminated the customer remains liable for all and any charges, fees, tariffs, levies and the consumption charges of municipal services.

**38. TERMINATION OF MUNICIPAL SERVICES AGREEMENT BY THE MUNICIPALITY**

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The Municipality may terminate the services agreement for the provision of a municipal services which the Municipality concluded with a customer, by notice in writing of not less than 30 (thirty) days:

- (a) if the customer has not used the municipal service(s) during the preceding 6 (six) months and has not made arrangements to the satisfaction of the Municipality for the continuation of the relevant municipal service;
- (b) if the Municipality has made an arrangement with another service provider to provide the municipal service concerned to the customer;
- (c) the customer has vacated the premises to which the agreement concerned relates;

- (d) if the customer has failed to comply with the provisions of this policy and the applicable by-laws and has failed to rectify such failure following notice to do so;
- (e) the building on such premises has been demolished or declared unsafe for occupation;
- (f) the customer has failed to pay the prescribed charges, fees, tariffs, levies, consumption charges or other amounts due to the Municipality.

### **39. TEMPORARY DISCONNECTION AND RECONNECTION**

- (1) The Municipality shall at the request of the customer and when reasonably possible, temporarily disconnect and reconnect the supply of municipal services for the consumer to effect an installation on the premises requiring the disconnection of the municipal services, upon payment of the prescribed fee for such disconnection and reconnection.

- (2) The Municipality may temporarily disconnect or alter or move or change the supply of municipal services to any premises without notice, for the purpose of effecting repairs or carrying out tests or for any other legitimate purpose.

Regarding the temporary disconnection of the electricity supply, the Municipality will endeavour to give effect and implement to the provisions of NRS 047-1:2005 Edition 3 relating to planned disconnections.

### **40. LEVYING OF PENALTIES AND INTEREST CHARGES ON ARREARS**

- (1) The Municipality may in terms of section 75A of the Systems Act charge interest on arrears at the interest rate determined by the Council from time to time.
- (2) Where any payment made to the Municipality is later dishonoured by the bank, the Municipality may levy such cost and administration fees against an account of the customer as approved from time to time by the Council and set out in the Tariff Schedule referred to in the Tariff Policy.



- (3) All legal costs, including attorney and own client costs, incurred in the recovery of arrears shall be levied and recovered from the debtor.
- (4) Where any action is taken by the Municipality in demanding payment from the debtor or reminding the debtor by means of telephone, fax, email, letter or otherwise, that the account of the said debtor is in arrears and that payments on the account are overdue, a penalty fee may be levied against the account of the debtor in the amount as set out in the Tariff Schedule of the Municipality.
- (5) Where any municipal service is disconnected as a result of non-compliance with the provisions of this policy by the debtor, the Municipality shall be entitled to levy and recover the standard disconnection fee, as determined by the Municipality from time to time, from the debtor in terms of the Municipality's Tariff Schedule.

**41. THE INSTITUTION OF DEBT COLLECTION PROCEDURES AND LEGAL PROCEEDINGS TO RECOVER DEBT**

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- (1) Where an account remains in arrears for more than 60 (sixty) days: the debtor's name may be listed with a credit bureau or any other equivalent body as a defaulter and the arrears may be handed over to a debt collector or an attorney for the collection of the arrears and/or the institution of legal steps against the debtor.
- (2) The Chief Financial Officer must exercise strict control over this process and must require regular progress reports from attorneys, debt collectors and/or other parties concerned.
- (3) The Municipality must ensure that the terms, conditions, duties and obligations of any service providers appointed by the Municipality to collect outstanding debts, are sufficiently documented in a service level agreement and the Chief

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Financial Officer must ensure that the terms and conditions of the service level agreement are complied.

- (4) Once arrears have been handed to an attorney or other person for the collection of the arrears any further arrangements, agreements or communications must be made directly with such attorney or debt collector within the boundaries of this Credit Control and Debt Collection Policy.
- (5) In terms of the provisions of section 103 of the Systems Act the Municipality may:
  - (a) with the consent of the debtor, enter into an agreement with the employer of the debtor in order to deduct from the salary or wages of such debtor:
    - (i) any outstanding amounts due to the Municipality in terms of this policy; or
    - (ii) such regular monthly amounts as may be agreed and
  - (b) provide special incentives for:
    - (i) employers to enter into such agreements; and
    - (ii) debtors to consent to such agreements.
- (6) Any and all collection and/or legal fees occasioned by the debt collection process are payable by the debtor concerned.
- (7) In the event that the Municipality has listed a consumer with a Credit Bureau and the consumer has subsequently settled their obligation in terms of the listing, the Municipality shall inform the Credit Bureau within 7 (seven) days of such payment and request the removal of the listing

### **42. FULL AND FINAL SETTLEMENT**

If a consumer tenders payment of an amount less than the amount that is due and payable to the Municipality or tenders payment of any arrears, and such payment is

accepted by the Municipality, such payment will not be in full and final settlement of the amount due and payable or arrears, irrespective of the consumer indicating that such payment is in full and final settlement, unless it is part of a written agreement between the consumer and the Municipality in terms of which the Municipality expressly states that it is prepared to accept the payment in full and final settlement.

**43. JOINT AND SEVERAL LIABILITY OF OWNERS, TENANTS AND OCCUPIERS**

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Notwithstanding any other provision in this policy, the owner, tenant or occupier of premises to which municipal services are provided, or in respect of which any levies, fees, charges or tariffs are imposed or levied, are jointly and severally liable for the payment of any consumption charges, levies, fees, charges or tariffs, despite any contractual obligation or arrangement to the contrary between any of the said parties, and irrespective of whether a municipal services agreement was concluded between the Municipality and such owner, tenant or occupier of the premises regarding the provision of the municipal services to which the consumption charges, levies, fees, charges or tariffs relate.

**44. JOINT AND SEVERAL LIABILITY OF OWNERS, TENANTS AND OCCUPIERS FOR ARREARS REGARDING RATES**

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- (1) In terms of section 28 of the MPRA the Municipality may recover arrears for rates in whole or in part from the owner, tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier, subsequent to written notice to the tenant or occupier. The Municipality may recover these arrears only after the Municipality has served a written notice on the tenant or occupier.
- (2) The amount the Municipality may recover from the tenant or occupier of a property in terms of sub-paragraph (1) is limited to the amount of the rent or

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other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property.

- (3) Any amount the Municipality recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier of the owner.
- (4) The tenant or occupier of a property must, on request by the Municipality, furnish the Municipality with a written statement specifying all payment to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the Municipality.

**CHAPTER 6**

**CUSTOMER ASSISTANCE**

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**45. RATE REBATE**

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Rate rebates will be granted as set out in the Rates Policy and By-Law of the Municipality.

**46. FREE BASIC SERVICES**

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The Municipality will provide the free basic municipal services as set out in the Tariff Policy and By-Law of the Municipality. In the event that any municipal service is limited, disconnected or terminated in terms of this policy the free portion of such municipal services provided for in terms of this section and the Tariff Policy and By-Law, will also not be unlimited for as long as the municipal service remains limited, disconnected or terminated.

**47. INDIGENT SUPPORT**

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The Municipality may extend indigent support to any consumer on application to the Municipality in the prescribed manner as set out in the Municipality's Indigent Policy.

**CHAPTER 7**

**PROVISION FOR BAD AND IRRECOVERABLE DEBT**

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**48. PROVISIONS FOR BAD DEBT**

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- (1) The Municipality must ensure that there is an acceptable and sufficient provision for bad debt in the budget of the Municipality.
- (2) The annual provision for bad debt shall be provided for as follows:
  - (a) 90% of all outstanding debts which are unpaid for a period of 90 (ninety) days or more, based on the estimated age analysis of the financial year end of which the financial statements are drawn up for; and
  - (b) 50% for 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.
- (3) Provision for bad debt is provided for in respect of the following services and amounts debited to customer accounts:
  - (a) rates;
  - (b) sewerage;
  - (c) water;
  - (d) electricity;
  - (e) refuse;
  - (f) basic electricity;
  - (g) basic water; and
  - (h) sundry debtors.
- (4) The Chief Financial Officer must keep record of all provisions in accordance with general recognised accounting practices.

- (5) The Chief Financial Officer must report to the Municipal Manager in a prescribed form and must review and adjust the provisions with the adjustment budget.

**49. IRRECOVERABLE BAD DEBT AND WRITE OFFS**

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- (1) The main purpose of writing off bad debts is to ensure:
- (a) consistency in writing off bad debts;
  - (b) proper authorisation at appropriate levels for write offs;
  - (c) efficient and effective debt collection.
- (2) Bad debts will be written off if the Municipality is satisfied that:
- (a) recovery will cause undue hardship to the debtor or debtor's dependents;
  - (b) recovery is uneconomical or not cost effective;
  - (c) the provisions of all other policies of the Municipality, such as the Indigent Policy have been considered and where applicable applied;
  - (d) any debt collection and credit control measures implemented by the Municipality were exhausted and/or ineffective and/or not cost effective;
  - (e) a full report of all amounts to be written off is to be presented to the Council on a quarterly basis for approval;
  - (f) the write-off's in respect of the arrears of Registered Indigents will be undertaken in terms of the Indigent Policy of the Municipality;
  - (g) in the event of a claim against an insolvent estate, pursuing a claim against the estate bears the risk of a contribution or the prospect that no dividend will be received;
  - (h) a deceased estate has no liquid assets to cover the arrears following the final distribution of the estate or if the estate has not been reported to the Master and there is no reasonable prospect of recovering the arrears from the Estate;
  - (i) the arrears have, in law, prescribed and the prescription of the debt has been claimed and relied on by the consumer;

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- (j) the debtor is untraceable or cannot be identified in order to proceed with further action;
  - (k) the debtor has emigrated leaving no assets of value and it is not cost effective to pursue the claim further;
  - (l) it is not possible to quantify or prove the arrears;
  - (m) a court has ruled that the claim is not recoverable;
  - (n) the arrears are due to an irreconcilable administrative error by the Municipality including any alterations not affected timeously in the Municipality's records or the levying of interest in an instance where the capital was not in arrears;
  - (o) such amount constitutes the remainder of arrears on which the Municipality accepted an offer made in full and final settlement of such arrears, which offer is not for the entire amount of the arrears, but which is accepted in writing by the Municipal Manager;
  - (p) arrears may be written off to bad debts where the Municipality:
    - (i) expropriates any property; or
    - (ii) purchases any property; or
    - (iii) undertakes any obligations to develop any property.
- (3) Arrears may be written off as bad debts where a property has been forfeited to the State in terms of the Prevention of Organised Crime Act, Act 121 of 1998; or where the occupants have been evicted from Council, Provincial or State-owned premise;
- (4) Upon approval of successful indigent registration, the applicant's arrear debt will be written off. This will only occur only once per person. Where such a customer exceeds the allocated subsidy and fails to pay, the said customer will be subjected to this policy. Furthermore, should a customer lose his/her status as a Registered Indigent due to his/her financial recovery, such a customer will immediately be subject to the provisions of this policy should the account again fall into arrears.



- (5) Where an exemption has been granted in terms of the Rates Policy of the Municipality to a ratepayer from the payment of property rates, such ratepayer will with effect from the date of such exemption, have its arrears in respect of its account, if any, written off;
- (6) Should any tampering with or bypassing of any measuring device or meter be discovered, any arrears written-off in terms hereof, will become payable with immediate effect and any other action as per any legislation or policy which applies to such tampering and/or bypassing will be instituted;
- (7) Where a ratepayer's status, entitling it to an exemption in terms of the Rates Policy of the Municipality, changes so that the ratepayer is no longer entitled to an exemption, any arrears written off subsequent to the changing of the status of the ratepayer will be reversed and become due and payable again;
- (8) **Any request for the writing off of arrears for an amount above R1 000.00 (one thousand rand) must be made to the Council. Such a request must be made in writing and must be submitted to Council for approval** together with documentation indicating the applicable account number, the debtors full details, full details of the premises concerned in respect of the arrears, the arrears as well as a motivation for the requested write-off referring to the grounds set out in this policy allowing for a write off in the particular circumstances. The request must be compiled and submitted to Council for approval by way of a resolution as an irrecoverable debt write off. Arrears of less than R1 000.00 (one thousand rand) may be written off by means of a written resolution from the Municipal Manager supported by a written report and recommendation from the Chief Financial Officer and the details regarding the debtor and the arrears referred to above, must be included in the said report and recommendation.

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- (9) Notwithstanding the contents of the afore going paragraphs, the Municipality is under no obligation to write-off any particular debt and any approval of a write-off of arrears remains within the sole discretion of the Municipality.
- (10) The Municipality is entitled to reverse any amount it has written-off upon it being discovered that a debtor has mislead (whether intentionally or negligently) the Municipality in terms of any information, documentation or representation made by such debtor in order to receive such write-off, in which event the Municipality is entitled to immediately effect the reversal of any write-off against the account of a debtor.
- (11) The Municipality may write-back any amount previously written-off by it on behalf of a debtor where the account of such debtor, at any time, reflects a credit balance.
- (12) Any write off of any arrears which was in error shall not bind the Municipality and be written back.
- (13) The Municipality shall apply the terms of this policy fairly and consistently and in an open and transparent manner.
- (14) Where a debt has in law prescribed and the consumer claims and relies on the extinguishing of the debt as the result of prescription of the debt, as envisaged in sub-paragraph (2)(i) above, the Municipal Manager has the delegated authority, which must be exercised in consultation with the Chief Financial Officer, to confirm that the debt has in fact prescribed and is accordingly written off. The Municipal Manager must report on all debts which have been written off as a result of the prescription thereof to Council.

**CHAPTER 8**

**GENERAL PROVISIONS**

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**50. RIGHT OF ACCESS OR ENTRY TO PROPERTY AND INSPECTION**

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- (1) In terms of the provisions of section 101 of the Systems Act and section 41 of the MPRA, the Municipality must be given access to premises by the owner or occupier thereof or the customer or consumer of the municipal services thereon or thereto (cumulatively referred to hereafter as “person in control”) at all reasonable hours, or in the event of an emergency at any time, in order to request information, carry out an inspection and examination, to read, inspect, install or repair any measuring device or meter or service connection for reticulation, or to limit, disconnect or terminate the provision of any municipal services, or to value the premises, or to execute any lawful act or conduct any lawful service, or to ensure compliance with any by-law of the Municipality or statute.
- (2) Where, for whatever reason, access to a measuring device or meter or premises is not possible, the Municipality may:
  - (a) by written notice require the person in control to restore access at his/her own expense within a specified period; and
  - (b) where access to such a measuring device or meter or premises is required as a matter of urgency or in an emergency, the Municipality may without prior notice restore access to the measuring device, meter or premises and recover the costs in respect thereof from the person in control.
- (3) A person in control who fails or refuses to provide access to the Municipality will be liable for the costs incurred by the Municipality, to gain access to the measuring device or meter or premises.

- (4) If the Municipality considers it necessary, in order to enable the Municipality to perform any function properly and effectively in terms of this Policy, or any other policy or by-law of the Municipality, it may:
- (a) by written notice require the person in control, at their own expense, to do specified work within a specified period;
  - (b) in the event of an emergency conduct the necessary work without any notice and cause the person in control to reimburse the Municipality for any expenses incurred in the execution of such work.
- (5) If the work referred to above is carried out for the sole purpose of establishing whether a contravention of this policy has been committed and no such contravention has taken place the Municipality shall bear the expense and cost connected therewith.
- (6) Any person representing the Municipality must on request provide his or her identification and allow the consumer to verify the authority of the representative with the Municipality.

**51. UNAUTHORISED ACTIVITIES – THEFT, FRAUD AND TAMPERING**

- (1) Any person who is illegally connected to municipal services, tampers with measuring devices or meters, the reticulation network or any other equipment of the Municipality for the provision of municipal services, and/or any person who commits any unauthorised activity, theft of, or damage to any infrastructure or equipment of the Municipality (also referred to as an “unauthorised activity”) will be prosecuted and subjected to a credit control fine of R1500.00 per tempered service
- (2) No person shall in any manner, or for any reason whatsoever tamper with, interfere with, vandalise, fix advertising medium to, or deface any measuring device or meter or service connection or service protective device or supply mains or equipment of the Municipality, or illegally connect into the municipal services of any other consumer or the Municipality.

- (3) The provision of municipal services to any premises, and/or consumer, will be terminated immediately upon the Municipality becoming aware of any unauthorised activity in respect thereof as contemplated in this policy.
- (4) The Municipal Manager must implement a monitoring system in order to identify consumers who commit any unauthorised activity.
- (5) The Municipality reserves the right to institute legal action, including the laying of criminal charges and/or to take any other legal action against any person who commits an unauthorised activity.
- (6) The Municipality may reward any whistle blower who reports unauthorised activity to the Municipality.
- (7) An owner of premises will be held liable and fined for any unauthorised activity committed by an occupier of such premises.
- (8) In the event of any unauthorised activity, the Municipality shall have the right to recover an amount based on estimated consumption as provided for in this policy. The estimated consumption by the Municipality shall be prima facie evidence of the consumption in the event of any unauthorised activity.
- (9) Where a person illegally reconnects the supply of a municipal service which was disconnected by the Municipality in accordance with this policy, then the consumer shall be liable for all charges for such municipal service consumed between the date of disconnection and the date the supply is found to be reconnected and any other charges raised in this regard.
- (10) Notwithstanding any other rights that the Municipality may have in terms of this policy, the Municipality may, in the event of any unauthorised activity, summarily

terminate the supply of municipal services and may take any such steps as the Municipality may deem necessary to effect such termination, including, but not limited to the right to remove the measuring device or meter physically from the premises.

- (11) Any contravention of this paragraph, whether intentional or negligent shall be sufficient to constitute an offence and unless the contrary is proved by the consumer, it shall be deemed that the contravention was due to an intentional act or omission of the person charged.

## **52. CLEARANCE CERTIFICATES**

- (1) In terms of the provisions of section 118 of the Systems Act a registrar of deeds may not register the transfer of property situated within the municipal area of the Municipality, except on production to such registrar of a prescribed certificate issued by the Municipality, which certifies that all amounts which became due in connection with such property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the 2 (two) years preceding the date of application for such certificate, have been fully paid.
- (2) if a clearance certificate is requested in terms of section 118 (1) of the Act, and payment is only made for two years preceding the date of application for the certificate , the balance of the debt shall remain as a charge against the property.
- (3) The certificate shall be endorsed with the balance owing as a charge against the property in order to bring the same to the attention of the seller, buyer and conveyance. The onus is on the conveyance to advise his or her clients accordingly.
- (4) The municipality may institute legal proceedings against the seller or purchaser of the property to recover the balance owed.
- (5) The municipality reserves the right to follow any of the legal mechanisms available to it in order to recover the balance of the debt, including, lodging an urgent application to interdict the sale of the property until the debt is paid in full or an irrecoverable bank guarantee for the full outstanding debt, on date of registration of transfer has been furnished by the conveyance.

- (6 ) Information and contact details of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner ( purchaser ) for the purposes of billing for rates, services and consolidated accounts until the same has been changed by the purchaser.
- (7) In the case of the transfer of immovable property by a trustee of an insolvent estate the provisions of this paragraph are subject to section 89 of the Insolvency Act, Act 24 of 1936.
- (8) An amount due for municipal services, fees, surcharges on fees, property rates and other municipal rates, levies and duties provided for in this policy, is a charge upon the property and which amount enjoys preference, over any mortgage bond registered against the property from the date of registration of the transfer of the property into the name of the owner.
- (9) If the owner of the property is not the person who has entered into a services agreement with the Municipality for the supply of municipal services to a property, the owner will become liable for the payment of the charges referred to in section 118(1)(b) of the Systems Act relating to the property, once the owner of the property applies for a clearance certificate in terms of section 118 of the System Act.

**53. DAMAGE TO MUNICIPAL SERVICE INFRASTRUCTURE**

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- (1) A consumer shall be liable for all and any costs to the Municipality arising from any damage to, or loss of any measuring device or meter or municipal service infrastructure relating to the provision of municipal services to premises, unless such damage is shown to have been occasioned by an Act of God or an act or omission of the Municipality, or caused by an abnormality in the supply of municipal services to the premises.

- (2) In the event of any damage occurring to any measuring device or meter or municipal service infrastructure relating to the provision of municipal services to premises, the consumer shall report and inform the Municipality as soon as the consumer becomes aware of the damage.
- (3) Where it can be reasonably established that there has been intentional tempering of any measuring device or meter or municipal service infrastructure, resulting in the removal of such any measuring device or meter or municipal service infrastructure by the Directorate Technical and Infrastructure, a credit control reconnection fee shall be payable prior to the service being reinstituted or reinstalled

#### **54. REPORTING DEFAULTERS**

- (1) The Municipality may in its discretion report any person that is indebted to the Municipality, to any company or organisation that collates and retains information regarding defaulters.
- (2) The information to be included in such report shall be the available personal information of the defaulter or in the event that the defaulter is a legal person, the statutory details of the legal entity including information pertaining to the responsible officer of such legal person.

#### **55. PROCUREMENT OF GOODS AND SERVICES AND PAYMENTS IN TERMS OF CONTRACTS**

- (1) When submitting a tender for the provision or delivery of goods, each potential tenderer must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date and that all accounts for which each and every director, member, partner or trustees of the tenderer is liable have also been paid up to date.
- (2) The municipality will at its sole discretion check whether all the municipal accounts are up to date, copies of all accounts sent to the tenderer and to each director, member, owner, partner, or trustees must be attached to the tender documents.



- (3) Where a tenderer's place of business or business interests are outside the jurisdiction of the municipality a Revenue Clearance Certificate from the Municipality must be produced.
- (4) Before awarding a tender, the municipal debts of the tenderer and each director , member , owner, partner or trustee of the tenderer must be paid in full.
- (5) Where payments are due to a creditor in respect of goods or services provided to the Municipality or in terms of any contractual arrangement with the municipality may be set off against such payments.
- (6) This policy applies to quotations, public tenders and tenders in terms of section 36 of the Supply chain management policy

#### **56. NOTICE**

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- (1) Any notice given by the Municipality in terms of this policy, the Credit Control and Debt Collection By-Law, the Tariff Policy and By-Law, the Rates Policy and By-Law, the Water By-Law, the Electricity By-Law or any other legislation shall, unless the contrary is proven by the person/entity to whom the notice was addressed, be regarded as having been served:
  - (a) when it has been delivered to that person personally;
  - (b) when it has been left at that person's place of residence or place of business or employment with a person apparently over the age of 16 (sixteen) years;
  - (c) when it has been posted by pre-paid registered or certified mail to that person's last known residential address or business address and an acknowledgment of the posting thereof from the postal service is obtained;
  - (d) when it has been served on that person's agent or representative in any of the manners provided for in this policy;
  - (e) when it has been posted in a conspicuous place on the premises to which the notice relates;

- (f) when it has been faxed to that persons fax number and a confirmation of the successful sending of the fax is obtained;
  - (g) when it has been emailed to that persons email address and a confirmation of the successful sending of the email is obtained.
- (2) In the case where compliance with a notice is required within a specified number of days, such period shall be deemed to commence on the date of service of the notice.
- (3) When any notice or other document must be authorised or served on the owner, occupier or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, occupier or holder of the property or right in question, and it is not necessary to address that person by name.
- (4) Any legal process is effectively and sufficiently served on the Municipality when it is delivered to the Municipal Manager or a person in attendance at the Municipal Manager's office.
- (5) Any person on whom a notice is served shall, comply with its terms or when a time is specified, comply with the terms of the notice within the specified time.

#### **57. NON LIABILITY OF THE MUNICIPALITY**

The Municipality nor any employee, official, person, body, organisation or corporation acting on behalf of the Municipality shall be liable for any loss or damages of whatsoever nature howsoever arising whether, direct or consequential, suffered or sustained by any person as a result of or arising from the provision, limitation, disconnection or termination, interruption or any other abnormality arising from the supply of municipal services, or any act or omission done by the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality.

**58. CODE OF ETHICS**

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- (1) All the officials of the Municipality shall embrace the spirit of Batho Pele and treat all consumers and debtors with dignity and respect at all times.
- (2) Employees of the Municipality shall execute their duties in terms of this policy in an honest and transparent manner whilst protecting the confidentiality of information of consumers and debtors in accordance with the provisions of the Promotion of Access to Information Act, Act 2 of 2000.

**59. STAFF AND COUNCILLORS IN ARREARS**

- (1) Item 10 of schedule 2 of the Act ( Code of Conduct for Municipal Staff Members ) states that –
  - a. A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than three months; and
  - b. A municipality may deduct outstanding amounts from a staff member's salary after this period ; and
- (2) The municipality shall liaise with the relevant staff on repayment of their arrears
- (3) No special treatment shall be afforded to staff members whose accounts are in arrears
- (4) Any staff member who has breached the code will be dealt with in accordance with disciplinary procedures adopted by the municipality in terms of the Act
- (5) Item 12 A schedule 1 of the Act states that a Councillor may not be in arrears to the municipality for rates and service for a period longer than three months
- (6) The Municipal Manager shall liaise with the Mayor and issue necessary salary deduction where appropriate for the councillors

**60. AUTHENTICATION OF DOCUMENTS**

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Any document requiring authentication by the Municipality shall be sufficiently authenticated if signed by the Municipal Manager, or by a person duly authorised to do so, on behalf of the Municipality, by resolution of the Municipality and shall constitute prime facie proof of the authenticity, existence and contents of the document.

**61. PRIMA FACIE EVIDENCE**

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In legal proceedings by, or on behalf of the Municipality, a certificate reflecting an amount due and owing to the Municipality, the identity of the debtor and any such other details as may be included in such a certificate and which is signed by the Municipal Manager, or by a person duly authorised to do so, on behalf of the Municipality, by resolution of the Municipality, shall subject to the provisions of section 3 of the Law of Evidence Amendment Act, Act 45 of 1988, upon its mere production constitute prima facie evidence of the contents of the certificate.

**62. PROVISION OF INFORMATION**

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A consumer, debtor, owner, occupier or person within the area of supply of the Municipality must provide the Municipality with accurate information requested by the Municipality that is reasonably required by the Municipality for the implementation or enforcement of this policy.

**63. AVAILABILITY OF POLICY AND BY-LAWS**

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- (1) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality shall be included in the Municipality's Municipal Code as required by the provisions of section 15 of the Systems Act.

- (2) The Municipality shall take all required legal steps to inform consumers, debtors, owners and occupiers of the content of this policy.
- (3) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality shall be available for inspection at the offices of the Municipality at all reasonable times.
- (4) A copy of this policy and the Credit Control & Debt Collection By-Law of the Municipality may be obtained from the Municipality against payment of an amount as determined by the Council.

**64. BY-LAW TO GIVE EFFECT TO THIS POLICY**

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The Municipality shall adopt a by-law known as the Credit Control & Debt Collection By-Law to give effect to the implementation and enforcement of this policy.

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# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

PO Box \_\_\_\_\_ • Rustenburg • Tel: \_\_\_\_\_ (office hours) • Email: \_\_\_\_\_ •

• Cashier hours: 07:30 – 15:30 (Mondays to Fridays) • **08:00 – 12:00 (Saturdays)** •

ACCOUNT NO.:													
RECEIPT NO.:													

**\*\*Mark if applicable with a “X”**

Type of Application:			Commercial / Industrial		Institutional	
Type of Customer:	Individual	CC	Partner	Pty (Ltd)		Owner
<b>Particulars of Applicant</b>						
Name of corporate entity:						
Registration number of corporate entity:						
VAT Registration No.: (if applicable)						
Surname:					Initials:	
ID Number:						
Marital status:	Married	Unmarried	Single	Divorce	Widowed	
If married – in / out of community of property:						
Occupation:						
Tel. No. (Home):			Tel. No. (Work):			
Cellphone No.:			E-mail:			
<b>Details of spouse where married in community of property:</b>						
Surname:					Initials:	
ID Number:						
Occupation:						
Tel. No. (Work):			Cellphone No.:			
E-mail:						
<b>Address of Applicant:</b> (for purposes of statement delivery and physical address for the delivery of notices and documents)						

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

<b>Physical Address:</b>			
		<b>Postal Code:</b>	
<b>Postal Address:</b>			
		<b>Postal Code:</b>	
<b>Next of Kin: (family members)</b>			
1.	<b>Name:</b>		<b>Tel. No.:</b>
<b>Physical Address:</b>			
2.	<b>Name:</b>		<b>Tel. No.:</b>
<b>Physical Address:</b>			
<b>Employer's Details:</b>		<b>Name:</b>	
<b>Physical Address:</b>			
<b>Tel. No.:</b>			<b>Period in Service:</b>
<b>Gross Monthly Income:</b>			
<b>Source of monthly income, if other than salary:</b>			
<b>Credit References:</b> (Please provide at least 2 credit references)			
<b>Name of Company:</b>			
<b>Physical Address:</b>			
<b>Account Number:</b>		<b>Tel. No.:</b>	
<b>Name of Company:</b>			
<b>Physical Address:</b>			
<b>Account Number:</b>		<b>Tel. No.:</b>	
<b>Particulars of Owner (if not Applicant)</b>			
<b>Name of corporate entity:</b>			
<b>Registration number of corporate entity:</b>			
<b>Surname:</b>		<b>Initials:</b>	
<b>ID Number:</b>			

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

<b>Occupation:</b>			
<b>Tel. No.:</b>		<b>Cellphone No.:</b>	
<b>Physical Address:</b>			
		<b>Postal Code:</b>	
<b>Property to which municipal services must be provided</b>			
<b>Suburb:</b>			
<b>Zone:</b>		<b>Stand No.:</b>	
<b>Street Name:</b>		<b>Street No.:</b>	
<b>Number of persons over the age of 18 years living on the property:</b>			
<b>Conditions of Agreement</b>			
<b>Copies of documents to be produced/submitted</b>			
1. Identification document must be produced. 2. <del>Proof</del> of property ownership (Deeds information) 3. In case of Close Corporation:   (i) Ck2 Document submitted; (ii) Resolution submitted. 4. In case of a Company:   (i) Company Articles of Incorporation submitted; (ii) Resolution submitted.			
<b>Definitions</b>			
The headings of the paragraphs in this Agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of, nor modify, nor amplify, the terms of this Agreement, nor any paragraph thereof.			
<b>"Customer"</b> means the person indicated as "applicant" on the form page of this Agreement, irrespective of whether he/she/it or someone else actually consumed or use the service or not.  <b>"Domicilium"</b> means the chosen address where notices must be delivered.  <b>"Municipality"</b> means the Rustenburg Local Municipality.  All other words shall bear the normal meaning of such word.			
<b>Authorisation</b>			



## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

I guarantee that I am duly authorised by the Applicant to apply for the supply of this/these services and to sign the application form and this agreement. I hereby admit that I am liable, and hold myself bound to for the due and proper payment of any amounts due to the Municipality and which arises as a result of the supply and provision of the municipal services by the Municipality and the payment of the fees, charges and tariffs levied by the Municipality in relation to the said municipal services or the availability thereof, should it be found that I signed this agreement without proper authorisation.

### Conditions for the supply and provision of municipal services

1. The supply and provision of and payment for the municipal service(s), fees, charges and tariffs levied by the Municipality shall be subject to and in accordance with the laws of SA, the By-laws of the Municipality and the Policies adopted from time to time by the Municipality, and which specifically govern or stand in relationship to the provision of the services.
2. I acknowledge that I/we have read and understand the contents of the relevant By-laws and Policies, which were available to me. The contents of the Credit Control and Debt Collection Policy and By-Law, the Tariff Policy and Tariff By-Law, the Rates Policy and Rates By-Law, Water Services By-Law and Electricity By-Law of the Municipality are herewith incorporated into this agreement by reference and the terms and conditions contained therein shall apply to the legal relationship between me and the Municipality.

### Jurisdiction

Without prejudice to the rights of the Municipality, at its option, to institute proceedings in any other court having jurisdiction, the Municipality and the Customer hereby consent in terms of section 45 of the Magistrate Court Act, Act 32 of 1944, to the Municipality taking legal action for the enforcement of any rights under or arising from this agreement in a Magistrate Court, which has jurisdiction in respect of the Customer, in terms of section 28(1) of the Magistrates Court Act, notwithstanding the above will the parties have the right to approach the Supreme Court.

### Payment for services

The Customer shall be liable for the payment of all and any municipal services consumed by the customer and/or delivered, supplied or rendered to the premises referred to in this agreement as well as the relevant and applicable fees, charges and tariffs levied by the Municipality regarding such services, before or on the date indicated on the monthly statement.

The Customer is also liable for the costs of debt collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees, if applicable.

The Customer agrees that the non-receipt of a statement does not exempt the Customer from the duty to enquire from the Municipality the outstanding debt on the account and to make payment to the Municipality of the debt.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### Direct payments

Direct payments for electronic payments can be made into the bank account of the Rustenburg Local Municipality: \_\_\_\_\_ Bank

Branch: \_\_\_\_\_

Account No.: \_\_\_\_\_

Branch Code: \_\_\_\_\_

In order to allow for the Municipality to process electronic payments, the Customer must state the municipal account number as reference with the deposit, and four (4) official business days must be allowed for processing.

### Waiver

The Customer hereby expressly renounces the benefits of the non reason or profound cause of the existence of the debt, the cases where there is a element of bookkeeping or accounting calculation is involved, the revision of accounts, no value recorded and, if there is more than one debtor, the debtor is jointly or separately liable for the debt or the creditor obtains the right to first act against the guarantor before the main debtor is excused.

### Domicilium

The Customer chooses as the address where notices must be delivered, the address indicated as street address on the front page of this agreement.

### Change of address and/or information

The Customer expressly undertake to inform the Municipality within 3 (three) days after such occurrence:

1. or any change of any address indicated on the front page of this agreement;
2. of the change of any particulars or personal circumstances indicated on the front page of this agreement.

### Discontinuation of service

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The Customer specifically agrees to inform the Municipality immediately in writing when the service is no longer required and specifically accept responsibility for the payment of services consumed as a result of any failure to inform the Council that the service is no longer required.

### Indemnity

I hereby indemnify and hold harmless the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality from any liability of whatsoever nature for any loss or damages of whatsoever nature howsoever arising whether, direct or consequential, suffered or sustained, as a result of or arising from the provision, limitation, disconnection or termination, interruption or any other abnormality arising from the supply of municipal services, or any act or omission done by the Municipality or any employee, official, person, body, organisation or corporation acting on behalf of the Municipality.

### Deposit

A deposit shall be forfeited to the Municipality if it has not been claimed within three years of the termination of the service agreement.

I hereby confirm that I have read, know and understand the contents of this agreement and agree to be bound thereby.

\_\_\_\_\_  
**APPLICANT**

\_\_\_\_\_  
**MUNICIPALITY**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**SIGNATURE OF OWNER**  
(if not Applicant)

\_\_\_\_\_  
**DATE**

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## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

FOR OFFICE USE ONLY			
Deposit paid:	Date:		
	Amount:		
	Receipt No.:		
Account Number:			
Commencement of date of service:			
Area Code:			
Meter reading on commencement of services:		Electricity:	
		Water:	

-

# **Rustenburg Local Municipality**



## **Draft Expenditure Management Policy**

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## **1. ABBREVIATIONS**

<b>CFO</b>	– Chief Financial Officer
<b>CM</b>	– Council Minutes
<b>IDP</b>	– Integrated Development Plan
<b>MBRR</b>	– Municipal Budget Reporting Regulations
<b>MFMA</b>	– Municipal Finance Management Act, Act No. 56 of 2003
<b>MSA</b>	– Municipal Systems Act, Act No.32 of 2000
<b>MSTA</b>	– Municipal Structures Act No.117 of 1998
<b>MTREF</b>	– Medium Term Revenue and Expenditure Framework
<b>SDBIP</b>	– Service Delivery and Budget Implementation Plan
<b>GRN</b>	– Goods Received Note
<b>CSD</b>	– Central Supplier Database
<b>VAT</b>	– Value Added Tax
<b>EFT</b>	– Electronic File Transfer

## **2. DEFINITIONS**

**"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 the annual budget approved by a municipal council; and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

**"Assets"** means resources controlled by the Municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the Municipality.

**"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;

**"Chief Financial Officer"** means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; who is administratively in charge of the budget and treasury office as per section 81(1) (2) of the MFMA;

**"Councillor"** means a member of 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"** means the power to perform a function or duty which is given to office bearer, Councillor or staff members either in terms of section 59 of the MSA or section 79 of the MFMA;

**"Executive Mayor"** means the Councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act 117 of 1997;

**Expenditure Management** means all the procedures necessary to ensure that the payments of sums owed by the directorate are made in an efficient, effective and timely manner.

**"Generally Recognised Accounting Practice"** means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

**"Financial statements"** means statements consisting of at least –

- a) Statement of Financial Position;
- b) Statement of Financial Performance;
- c) Cash-Flow Statement;
- d) Any other statements that may be prescribed; and
- e) Any notes to these statements;

**"Financial year"** means a twelve-month period commencing on 1st July and ending on 30th June each year;

**"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 the municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170 of the MFMA;
- b. Expenditure incurred by the 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 the 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 the 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 the municipality which falls within the definition of "unauthorised expenditure";

**"Local community"** means that body of persons comprising-



- a) the residents of the municipality;
- b) the ratepayers of the municipality;
- c) any civic organisations and non-governmental. private sector or Labour organisations or bodies which are involved in local affairs within the municipality: and
- d) 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 includes, more specifically, the poor and other disadvantaged sections of such body of persons;

**"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;

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

**"Municipal entity"** means company, co-operative. trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities. and includes, in the case of a company under such ownership control, any subsidiary of (hat company; or (b) a service utility (Municipal Systems Act 32 of 2000)

**"Municipality"** means the Rustenburg Local Municipality;

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

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

**"Official"** means –

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

**"Overspending"** means -

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

**"Previous 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 refer to as the 1st quarter;
- b) 1 October to 31 December refer to as the 2nd quarter;
- c) 1 January to 31 March refer to as the 3rd quarter
- d) 1 April to 30 June refer to as the 4th quarter;

**"Service Delivery and Budget Implementation Plan"** means a detailed plan approved by the executive mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services;

**"Unauthorised expenditure"** means any expenditure incurred by a municipality otherwise than in accordance with sections 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 directorate 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 or a grant by the municipality otherwise than in accordance with the MFMA;

**"Vote"** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different directorates of the municipality; and which specifies the total amount that is appropriated for the purposes of the directorate concerned and includes:

• Office of the Municipal Manager; Corporate Support Services; Budget and Treasury; Technical and Infrastructure Services; Community Development and Planning & Human Settlements;

**"Vote holder"** means the senior manager to which the vote is assigned.

### **3. OBJECTIVE**

The objective of the Rustenburg Local Municipality Expenditure Policy is –

- to set out Standard Operating Procedures that the municipal officials need to adhere to;
- to promote accountability and compliance with MFMA Act 56 of 2003 on payments made by the municipality;
- ensure that the principles applied, as a result of this policy, will enhance and support a healthy working capital position for the Rustenburg Local Municipality;
- set out a framework for Rustenburg Local Municipality to deal with:
  - All expenditure related transactions;
  - Unforeseen and unavoidable expenditure;
  - Unauthorised, Irregular and Fruitless and wasteful expenditure
  - To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes; and
- ensure that all monies due by the municipality is paid in full within the 30 days of date of invoice or statement; whichever is the latest as prescribed by the Municipal Finance Management Act, 2003 (Act No.53 of 2003)

### **4. EXPENDITURE MANAGEMENT**

#### **4.1 Payments to creditors**

- All payments due must be settled within thirty (30) days “as per the section 65 of the MFMA” from the invoice date, and in the case of civil claims, from the date of settlement or court judgement
- Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality

**Supporting documentation that must accompany the request for payments is as follows:**

- an invoice made out to Rustenburg Local Municipality, with the supplier name, invoice date, invoice number, supplier VAT number (where applicable), description of goods/services, contact details and supplier banking details;

- the suppliers' statement, a GRN certificate approved in line with the delegated authority, as well as the CSD
- confirmation that there are sufficient funds on the vote number (budget availability);
- Invoices or statements submitted for payment to the Creditors' office by any Directorate shall be in such form as may be required by the CFO and must state the reference to the relevant vote to meet such payment.
- Vendor invoices must be reviewed for accuracy by comparing charges to purchase orders.
- Verification of goods and services purchased should be performed by the end-user directorates before any payment is recorded to confirm that they have been received.

Directors shall advise the CFO by means of the financial delegations of authority document as approved by the Accounting Officer of the names of officials empowered to sign payment vouchers and authorise payment of accounts

When a Directorate authorises the payment of accounts the signatory certifies and authorises that:

- a) All processes in terms of the Supply Chain Management Policy of the Municipality had been followed, according to the directorates' knowledge;
- b) The goods and services have been received and rendered in good order and are under the control of the Municipality
- c) The account has not previously been submitted for payment;
- d) The invoice amount is not in contra to the contract amount;
- e) Sufficient budgetary provisions exist;

Payments must only be made on the date(s) and/or days indicated on the payment schedule approved by the CFO unless prior approval to effect payment on a different date is obtained from the Accounting Officer.

The Accounting Officer has the powers to delay payments beyond 30 days on negotiation with the supplier with a reasonable motive to challenges that result in failure to pay within the stipulated period.

#### **Interest on late payments**

*No interest will be payable by the Municipality on any late payments unless due to negligence on behalf of an official of the Municipality.*

In the case that the interest charged is due to the negligence of an official of the Municipality, the expenditure is classified as fruitless and wasteful expenditure and consequence management must be adhered to.

#### **Salaries, Wages and Allowances & Third-Party Payments**

The CFO shall be responsible for the calculation and payment of salaries, wages and allowances.

Payment shall be made in accordance with payroll batch approved by the Unit Head Expenditure to a nominated bank account of the municipal employee or Councillor.

The Payroll Section compiles a payroll batch with all relevant information of each employee and submits it to the Creditors office for allocation of payments.

The Directorate: Corporate Services is responsible to notify the **Unit Head: Financial Management Services** of all appointments, promotions, dismissals, resignations, transfers, absences for any reasons, and all matters affecting the emoluments of employees of the municipality.

The submission of such information to the CFO as may be determined from time to time.

The Directorate: Corporate Support Services shall be responsible for the maintenance of all records essential for the accurate determination of emoluments and leave due to employees of the municipality.

### **Banking details**

*Any changes to creditors' banking details will only be allowed when the following procedures have been met:*

An original letter from the banking institution confirming the supplier's banking details with the bank official stamp and signature.

The banking details must appear on the Central Supplier Database (CSD) as a preferred bank account

### **4.2 Retentions**

The respective Directorates shall submit all requests for payment complete, properly certified, approved in line with the delegation of authority, Supply Chain Management policy & MFMA and accompanied by the relevant invoices, completion certificate and other supporting documentation to the Creditors' Office at least 7 days before the payment run date.

Expenditure section must record retention on each payment made to projects that attract retention and maintain a retention register.

At the end of the projects, 50% of the retention value is released and a Practical Completion Certificate must be submitted with the claim. The remaining 50% of the retention amount will be released after the defects liability period as per contract with the Final Completion certificate.

Reconciliations of the retention register, and the General Ledger must be reviewed by the manager and approved by the CFO.

### **4.3 Petty Cash Payments**

The following procedures must be followed in respect of petty cash payments:

- Every petty cash requisition must be supported by proper supporting documentation such as cash sale slips or receipts etc. Therefore, if cash is advanced without supporting documents it should be based on an advance until the purchase is made and the supporting document is submitted within the prescribed time, e.g. a week.
- Each requisition/expense must be entered onto the petty cash register
- No request for petty cash transactions may be lodged for items that is held as inventory in the municipal stores.
- The voucher must be signed by the person making the payment and the person that rendered the payment for purchases.
- All vouchers must be signed by a duly authorised official for the relevant user directorate.
- Supplement to the petty cash advance made must be done on a regular basis.
- All signed schedules and vouchers supported by the relevant invoices and vote allocations
- The register must be balanced and reconciled weekly. And the reconciliation must be signed by the employee compiling it, whilst the Head: Expenditure must review and sign it off.

### **4.4 Grant Expenditure**

All project related claims shall be certified at project management level and by relevant directorate managers before forwarding for payment to ensure validation of data relating to claim and to avoid unauthorised, irregular, and fruitless and wasteful expenditure.

Expenditure section must ensure that the project expenditure is within allocated budget as per contract and retention is correctly accounted for on the financial system before payments are effected.

No payments will be allowed in respect of projects to be financed from external grants unless grant funding has been received.

Council may, however, approve payments before any funds have been received but only where funds have already been committed to in writing, by the relevant state directorate or other institution.

### **4.5 Capital Expenditure**

Spending on capital projects shall be incurred only when—

1(a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2) of the MFMA;

(b) the project, including the total cost, has been approved by the council;

(c) the sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project, the council 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.

#### **4.6 Withdrawals from Bank Account**

Any withdrawal from a bank account; in the name of the Rustenburg Local Municipality, may only occur in terms of section 11 of the MFMA.

All withdrawals must comply with the Cash & Investment Policy of the Rustenburg Local Municipality and shall be signed or authorised by not fewer than two people as authorised by the Accounting Officer.

The delegation of authority (Access to the Banking System) for officials to authorise electronic payments shall be in writing, kept on record and be reviewed as and when required by the Accounting Officer. Copies of such letters of authority will be kept by the Budget and Treasury Office.

#### **4.7 Subsistence & Allowance**

The municipality must ensure that when the travelling forms are received with the correct vote numbers on the documents and the correct amounts are recorded according to the day a person is travelling. (refer to Subsistence and Travelling Policy)

#### **4.8 RECONCILIATIONS**

Reconciliation activities must be performed before any payment is captured to confirm that the payment is for the approved purchases and is being billed correctly.

Creditors reconciliation should be performed to assure accuracy and timeliness of expenses.

### **5. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

Before recommendation of a supplier is made to the relevant directorate, the Supply Chain Management Unit must ensure that:

- a) All supply chain processes are duly followed in order to avoid irregular expenditure;
  - b) The recommendation of the supplier is directed to the employee with the appropriate level of authority; and
  - c) The prices, calculations and any taxes are correct in terms of the quotation or tender received;
- II. All money owed by the Municipality must be paid within thirty (30) days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
- III. Payments will only be made directly to the person or institution to which a contract was awarded and from which the invoice is received for legally rendering the service to the Municipality.
- IV. All Unauthorised, Irregular, Fruitless and Wasteful Expenditure will be dealt with in terms of Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings promulgated in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

Section 32 (2) of the MFMA state that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—

- (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
- (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- (c) the steps that have been taken—
  - (i) to recover or rectify such expenditure; and
  - (ii) to prevent a recurrence of such expenditure.



**Responsibility of the accounting officer with regards to expenditure management: Section 65 -MFMA**

The accounting officer of municipality is responsible for the management of the expenditure of the municipality and must, among others ensure-

- that the municipality has and maintains an effective systems of expenditure control, including procedures for the approval, authorisation, withdrawal, and payments of funds;
- that the municipality has and maintains a system of internal control in respect of creditors and payments;
- that payments made by the municipality are made-
  - (i) directly to a person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
  - (ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only up to a prescribed limit.
- That all money owing by the municipality be paid within 30 days on receipt of relevant invoices or statements, unless prescribed otherwise for certain categories of expenditure.
- That municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments.
- That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.
- That all financial accounts of the municipality are closed at the end of each month and reconciled with its records.
- that the municipality has and maintains a management, accounting and information system which-
  - (i) recognises expenditure when it is incurred;
  - (ii) accounts for creditors and payments made by the municipality;
- Avoid and report on Unauthorised, irregular, fruitless and wasteful expenditure as soon as it occurs.

Expenditure on staff, including Councillors are reported in line with section 66 of MFMA

**Segregation of duties**

The Accounting Officer must implement processes and control procedures that segregate duties among employees and that include effective oversight of activities and transactions.

Officials with access to create purchase orders or enter accounts payable invoices are not allowed access to add or change records on the system, nor approve those

purchase orders. A person independent of the purchase order creation must approve the purchase order.

However, users with access to create accounts receivable invoices have retained access to add or change customer records on the system.

Officials who create purchase orders may approve receipt of goods for those purchase orders.

Officials who enter or review accounts payable invoices must not approve payment of those invoices and may not review or enter invoices and also approve invoices within the same user group. A person independent of the invoice review process must approve invoice payments.

The supporting documentation to invoices may only be signed off by authorised delegates who do not have access to create the accounts.

Journals may only be approved by a person independent of the creation of the journal.

## **6. INTERNAL CONTROL PROCESSES**

An official may not; spend, or enter into a commitment to spend public money except with the approval (either in writing or by duly authorised electronic means) of accounting officer or a properly delegated or authorised officer.

Before recommendation of a supplier is made to the relevant directorate, the supply chain unit must ensure that: -

- a. All supply chain processes are duly followed to avoid irregular expenditure;
- b. The recommendation of the supplier is directed to the employee with the appropriate level of authority; and
- c. The prices, calculations and any taxes are corrected in terms of the
- d. quotation or tender received.

The authority to initiate payments or purchases is outlined in the Delegation of Authority document approved by the Accounting Officer.

All procedures above are applicable to all municipal officials who may, at any given time, form part of an expenditure process and all payments may only be processed once all related procedures are adhered to.

A payment batch must be performed during the processing of payments to confirm information on the system agrees to the information on the payment voucher.

An EFT File is created to verify that the proof list and payment voucher reports are done.

The batch reports (EFT File and Remittance advice) are then printed for approval by the Expenditure Unit and Section Managers or by the Deputy CFO.

**7. IMPLEMENTATION AND REVIEW OF POLICY**

This policy shall be implemented from the date of approval by Council and shall be reviewed on annual basis to ensure that it is in line with Rustenburg local Municipality's strategic objectives and legislation.

[illegible]

**RUSTENBURG LOCAL MUNICIPALITY  
PETTY CASH VOUCHER**

**Applicant**

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Directorate: \_\_\_\_\_ Unit / Division: \_\_\_\_\_

**Goods / Services**

DESCRIPTION (FULL) :	AMOUNT
ALLOCATION	/   /

**Payment**

I hereby acknowledge receipt of R \_\_\_\_\_ ( \_\_\_\_\_ )

Applicant (print name): \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Paid by: \_\_\_\_\_ Witness: \_\_\_\_\_

**Certificate**

I, the undersigned official of council, certifies that: the goods / services were received in full and in good order on behalf of council; the goods / services will be used for the purpose it was purchased for; the work was completed to my satisfaction; the price charged is reasonable and / or according to the contract / tender / quotation; the amount was spent to enhance council's interest; the expenditure is correct and according to the approved budget and allocation; I will return all unused material to the council's stores; where necessary I will ensure that the assets purchased are included in the official asset register; I accept responsibility for this order and payment may proceed.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Date

**Director Finance**

Checked on behalf of the Director Finance: \_\_\_\_\_ Date: \_\_\_\_\_



# **Rustenburg Local Municipality**



## **FLEET MANAGEMENT POLICY**

**REVIEWED: NOVEMBER 2018**

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## **FLEET MANAGEMENT POLICY**

### **INTRODUCTION**

Rustenburg Local Municipality adopted and implemented the policy to put measures in place that govern the use of council vehicles, disciplinary procedures, the maintenance procedures and other related matters.

The policy covers all types of vehicles owned by the Municipality, whether allocated to directorates or form part of pool items, items from donor organizations (if any) and any item hired by the Municipality.

It must be noted that this policy will be reviewed, revised and refined as an on-going framework and will therefore be subject to changes and adjustments.



**SECTION 1. OBJECTIVES AND SCOPE**

- 1.1 Fleet within a Municipality is supplied as a tool of trade to support the Municipality in the delivery of its objectives. Therefore, the aim of this policy is to ensure that Municipal fleet is used in the most cost-effective manner and also to ensure the correct and relevant utilization thereof.
- 1.2 Every driver in the Municipality must be given a copy of this policy before he/she is allowed to drive/operate the vehicle, machinery or equipment and should be made aware of what the policy entails. Non-compliance with standing rules contained in this document will render the offending official liable to disciplinary action.
- 1.3 The municipality may to some extent recover any losses suffered as a result of proven negligence of the driver/operator. The MFMA in Section 32(2) states that a municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### SECTION 2. DEFINITIONS

**“Municipality”** means the Rustenburg Local Municipality

**“Fleet manager”** means an official appointed by the Municipality to preserve and manage the correct utilization and maintenance of the Municipal fleet.

**“Directorate vehicle”** means a vehicle permanently allocated to a directorate for its exclusive use, operated and maintained by its own budget.

**“Pool vehicle”** means any vehicle other than directorate vehicles and are for general use by officials / employees subject to availability.

**“Wear and tear”** means any loss or damage to a vehicle resulting from reasonable usage of the vehicle such as cracked or broken glass, stone chips, minor scratches, reasonable tyre wear etc.

**“Major scratches”** means an area on a vehicle where the clear coat is opened and the base coat damaged, necessitating a re-spray.

**“Municipal manager”** includes any delegates of the Municipal Manager;

**“Underbody damage”** means excessive damage to the exhaust system, underbody protection, chassis, sump guard etc.

**“Unofficial passenger”** means an unauthorized person found in an official transport or persons whose conveyance are not necessary for the execution of official duties as well as any employee(s) who is off duty or any private property which may be conveyed without written authority from the Directorate head concerned.

**“Designated parking premise”** means an official parking area used for parking Municipality vehicle at the end of a shift.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**“Driver/operator”** means an official / employee of the Municipality in possession of a valid unendorsed driver’s license, which enables him/her to drive/operate a specific category of a vehicle/machinery.

**“Classification code or fleet number”** means a code or number used to identify a Municipality’s vehicle.

**“Vehicle inspector”** means an official appointed by the Municipality to check, inspect, and monitor driver/vehicle performance.

**“Private repair”** means repairs to Municipality’s vehicles by a party other than an authorized dealer, recommended by the insurance company or service provider approved by the Municipality.

**“Accident”** means an incident resulting in loss or damage to a Municipality vehicle but excluding fair wear and tear.

**“Safe parking”** means designated municipal parking

**“Road traffic act”** means the National Road Traffic Act, 1996 (Act No. 93 of 1996) as amended.

**SECTION 3. PROPER USE OF MUNICIPAL VEHICLES**

- 3.1 Municipal vehicle is strictly provided for official services only and not be used for private purpose. Council will provide the transport to on-duty employees in accordance with its operational requirements as well as in specific circumstances set below, approved by the relevant director/line manager
- a) Shifts
  - b) Overtime
  - c) Standby
  - d) Training courses
  - e) Meetings
  - f) Injury on duty
  - g) Employees wellness related needs & sporting events
- 3.2 The Municipal vehicle shall only be driven by a Municipal employee with an approved authorized trip request by the line Manager.
- 3.3 Assessment for new council employees in possession of a driver's license will be conducted using a Council vehicle and all other employees will be re-assessed as an when need arise, provided the assessment is conducted by Municipal Driver's License Testing Officials to verify competency of the driver to operate the specified vehicle.
- 3.4 No Council vehicle may be used for informal driver training, such as by other council drivers, or related testing to obtain a driver's license.
- 3.5 The driver must be licensed in terms of the National Road Traffic Act for the class of vehicle under his/her control.
- 3.6 The allocation of vehicles, machinery, equipment and plant to other Directorates is at the discretion of the Director there-of. He/she must ensure that the "party" borrowing the vehicles, machinery equipment, plant etc. will meet the operational control requirements.
- 3.7 It is the responsibility of the driver to ensure that Logbooks with specific details are kept up to date and inspected by the Unit /Section Managers or designated representatives at least once a week.
- 3.8 No employee shall drive or operate any municipal vehicle unless he/she is fully authorized to do so.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- 3.9 Drivers are expected to use the shortest route to their destination so as to secure maximum operating efficiency at minimum expense.
- 3.10 Transporting unauthorized passengers using Municipal vehicles i.e. offering a lift to a hitchhiker, an off duty employee, a friend, or a family member is strictly prohibited. The Municipality accepts no liability for any unauthorized passenger transported without authorization.
- 3.11 Official transport is to be used in all instances where personnel and Councilors, who do not participate in transport allowance scheme, need to travel within / outside the Municipal area of jurisdiction by completing the relevant prescribed forms.

### **SECTION 4. DRIVERS CODE OF CONDUCT**

#### **4.1. Responsibility of the driver**

- 4.1.1 Municipal vehicles can only be driven by authorized Municipal employees, except in special cases such as when the vehicle is driven by a private service provider's for the purpose of repairs or testing (**TR8 form must be completed**)
- 4.1.2 The driver to take a full responsibility of the Municipal vehicle once a vehicle is taken by him /her until such time vehicle keys are returned back to the office.
- 4.1.3 Drivers to ensure that malfunction of a drivers tag is reported to Fleet Manager immediately. Should a manual fuel transaction be required the relevant Unit Manager must motivate the request to the Fleet Manager. Only two (2) manual transactions will be allowed per vehicle.
- 4.1.4 Councilors (except the Executive Mayor, Speaker and Chief whip) are not allowed to drive official vehicles. Official transport arrangements for the Mayor, Speaker and Chief whip are to be handled by the Manager at their respective office and for all other Councilors by the office of the Mayor and or Office of the Speaker.
- 4.1.5 The full co-operation of all employees concerned is required to ensure that the municipal Transport System functions efficiently at all times. All drivers are expected to accept and exercise the responsibilities associated with the operation of vehicles, as described in this Policy and Procedures document.

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4.1.6 Arrangement shall be made through the Vehicle Workshop and Directorate: Public Safety to assess the driving ability and skill of all/any potential new driver(s) appointed by the Council before being authorized to drive any Council vehicle and reassessment of drivers will be conducted every 12 months.

4.1.7 The driver must have an **unendorsed** valid driver's license and where applicable a Valid PrDP license as well.

4.1.8 Before issuing of a driver's tag, such a driver must be well conversant with the content of this policy and signed acknowledgement of same.

### **4.2 USAGE**

4.2.1 Municipal transport is provided strictly for official purpose only and is not to be used for private purposes.

4.2.2 When a municipal vehicle is to be used, the driver must ensure that a copy of the Trip Authority duly authorized and signed, is held in the vehicle. Especially if the vehicle would be used outside the Rustenburg Local Municipality area of jurisdiction.

4.2.3 All municipal vehicles and mobile plant must be issued with a logbook. The driver/operator is required to record all his/her daily trips point to point in the logbook, of which the top sheet is to be detached or copy made and handed to his/her/Supervisor for checking on a weekly basis and retention for record purposes.

### **4.3. PUBLIC IMAGE**

All municipal vehicles shall be driven in a SAFE and COURTEOUS manner, which will promote the Municipality's PUBLIC IMAGE. Municipal drivers, vehicles and work teams are constantly in public view. Their behavior shapes the public concept of municipal efficiency in general.

### **4.4. CAREFUL HANDLING**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

Municipal vehicles shall at all times be driven and handled with proper care and attention, to obtain the best mechanical service and avoid infringements of the law. Any evidence of neglect, rough handling or reckless driving shall be reported to the relevant Director/Unit/Section Manager concerned. In the event that directors fail to take relevant action, the Municipal Manager has to implement consequence management.

### **4.5 INSPECTION OF VEHICLES**

4.5.1 Pre and post inspection of vehicles are to be carried out by drivers/operators on a daily basis and inspection form to be kept in a file for record purpose.

4.5.2. Every driver of a municipal motor vehicle must at all times ensure that the vehicle is in a roadworthy condition by completing inspection forms, failing which he/she will be responsible for the payment of any traffic fines that may be imposed.

4.5.3. The last user of a vehicle will be held responsible for any unreported damage/defects/loss. The onus is therefore on each driver to thoroughly inspect and report any damage/defects/loss to the supervisor and insurance office prior to acceptance.

4.5.4 All municipal vehicles will be inspected periodically by designated staff appointed by the Unit/Section Managers to ensure that a proper state of cleanliness, repair and efficiency is being maintained by the driver/person responsible for the vehicle. Ad hoc inspections will be done by the Fleet Management team and Unit Manager on all Municipal Vehicles on quarterly basis

4.5.5 Any senior manager of the Municipality has the right to stop and inspect any municipal vehicles and check for trip authorization

### **4.6 TRANSGRESSIONS**

Failure to comply with the content of this policy and any other additional instructions issued by the relevant Director/Unit/Section Manager or Fleet Manager renders the offending employee liable to disciplinary action

#### **4.7 RULES AND SAFETY**

All the users of the municipal vehicles must ensure that they comply with the safety prescription contained in terms of National Road Traffic Act (NRTA) and other safety measures set by the municipality

#### **4.8 PROFESSIONAL DRIVING PERMITS**

4.8.1 Unit Managers to ensure that drivers are possession of Professional Driving Permits (PrDP's) for heavy vehicles as per the following categories

- a) Heavy goods vehicle above 3.5t GVM
- b) Articulated vehicles above 3.5kg GVM
- c) Breakdown vehicle
- d) Bus seating more than 12 passenger
- e) Mini- bus seating more than 12 passengers
- f) Refuse compactor
- g) Water tanker

4.8.2 It is the responsibility of Operators and drivers to ensure that their PrDP's are current at all times and renewed prior to the expiry date.

4.8.3 Supervisors are required to do regular inspections and keep records of all relevant licenses and PrDP's of drivers under their control to ensure that vehicles are operated by fully licensed drivers.

#### **SECTION 5. TRIP AUTHORITY**

5.1 All movements must have an approved trip authority and registered on the logbook. In normal circumstances, may be authorized by a Section Head or Unit Manager and in other circumstances by the Municipal Manager or Manager in the Office of the Mayor , Office of Speaker and office of the Single whip.

5.2 If a vehicle is based away from the Main Municipality offices e.g. satellite station(s) or an official is required to be on standby, then a trip authority can be issued against a weekly or monthly work plan.



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- 5.3 The signed trip authority and a logbook must be carried in the respective vehicle at all times; and be produced if requested to do so by the Traffic Official(s), Fleet Manager or Vehicle Inspector.

**NB:** Senior managers, Vehicle Inspectors, Fleet Manager and/or Traffic officials are mandated to stop any municipal vehicle at any given time to ascertain whether the necessary forms have been properly completed.

### **SECTION 6. PARKING OF MUNICIPAL VEHICLES**

- 6.1 All Municipality vehicles must be returned to their designated parking premises immediately upon return from an official trip or end of shift.
- 6.2 The vehicle must be properly locked, and keys must be kept away in a safe place.
- 6.3 When the vehicle is away from its designated parking premises, the parking place should be lockable or have a 24-hour security. The driver must use a steering or gear lock on the vehicle. Where secure facilities are not available, the vehicle should be parked at the nearest official property e.g. police station. The driver of the vehicle is responsible for ensuring that the vehicle is parked as safely as circumstances may permit.
- 6.4 Specific authority from the Unit/Section Manager concerned must be obtained before an employee will be permitted to safeguard any official vehicle at a private residence (TR3 Form).
- 6.5 Such vehicle shall be parked on the premises of the employee, preferably in a lockable garage, but in the event of this being impossible, the vehicle shall be kept out of sight of road users and/or passers-by, behind a locked gate/fence.
- 6.6 The driver must ensure that the gear-lock (where available) is engaged and the key is removed when the vehicle is not in use.
- 6.7 The driver is responsible for any tools and equipment left on or in the vehicle when taken home.
- 6.8 The driver will be held liable should these be stolen from a vehicle not kept in a locked garage. Where vehicles are not kept in a locked garage, loose equipment must be securely locked away in the house, flat or garage.

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- 6.9 To eliminate the possibility of the theft or loss of municipal assets, personal belongings and radio microphones whilst a motor vehicle is being serviced or repaired, all such items must be removed **BEFORE** the vehicle is delivered to the vehicle workshop or the relevant external service provider.
- 6.10 If vehicles are left at the service provider with such items still in the vehicle, the driver will be held responsible for any subsequent loss in this regard.

### **SECTION 7. VEHICLE KEYS**

- 7.1 Employees in charge of vehicles and shall ensure that all the times the ignition, door lock, fuel cap; gear-lock and other keys of the vehicle in use are suitably safeguarded against loss or theft.
- 7.2 In the event of a vehicle's keys being lost or mislaid, the driver shall not attempt to open the locking system of the vehicle, but shall obtain assistance from the Vehicle workshop.
- 7.3 At no time shall a driver leave his/her vehicle unattended without first switching off the engine and removing the ignition key, engaging the gear-lock (if installed) and removing the key.
- 7.4 Vehicle keys will only be replaced on production of a copy of the relevant loss report. All costs for keys will be for the user's account.
- 7.5 Spare keys to be kept in a safe when not in use and can only be made available in emergency cases through superintend at mechanical workshop

### **SECTION 8. DAMAGE, LOSSES AND THEFT**

- 8.1 An employee who takes over a municipal vehicle must ensure that any damage or loss is immediately brought to the notice of his/her supervisor in writing. Unless he/she complies with this instruction, he/she will be deemed to have received the vehicle in good order.
- 8.2 Any person found unlawfully removing fuel from a municipal vehicle or engaged in the unauthorized removal or exchange of any component on a municipal vehicle will be subjected to the strictest discipline, as prescribed in the prevailing Conditions of Service.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- 8.3 In the event of accident ,losses, theft or hijacking, the employee operating the vehicle shall immediately report the matter to his/her Supervisor, insurance and SAPS within 24hrs, who shall, in turn, ensure that the incident is dealt with in terms of the Municipality's Loss Control Policy Procedures Manual for Reporting of Incidents of Fraud/Theft/Loss.
- 8.4 In the event of accident, hijacking or armed robbery, the Unit/Section Manager concerned must ensure that the affected staff member(s) is/are given the necessary assistance in reporting the case to the relevant authorities and arrange for counseling if required
- 8.5 An official who is injured whilst using a Municipality vehicle on official duty either as a driver or as a passenger will be regarded as having been injured on duty and the matter will be dealt with in accordance with the arrangements applicable to injury on duty
- 8.6 Any Municipal vehicle may be subjected to a search by Municipal Security Personnel or by any official from supervisory level upwards.

### **SECTION 9. WITHDRAWAL OF PRIVILEGES**

The Municipality, at its discretion, may withdraw any privilege and/or take disciplinary action against an official/employee, in the event of such official/employee having contravened any of the conditions contained hereunder:-

- 9.1 Driving under the influence of alcohol and/or intoxicating substance
- 9.2 Allowing any person or employee to drink alcohol or intoxicating substance while being transported on a Municipality vehicle.
- 9.3 Acting maliciously, intentionally or grossly negligent or permitting anyone else to willfully damage or misuse the Municipality's vehicle and equipment.
- 9.4 Failing to report any accident within the prescribed period.
- 9.5 Effecting a private repair.
- 9.6 In the event of a driver developing any disease or disability which will render him/her incapable of effectively controlling a vehicle and subject to a report from the Medical Doctor, he/she will be suspended temporarily or permanently from driving a municipal vehicle.

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- 9.7 Admitting liability for loss or damage caused due to an accident to an outside party, whether orally or in writing, without the consent of the Municipality.
- 9.8 Failing to conduct a pre and post inspection on the vehicle using the pre-check form (Form TR4);
- 9.9 Failing to complete and carry a logbook in a vehicle at all times (Form TR6)
- 9.10 Engaging on unsafe, loading a vehicle beyond its design capabilities.
- 9.11 Taking the vehicle to a private service provider without authorization of an order.
- 9.12 Calling out a private field service mechanic or towing services when his/her vehicle has a break down without authority from the Vehicle Inspector or Workshop Superintendent.
- 9.13 Failing to record fuel issues on the logbook of the vehicle
- 9.14 Failing to bring a vehicle for service.
- 9.15 Being involved in three or more accidents (and having been found guilty of misconduct) in a period of 24months
- 9.16 Using a Municipality vehicle for private purposes or personal gain.
- 9.17 Smoking in a Municipality vehicle.
- 9.18 Operating any hydraulic or lifting equipment on an official vehicle without a valid operator's certificate.

### **SECTION 10. BREAKDOWN PROCEDURES**

In the event of a breakdown, all care should be taken that the vehicle and its load are in the safest position possible and that warning triangles be placed at a distance of 45 meters in line with the center of the vehicle and in the direction of approaching traffic.

If the breakdown results in a traffic hazard, assistance must be requested from the Traffic Authorities.

- 10.1 In the event of a breakdown involving suspected brake failure, **THE VEHICLE MUST REMAIN STATIONARY**, to be moved only by the municipal breakdown crew.
- 10.2 Breakdowns must be reported to the Vehicle workshop.

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The following information should be provided to breakdown crew:

- 10.2.1 Names of driver and the Unit.
- 10.2.2 Vehicle registration or fleet number.
- 10.2.3 Exact location where the vehicle has broken down.
- 10.2.4 Possible causes of breakdown.
- 10.2.5 Evidence of leaks (oil, water, hydraulic fluid, air, etc.)
- 10.2.6 Where the fault is located (e.g. front, rear, side)
- 10.2.7 Whether the vehicle is bogged down.
- 10.2.8 Breakdowns outside normal duty hours should be reported as follows:

Municipal-owned vehicles

Standby Cell phone number or Call Center @ 064 757 4993 /014 590 3187

Driver to remain with the vehicle until assistance is received.

No towing company is allowed to tow any Municipal vehicle without the authority from the Vehicle Workshop or insurance office. In the case where a Municipal vehicle is involved in an accident or broken down and is obstructing traffic flow, they may be allowed to move the vehicle out of the way but only on the instruction from the police and/or traffic officials.

### **SECTION 11. ACCIDENTS**

- 11.1 in the event of an accident the driver/ operator must call the police, traffic officer, Vehicle Workshop Standby, supervisor and Head of Security of Rustenburg Local Municipality if possible. Accident to be reported within 24 hours to either or all of the officials mentioned above.
- 11.2 Driver or operators to complete an Incident Report Form and to be submitted to the insurance office. Under no circumstances must liability be admitted to any person at all or at any time, or payment offered or made to a third party until insurance processes were duly followed
- 11.3 In the event of a third party admitting liability, endeavors must be made to obtain a written statement from him/her to that effect.
- 11.4 Should the third party be suspected of being under the influence of intoxicating liquor or drugs, this fact must be brought under the attention of the police or traffic

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officer or Head of Security of Rustenburg Local Municipality called to the scene of the accident and every assistance must be rendered to him/her in ensuring that the suspected person is examined by a doctor as soon as possible in accordance with the Road Traffic Act of 1996

11.5 The following particulars must be obtained, preferably at the scene of the accident:

11.5.1 Registration number, make and type of the other vehicle(s);

11.5.2 The name, address, ID number, home and work telephone number of the driver and the owner of the other vehicle;

11.5.3 The name of the insurance company of the other vehicle;

11.5.4 The nature and extent of the damage caused to the other vehicle(s) in this particular accident only if there is previous damage to such vehicle this should be recorded and pointed out to the police or traffic officer;

11.5.5 The name, address, ID number, home and work telephone number and estimated age of any passenger(s) and/or pedestrian(s) involved in the accident and of any person(s) killed or injured, as well as nature and extent of injuries;

11.5.6 A description of animals and fixed objects involved in the accident and the name and address of the owner, in the case of animals and also the name and estimated age of any herdsman(men) who tended or drove the animals, as well as the nature and extent of injuries and damage.

11.6 Should the driver of the Municipality's vehicle be required to appear at an autopsy or inquiry or should any criminal or civil proceedings be instituted against him/her, he must immediately notify Legal Unit and submit the summons, subpoena or notification to appear served before him/her to this unit

### **SECTION 12. THIRD PARTY CLAIMS**

12.1 Third-party claims received must immediately be handed to the Directorate Budget and Treasury (Insurance Section).

12.2 If receipt of the claim is acknowledged, it must be stated clearly in the letter of acknowledgement that it is being done without prejudice and that the claim is

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receiving attention. The letter must contain no statement or admission that could possibly prejudice the Municipality's case.

### **SECTION 13. INSURANCE**

All municipal vehicles are covered by an insurance company appointed by the Municipality.

#### **13.1 FORFEITURE OF COVER BY THE DRIVER**

13.1 Use of Municipality vehicle without authority for other than official purposes.

13.2 Was not in possession of a valid driver's license.

13.3 Allowed the vehicle(s) to be handled by a person not authorized to do so.

13.4 Without authority, deviated from the authorized or official trip or route.

13.5 He/she was under the influence of intoxicating liquor or drugs

13.6 The concentration of alcohol in his/her blood was not less than that prescribed by legislation.

13.7 He/she was found guilty of contravening any of the Road Traffic Act and Regulations.

### **SECTION 14. FUEL AND OILS.**

14.1 Where employees in charge of the municipal vehicles require fuel and /oil, they shall obtain same from the Municipal fuel station

14.2 Where fuel is required in containers or to refuel small plant, the relevant Unit Manager must engage the Fleet Manager to authorize the request against a separate requisition and should be made for emergencies only

14.3 Drivers are to ensure that vehicles are at all times filled with enough fuel to reach the prescribed refueling station. Should the driver encounter empty tank away from the prescribed refueling station, he/she will be liable for this negligence.

14.4 When on tour, any service provider linked to the approved supplier of fuel can be used. All the relevant documentation and delivery notes must be submitted to the Fleet Manager upon return to the municipality

**SECTION 15. PROCEDURE TO REQUEST FOR OFFICIAL TRANSPORT**

- 15.1 The applicant must complete a TR1 form and the signed form must be submitted to the Fleet Manager timeously prior trip.
- 15.2 It is expected from the driver to complete the TR2 form should the trip be scheduled outside the jurisdiction of RLM.
- 15.3 The Fleet Manager will issue / approve a vehicle upon receiving fully completed necessary forms depending on the availability of the vehicle.  
The driver will then assume responsibility for the vehicle at that point and the vehicle will remain his /her responsibility until it is returned.
- 15.4 It is advisable that a driver under the centralized structure of the Fleet section be driving such a vehicle if possible. In the event where the applicant is required to be at the specific venue more than one day – due to availability of fleet – that the applicant be dropped at the location and the driver be informed – as specified on TR1 and TR2 – when to collect the applicant.

**SECTION 16. TRAFFIC FINES**

- 16.1 All fines obtained through transgression of Road Traffic Act will be borne by the Driver / operator.
- 16.2 Council shall recover outstanding fines from the salary of drivers where the transgressor fails to make payment in accordance to the Consequence Management Booklet adopted by council per item 221 of 29 July 2014.
- 16.3 All drivers to ensure that their municipal traffic fines and infringements are paid within one month of them being notified as such,  
failing to which the Municipality shall deduct such fines directly from the driver or operator salary the following month.

**SECTION 17. DISCIPLINARY PROCESSES AND PROCEDURE**



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Transgression in respect of this policy will be dealt with in accordance with the Council's collective agreement on disciplinary code

### **SECTION 18. LOAD ON VEHICLES**

18.1 The load on any vehicle must not exceed the load recommended by the manufactures of the vehicles

18.2 Drivers / operators must familiarize themselves with the maximum load capacity of the particular vehicle

### **SECTION 19. SMOKING IN A MUNICIPAL VEHICLE**

No smoking is permitted in a Municipal vehicle

### **SECTION 20. SUSPENSION OF EMPLOYEES FROM DRIVING MUNICIPAL VEHICLE**

20.1 In the event of a municipal vehicle being or having been subjected to misuse or irregular use, or the vehicle maliciously damaged by the driver; or

20.2 Where evidence exist that a driver is or was guilty of reckless or negligent conduct whilst driving a municipal vehicle, or such vehicle was involve in an accident; or

20.3 Where a driver of a municipal vehicle has been found guilty of driving such a vehicle under the influence of intoxicating liquor or narcotics, or whilst the concentration of alcohol in his or her blood was more than the allowed according to legislation: such driver will be suspended immediately from driving the municipal vehicles until such time a disciplinary tribunal has been concluded.

20.4 In the event of a driver developing any disease or disability which will render him / her incapable of controlling a vehicle effectively and subject to report from the medical practitioner, to the satisfaction of the municipal Manager, he/ she will be suspended temporarily or permanently from driving the municipal vehicle.

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### **SECTION 21. WILLFUL LOSS, DAMAGE OR MISUSE OF MUNICIPALITY VEHICLES AND EQUIPMENT**

The willful loss, damage or misuse of Municipality vehicles and equipment is unacceptable and will lead to prosecution.

### **SECTION 22. AMENDMENT OF POLICY**

This policy can only be amended by Council and will be renewed annually

**PRESCRIBED FORMS TO BE COMPLETED**

<b>FORM NO.</b>	<b>DESCRIPTION</b>	<b>PAGE</b>
<b>(TR1)</b>	<b>REQUEST FOR OFFICIAL TRANSPORT</b>	<b>22 -23</b>
<b>(TR 1.1)</b>	<b>REQUEST FOR OFFICIAL TRANSPORT &amp; DRIVER</b>	<b>24-25</b>
<b>(TR2)</b>	<b>AUTHORITY FOR TRIP OUTSIDE THE AREA OF JURISDICTION</b>	<b>26-27</b>
<b>(TR3)</b>	<b>AUTHORITY AFTER NORMAL WORKING HOURS</b>	<b>28-30</b>
<b>(TR4)</b>	<b>DAILY PRE &amp; POST CHECK LIST</b>	<b>31-32</b>
<b>(TR6)</b>	<b>VEHICLE LOGBOOK</b>	<b>33</b>
<b>(TR7)</b>	<b>VEHICLE DEFECTS</b>	<b>34</b>
<b>(TR8)</b>	<b>SPECIAL PERMISSION - OUTSIDE PERSONNEL</b>	<b>35</b>
<b>(TR9)</b>	<b>MONTHLY VEHICLE MACHINE RETURN</b>	<b>36-37</b>

**FORM TR1**

**RUSTENBURG  
LOCAL MUNICIPALITY**



**REQUEST FOR OFFICIAL TRANSPORT AND DRIVER**

I have been invited/ delegated to attend \_\_\_\_\_

at \_\_\_\_\_ (place) at \_\_\_\_\_ (time) on \_\_\_\_\_ (date)

and request that official transport be made available for this purpose.

Please select from the following options (if applicable):

Airport Drop-off: Lanseria ☐ Date \_\_\_\_\_ Time \_\_\_\_\_

Airport Collect: Lanseria ☐ Date \_\_\_\_\_ Time \_\_\_\_\_

Airport Drop-off: OR Tambo ☐ Date \_\_\_\_\_ Time \_\_\_\_\_

Airport Collect: OR Tambo ☐ Date \_\_\_\_\_ Time \_\_\_\_\_

A copy of the agenda/invitation is attached.

The following passenger/s will accompany me:

_____	_____
_____	_____
_____	_____
_____	_____

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

The vehicle is requested from \_\_\_\_\_ (time) on \_\_\_\_\_ (date)

until \_\_\_\_\_ (time) on \_\_\_\_\_ (date) \_\_\_\_\_

\_\_\_\_\_  
Signature (Applicant)

\_\_\_\_\_  
Date

\_\_\_\_\_  
UNIT MANAGER:

\_\_\_\_\_  
Date

\_\_\_\_\_  
DIRECTOR:

\_\_\_\_\_  
Date

### APPROVAL

The above-mentioned trip is hereby authorized/declined  
**FOR OFFICE USE ONLY**

Reason for declining:

-----  
-----

-----  
**Vehicle Make:**

-----  
**Vehicle Registration Number:**

\_\_\_\_\_  
**ADMINISTRATOR: FLEET**

\_\_\_\_\_  
**Date**

**FORM TR1.1**

**RUSTENBURG  
LOCAL MUNICIPALITY**



**REQUEST FOR OFFICIAL TRANSPORT AND DRIVER**

(Portfolio Committees, Mayoral and Council)

Name of Applicant \_\_\_\_\_

Please tick the appropriate box:

Attending Portfolio Committee ☐

Attending Mayoral Committee ☐

Attending Council Meeting ☐

Delivering of Agenda ☐

Indicate which portfolio or committee/ \_\_\_\_\_

at \_\_\_\_\_ (place) at \_\_\_\_\_ (time) on \_\_\_\_\_ (date)

and request that official transport be made available for this purpose.

A copy of the agenda/invitation is attached.

The following passenger/s will accompany me:

_____	_____
_____	_____
_____	_____
_____	_____

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

The vehicle is requested from \_\_\_\_\_ (time) on \_\_\_\_\_ (date)

until \_\_\_\_\_ (time) on \_\_\_\_\_ (date) \_\_\_\_\_

\_\_\_\_\_  
Signature (Applicant)

\_\_\_\_\_  
Date

\_\_\_\_\_  
UNIT MANAGER: ADMIN SUPPORT

\_\_\_\_\_  
Date

### APPROVAL

The above-mentioned trip is hereby authorized/declined

Reason for declining:

-----  
-----  
-----  
-----

\_\_\_\_\_  
**ADMINISTRATOR: FLEET**

\_\_\_\_\_  
**Date**

### FOR OFFICE USE ONLY

**Driver**

**Vehicle Make:**

**Vehicle Registration Number:**

FORM TR2

# RUSTENBURG LOCAL MUNICIPALITY



## AUTHORITY FOR TRIP OUTSIDE THE AREA OF JURISDICTION

Authority is hereby requested for the under-mentioned person(s) to undertake a trip outside the jurisdiction of the Rustenburg Local Municipality. The following particulars are submitted:

NAME OF DRIVER:

Vehicle Make:

Registration Number:

Directorate:

Unit:

NAME(S) OF PASSENGER(S):

DESTINATION:

Town/City

Company or Institution

Purpose of Visit

DEPARTURE

Date:

Time:

RETURN

Date:

Time:

Signature (Applicant)

Date

Unit Manager:

Date



## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

\_\_\_\_\_  
Director:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Fleet Administrator:

\_\_\_\_\_  
Date

FORM TR3

# RUSTENBURG LOCAL MUNICIPALITY



## AUTHORITY TO USE OFFICIAL VEHICLE

**THIS AUTHORISATION FORM MUST BE IN THE POSSESSION OF THE DRIVER OF  
ANY OFFICIAL VEHICLE WHICH IS USED AFTER NORMAL WORKING HOURS**

Full Names of the Driver: \_\_\_\_\_

Designation: \_\_\_\_\_

Destination/Area in which Vehicle will be used: \_\_\_\_\_

Purpose of the trip:  
\_\_\_\_\_

Registration Number of Vehicle: \_\_\_\_\_ Vehicle Make: \_\_\_\_\_

This request is for the period: from \_\_\_\_\_ to \_\_\_\_\_

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

**Note: Only officials and Councillors of the Rustenburg local Municipality may be transported in Municipal vehicles.**

Authorization for use of vehicle after hours	
<b>UNIT MANAGER</b>	
Signature	Date

Authorization for use of vehicle after hours	
<b>DIRECTOR</b>	
Signature	Date

Authorization for use of vehicle after hours	
<b>FLEET ADMINISTRATOR</b>	
Signature	Date

### **APPROVAL: OVERNIGHT PARKING OF MUNICIPAL VEHICLES (if required)**

Tick applicable box

		Yes	No
1.	Will the vehicle be returned to their designated parking after official trip?		
2.	Vehicle will be parked at private residence		
3.	If parked at private residence, does the employee have a lockable garage?		
4.	In the event where the employee does not have a lockable garage, will the vehicle be parked behind a locked gate/fence?		

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

Vehicle Make: \_\_\_\_\_ Registration Number of Vehicle: \_\_\_\_\_

Address where vehicle will be parked overnight:

---

---

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RECOMMENDED/NOT RECOMMENDED

\_\_\_\_\_  
UNIT MANAGER

\_\_\_\_\_  
DATE

APPROVED/NOT APPROVED

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DATE

\_\_\_\_\_  
FLEET ADMINISTRATOR

\_\_\_\_\_  
DATE

**FORM TR4**

# RUSTENBURG LOCAL MUNICIPALITY



## **DAILY PRE & POST CHECK LIST**

This form must be completed by the driver/operator while physically checking the following daily. All defects must be reported **IMMEDIATELY**. This form must be handed over to the Fleet Manager daily.

Directorate: \_\_\_\_\_ Unit: \_\_\_\_\_ Km Reading: \_\_\_\_\_

Reg. No: \_\_\_\_\_ Fleet No: \_\_\_\_\_ Date: \_\_\_\_\_

ITEM	Ok	Fault
Windscreen, wipers & all windows		
Wheel rims & nuts		
Tyre condition, pressure & treads		
Rear view mirrors		
Body work / scratches & dents		
Head & park lights		
Tail & stop lights		
Indicators		
Emergency lights		
Reverse lights		
Engine oil level		
Transmission oil level		
Hydraulic oil level		
Power steering oil level		
Battery water level		
Coolant level		
Cooling fan		

# **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

<b>V-belts</b>			
<b>Water hoses</b>			
<b>Fuel lines</b>			
<b>Oil leaks</b>			
<b>Interior/cab</b>			
<b>Panel instruments</b>			
<b>Sufficient fuel</b>			
<b>Hooter</b>			
<b>Brakes/handbrake</b>			
<b>Hydraulic equipment &amp; controls</b>			
<b>Pneumatic equipment &amp; controls</b>			
<b>Speedometer/hour meter</b>			
<b>Emergency triangle</b>			
<b>Jack and wheel spanner</b>			
<b>Drain air tanks</b>			
<b>Fleet Policy received &amp; briefing done</b>			
<b>COMMENTS:</b>			
<b>Driver's name:</b>		<b>Fleet      Manager signature:</b>	
Next service Km reading:			

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**



**RUSTENBURG LOCAL MUNICIPALITY**  
**LOG BOOK**

REG NO.....

MODEL.....FROM.....

DIVISION.....MONTH.....

LAST KM READINGS	
CURRENT READINGS	
TOTAL KM READINGS	

DATE	KM READING	START TIME	REASON FOR TRIP	NO. OF PASS	DRIVERS NAME	SUPERVISOR'S SIGNATURE	PETROL DATE	AMOUNT	LITRES	OIL	KM TRAVEL	TIME ENDS
	TOTAL											
Petrol in tank beginning												
Petrol in tank end												
Km per litre												

DRIVERS SIGNATURE.....DATE.....

SUPERVISOR'S SIGNATURE.....

**RUSTENBURG  
LOCAL MUNICIPALITY**



**DRIVERS REPORT OF VEHICLE DEFECTS**

This form must be used only to report defects. It must be completed by the driver and his foreman IMMEDIATELY on return from trip and must be handed over to the Vehicle Workshop IMMEDIATELY

**No verbal reports**

Date: \_\_\_\_\_

Driver's Name: \_\_\_\_\_

Directorate: \_\_\_\_\_ Vehicle Make: \_\_\_\_\_

Vehicle registration number: \_\_\_\_\_ Fleet number: \_\_\_\_\_

DEFECTS: \_\_\_\_\_

\_\_\_\_\_

Driver's signature: \_\_\_\_\_

Foreman's signature: \_\_\_\_\_

-----

**For office use.**

Date: \_\_\_\_\_

Artisan's name: \_\_\_\_\_ Signature: \_\_\_\_\_

Workshop Foremen's signature: \_\_\_\_\_



# **RUSTENBURG LOCAL MUNICIPALITY**



## **SPECIAL PERMISSION TO DRIVE A MUNICIPAL VEHICLE**

This form serves as a permit to drive a Municipal vehicle by a private person.

No private person is allowed to drive a Municipality vehicle without this permit in his possession.

Name of Institution / Workshop: \_\_\_\_\_

Name of Driver: \_\_\_\_\_ Signature: \_\_\_\_\_

Reason: \_\_\_\_\_

Vehicle Registration: \_\_\_\_\_

Division: \_\_\_\_\_

Motor No: \_\_\_\_\_

Date issued: \_\_\_\_\_

Date Returned: \_\_\_\_\_

Fleet Manager/Transport Inspector: \_\_\_\_\_

Signature: \_\_\_\_\_

The Fleet Manager or Vehicle Inspector or Workshop Superintendent can be contacted at the following telephone number for confirmation of this permit. – 014 590 3187/3570

This form is the property of the Municipality and it must be returned to the Municipality with the vehicle.

FORM TR9

# RUSTENBURG LOCAL MUNICIPALITY



## MONTHLY VEHICLE/MACHINE RETURN

[TO BE SUBMITTED TO VEHICLE WORKSHOP BY THE 15<sup>TH</sup> OF THE FOLLOWING MONTH]

REG No: \_\_\_\_\_

FLEET No: \_\_\_\_\_

MONTH: \_\_\_\_\_

DIRECTORATE:

\_\_\_\_\_

VEHICLE/MACHINE

DETAILS:

\_\_\_\_\_

Date	Km/Hour Meter		Km traveled	Hours worked	Hours Lost			OILS USED/LITRES				
	a.m	p.m			Repair	Rain	Not used	Eng	Trmsn	Diff	F.Dr	Hydr

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

TOTALS														
	A	B	C	D	E									

**CERTIFIED CORRECT**

**CERTIFIED CORRECT**

## OPERATOR/DRIVER

**FOREMAN/SUPERVISOR**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **PROCEDURE FOR REPLACEMENT/RENEWAL/SCRAPPING OF VEHICLES**

#### **TECHNICAL AND INFRASTRUCTURAL SERVICES: MECHANICAL ENGINEERING**

##### **FLEET MANAGEMENT UNIT**

##### **Introduction**

The following procedure is to be adhered to for replacement/renewal/scrapping of Municipal vehicles & plant.

It is envisaged that vehicles/plant be renewed at the following intervals when funds permit:

Public Safety	Every 3 years (90 000km/ Maintenance Plan / or whichever comes first)
All passenger vehicles	Every 5 years ( 150 000km whichever comes first)
All light commercial vehicles	Every 5 year ( 150 000km whichever comes first )
Vehicle of the Executive Mayor	Every 5 years (Start of a term/120 000km / Maintenance plan / or whichever comes first)
Light commercial trucks up to 5 ton capacity	Every 5 years ( 150 000km whichever comes first )
Heavy commercial trucks 6-8 ton capacity	Every 7 years
Heavy commercial trucks 9-12 ton capacity	Every 10 years
Yellow Fleet or earth moving machines	Every 15 years

Before embarking on renewing a vehicle/plant, the Fleet Manager must consider the following aspects:

- Has a capital budget been processed for the purchase of vehicles/plant (vehicles/plant can only be acquired through the Capital Budget)
- If a capital budget is recorded, has it been approved?
- Establish the following information on the capital budget:
  - Full description
  - Project Identification number
  - Project Vote Number
  - Amount of funds approved.

The above information is obtained from the Budget & Treasury Directorate.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

Only when above aspects have been investigated and confirmed, can the next phase be introduced namely replacement/renewal/scrapping of vehicles/plant.

### **Implementation of replacement/renewal/scrapping of vehicles/plant**

It is standing practice when provision of funds is available to renew vehicles/plant at the beginning of the financial year. However, before renewing the fleet, the Fleet Manager has to perform the following tasks at least 3 months prior to the advertisement of the Bid to Procure Municipal Vehicles / plant:

- Study the Municipal Fleet Master schedule and identify the oldest vehicles by year, model, type and condition.
- Prepare a schedule of vehicles/plant to be replaced.

On completion of the above schedule, copies of it to be circulated to the following office bearers to monitor and limit major expenses on vehicles/plant identified to be replaced:

- Head: Mechanical Engineering Services
- Administrator; Fleet Management Services
- Vehicle Workshop Superintendent
- Fleet Inspectors
- Asset Management & Procurement Controller

The Fleet Inspector must arrange with Fleet Administrator, Workshop Superintendent and Fleet Manager for the vehicles/plant listed in above schedule to be called to the workshop for full mechanical assessments to be carried out and completed at least 2 months prior to beginning of the new financial year. The Fleet Inspector then issues the completed mechanical assessment documents to the Head Mechanical Engineering Manager for evaluation.

Head Mechanical Engineering Manager must evaluate and consider the following aspects of the mechanical assessment before a decision is made to replace/renew the unit:

- Mechanical condition rating for each category
- Total repair cost
- Odometer reading
- Year model and full age
- Trade value less repair cost = assessed value
- Note remarks on overall economical condition of the unit.

After considering the above aspects, he/she must determine which vehicles are to be replaced/renewed by type, quantity, total cost to renew versus funds available. The decision to replace by quantity and type will depend on user requirements and cost. Please note that the authorized Capital Budget shall not be exceeded.

He/she then prepares a Bid: document including the Technical specification (as requested) for the type of vehicle/plant to be replaced. Once the Bid document and specification is completed a meeting is arranged with the Specification Committee to consider and approve it.

At closing date of advertised contract/tender enquiries, the following have to be done:

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

- Collect all tender offers from Procurement Directorate ~~Office~~
- Assess all tender offers received for correct details, documents and that the offer meets the specification as required.
- Identify all tender offers that meets the specification.
- Tender offers not meeting the specification are not to be considered, although they are included in the spreadsheet and reasons why they are not considered must be part of the item that is prepared for the evaluation committee.
- Prepare an item of all offers received and list deviations from specifications. The tenderers are ranked according to their price offers which includes options submitted (lowest to highest)
- Draft the committee item and make annexures of all the required documents to be considered
- When the item is correct and complete, it is sent to the Procurement Directorate ~~Office~~ Office for circulation to the various role players that has an interest in it.
- After the evaluation committee has approved the item and offers, it is to be included in the agenda for the Adjudication Committee
- On receiving approval from the Adjudication Committee, he/she can prepare the acceptance letters of appointment to the successful bidder for the purchase of the unit/s. Once the letter is checked for correctness and signed by the Municipal Manager it can be posted to the successful bidder.

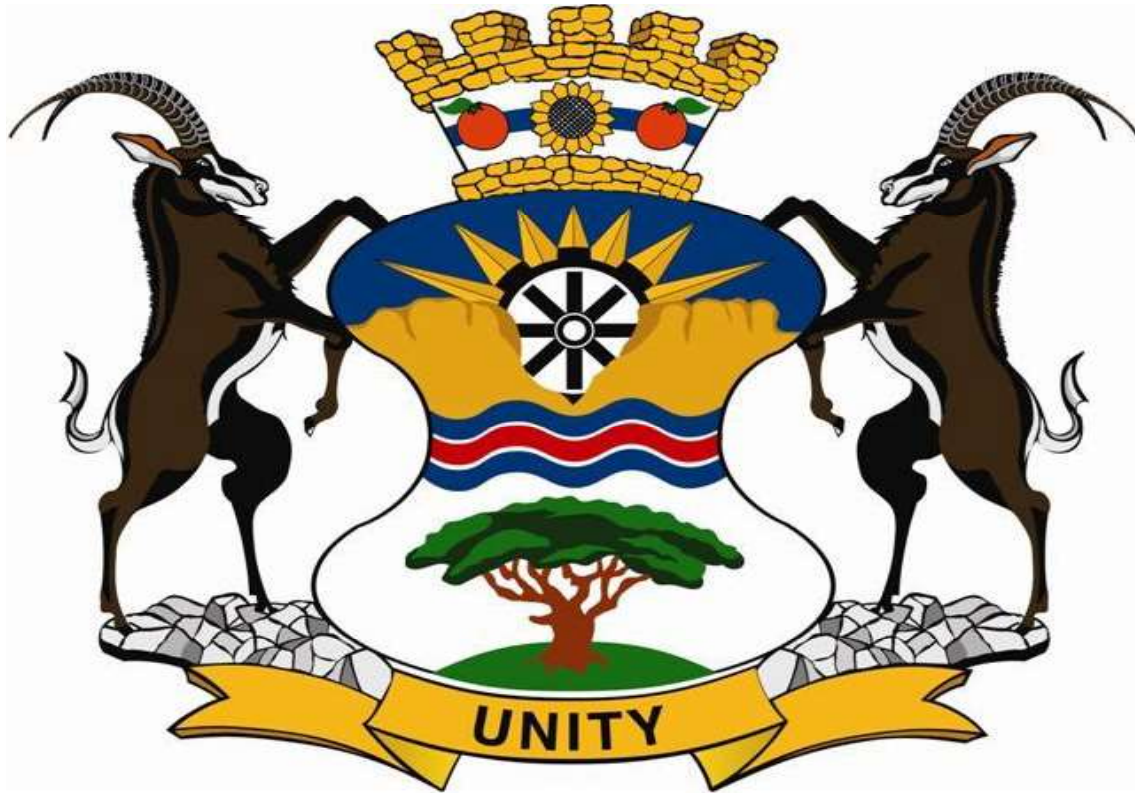
The Fleet Manager can now formally request the Budget & Treasury to arrange a public auction in order to dispose of the “Replaced” vehicles. The request must reflect the following information regarding each vehicle that will be disposed of during the auction:

- Fleet Number
- Type of vehicle
- Year model
- Estimated value (guideline of reserve value)
- Committee date of approval to “scrap”
- Vote to be credited

The Budget & Treasury determines a date for the public auction and advertises as such in various newspapers the intension of the said auction. Prior to the actual auction, the vehicles to be auctioned will be re-assessed by the Fleet Inspector/s in consultation with the Fleet Manager in order to establish the final “reserve” value of the vehicles. The vehicles/plant are released for auction after completion of the required documentation and then auctioned and the proceeds gained are then credited to the relevant Votes.

.....

# RUSTENBURG LOCAL MUNICIPALITY



## FUNDING AND RESERVES 2018/2019

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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# **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

## **1. INTRODUCTION**

The purpose of this policy is to ensure that municipality maintains cost effective and efficient cash funding

To ensure that provisions and reserves are maintained at the sufficient required level to avoid future unfunded liabilities.

The policy is in line with the requirements of Section 8 of the Local Government: Municipal Budget and Reporting Regulation of 2009 (Government Gazette 32141 in order to monitor and sustain the municipality's financial management.

## **2. PURPOSE OF THE POLICY**

2.1. The policy outlines the assumptions and methodology to be followed on estimating the following:

- 2.1.1. Anticipated revenue to be collected based on trading services to be billed and other revenue,
- 2.1.2. Provision for debt impairment based on the previous payment levels and past trends
- 2.1.3. Setting of cost reflective tariffs in relation to the consumers affordability
- 2.1.4. In line with the municipality's borrowing requirements
- 2.1.5. To ensure that funds are set aside monthly to fund reserves

## **3. GUIDING PRINCIPLES**

3.1. The funds and reserve policy is based on the following principles:

### **3.1.1. Credibility**

- The SDBIP be informed by the budget that is consistent with the IDP
- Financial viability of the municipality not to be compromised
- To ensure capability to spend funds allocated

### **3.1.2. Sustainability**

- Ensure financial viability of the municipality
- Anticipated revenue to be collected and anticipated spending to be realistic

### **3.1.3. Responsiveness**

- The budget to be responsive to the needs of the community
- Alignment of budget, LED Strategy with IDP to give effect to the provincial and national priorities
- The budget to respond to the municipal economic growth objectives and socio economic needs of the community.

### **3.1.4. Affordability**

- Tariff setting to take into account local economic conditions and ability of consumers to pay in relation to the cost of rendering the services

## **4. BUDGET ASSUMPTIONS AND METHODOLOGY**

### **4.1 Funding the Annual Budget**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- An annual budget may be funded from realistically anticipated revenues to be collected
- From the cash-backed accumulated surpluses from previous years not committed for any other purpose
- Borrowed funds earmarked to only fund the capital budget.
- Anticipated grants allocated to the municipality as gazetted for in the Division of Revenue Act (DORA).

### **4.2. Capital Budget**

Capital budget provides funding for the municipality's capital programmes based on the needs identified by the community and the municipal objectives as outlined in the Integrated Development Plan of the municipality.

#### **4.2.1. Basis of calculation**

- The Zero based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that will span over more than one financial year.
- Provisions on the capital budget shall be limited to the available financial resources and affordability.
- The annual budget shall be based on realistically anticipated revenue.
- Funds to be available (liquid cash) prior to budgeting
- Loans/ borrowing to be taken prior or be available prior to budgeting and must be equal to the anticipated capital expenditure.
- The impact of the capital budget on current and future operating budgets in terms of financial charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.
- In addition, council shall consider the likely impact of such operational expenses- net of any revenues expected to be generated by such item-on future property rates and services tariffs.

#### **4.2.2. Funding of the Capital Budget**

The capital budget shall be funded from the following:

##### **4.2.2.1. Own Funding Sources**

- The Council shall establish a Cash Replacement Reserve (CRR) for capital renewal, replacement and acquisition.
- Such reserve shall be established from unappropriated cash-backed accumulated surpluses

##### **4.2.2.2. Amounts appropriated as contributions in each annual or adjustment budget**

##### **4.2.2.3. Public contributions, donations or other grants**

##### **4.2.2.4. Grants and subsidies allocated in the annual Division of Revenue Act**

##### **4.2.2.5. Grants and subsidies allocated by provincial government**

##### **4.2.2.6. Net gains on sale of fixed assets in terms of the fixed assets management and accounting policy**

##### **4.2.2.7. External loans/borrowings**

##### **4.2.2.8. Any other financing source secured by the municipality**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **4.2.3 Guiding principles on capital budget funding**

#### **4.2.3.1 Government grants and subsidies:**

- Only gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations per provincial gazette may be used to fund projects
- Conditions of the specific grant as allocated per projects must be taken into consideration.

#### **4.2.3.2. Public contributions or donations/grants**

- Capital projects will only be included in the annual budget if funding is guaranteed by means of the following:
  - I. A signed service level agreement
  - II. A contract or written confirmation
  - III. Or any legally binding document

### **4.2.4. Borrowing requirements**

4.2.4.1. The borrowing requirements are used as a basis for determining the affordability of external loans over the Medium term and expenditure Framework. The ratios to be considered when taking up new loans/borrowings include the following:

- I. Long term credit rating of at least BBB
- II. Interest cost to total expenditure not to exceed 9%
- III. Long –term debt to revenue (excluding grants) not to exceed 50%
- IV. Consumers payment rate of above 95%
- V. Percentage of capital charges to operating expenditure of less than 15%

### **4.2.5. Cash-backed accumulated Reserves (CRR)**

- Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc, shall be funded from own operating revenue of the same financial year.
- Capital projects to replace upgrade existing assets will be funded from CRR
- Infrastructure projects to service new developments and revenue received from sale of erven must be allocated to capital reserve for services
- Capital projects to upgrade bulk services will be allocated to the Capital Bulk Contributions Reserve for each services (electricity, water, sewerage)

## **4.3. Operating Budget**

### **4.3.1. Basis of calculation**

The operating budget provides funding to directorates for their medium term planned expenditure.

- The incremental approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances the zero based method will be followed.
- The annual operating budget shall be based on realistically anticipated revenue to be collected, which should cater for total anticipated spending in accordance with Section 18 of MFMA no 26 2003
- NB: Amounts for provision of depreciation and debt impairment, although non-cash items are not to be used to “balance” the operating budget shortfalls.

### **4.3.2 Assumptions for various budget categories**

The municipality categorizes services rendered to the community according to its revenue generating capabilities as follows:-

- 4.3.2.1 Trading services (services that should generate predetermined surpluses that can be used to fund other services rendered.
- 4.3.2.2 Economic services (services that should at least break-even, but do not necessarily generate any surplus to fund other services rendered by the municipality);

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- 4.3.2.3 Rates and general (services that are funded by property rates, government grants or surpluses generated by the trading services).

### **4.3.3 Funding of the Operating Budget**

The operating budget shall be financed from the following main sources of revenue:

#### **4.3.3.1. Property rates**

- Property rates levied according to the Municipal Property Rates Act and property rates policy based on the market values
- The budget is compiled using the latest approved Valuation Roll and any supplementary Valuation Roll, consistent with current and past trends
- Property rates tariffs are determined annually as part of the tariff setting process;
- Property rates rebates, exemptions and reductions are budgeted either as revenue foregone or as a grant as per the MFMA Budget circular 51 depending on the conditions thereof;

▪

#### **4.3.3.2. Service charges (electricity, refuse, sanitation, water)**

- Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions.
- The following conditions must be considered for each service:-

##### **I. Metered services comprising of electricity and water:-**

- The consumption trends for the previous financial years
- Envisaged water restrictions or load shedding where applicable
- Actual revenue collected in previous financial years

##### **II. Refuse removal services**

- The actual number of erven receiving service per category
- Actual revenue collected in previous financial years

##### **III. Sewerage service**

- The actual number of erven receiving the service per category
- The consumption trends per category
- The actual revenue collected in the previous financial years
- Rebates, exemptions or reduction for service charges are budgeted either as revenue foregone or as a grant as per MFMA Budget Circular 51 depending on the conditions thereof;

#### **4.3.3.3. Government grants and subsidies**

- Revenue from government grants and subsidies shall be in line with allocations gazetted in the Division of revenue act and provincial gazettes.

#### **4.3.3.4. Interest on investments**

- Interest received from actual long-term and short-term investments shall be based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends

#### **4.3.3.5. Rental fees**

- Revenue from rental of property shall be charged based on the percentage growth rate as determined by Financial services for a particular budget year

#### **4.3.3.6. Fines**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Projected revenue for fines shall be charged in terms of the approved tariffs, considering the past trends calculated on the basis of actual receipts extrapolated over 12 months and expected growth for a particular budget year.

### **4.3.3.7. Other sundry revenue**

- Other projected revenue is charged in terms of the approved sundry tariffs considering the past trends and expected growth for each category

### **4.3.3.8. Cash –backed accumulated surpluses from previous years not committed for any other purpose.**

### **4.3.4. Guiding principles when compiling the operating budget**

- 4.3.4.1. the annual budget must be cash backed
- 4.3.4.2. provision for bad debt must be the difference of the actual payment levels percentage
- 4.3.4.3. growth parameters must be realistic, taking into account current economic conditions
- 4.3.4.4. tariffs adjustments must be realistic, taking into consideration affordability, bulk purchases increases and future projected growth according to the approved Integrated Development Plan
- 4.3.4.5. the tariffs increases should be cost reflective and as far as possible be limited to inflation targeting per budget circulars
- 4.3.4.6. revenue from public contributions, donations or any other grants may only be included in the budget if the following documents are received:-
  - I. a signed service level agreement
  - II. a contract or written confirmation
  - III. or any other legally binding document.

### **4.3.5. Expenditure Categories**

The following assumptions are used when compiling the operating budget spending:-

#### **4.3.5.1. Salaries, wages and allowances**

- A detailed salary budget shall be compiled on an annual basis
- Salaries and allowances are calculated based on the percentage increase as per the collective agreement between organized labor and the employer for the particular period
- All funded positions are budgeted for in total
- An additional 2% shall be allocated for filling of new critical positions as per the approved structure
- The remuneration of political office bearers shall be based on the limitations and percentages as determined by the responsible National Minister
- As a guiding principle the salary budget should not exceed 35% of the annual operating budget.

#### **4.3.5.2. Collection Costs**

- Will include and not limited to costs attributed to the maintenance of the financial system used for the collection of outstanding amounts based on the service level agreement including commission.

#### **4.3.5.3. Depreciation**

- Depreciation shall be budgeted for according to the asset register and to limit the impact of the implementation of

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

GRAP 17 a transfer shall be made from the accumulated surplus

- It shall be calculated at costs, using the straight line method, to allocate the depreciation cost to the residual values over the estimated useful lives of the assets

### **4.3.5.4. Interest on external borrowing**

- It refers to interest and redemption that has to be repaid on external loans taken up by the municipality.
- The budget is determined by the repayments that the municipality is liable for, based on the loan agreement entered into with the other party.

### **4.3.5.5. Repairs and maintenance**

- To ensure the health of the municipal asset base, sufficient provision must be made for the maintenance of the existing infrastructure assets based on affordable levels.
- Infrastructure maintenance costs shall be informed by the maintenance plan for each trading service

### **4.3.5.6. Bulk purchases**

The expenditure on bulk purchases shall be determined using tariffs as stipulated by the Water boards, NERSA and any service provider from time to time.

### **4.3.5.7. Contributions to funds**

Refers to the contributions made to provisions (**e.g. leave reserve funds**) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect

### **4.3.5.8. Internal charges**

- These refer to inter departmental charges within the municipality.
- The performance of each line item is analysed where after the budget is based on the previous years' performance

### **4.3.5.9. Other expenditure**

- Individual line items are to be revised annually when compiling the budget to ensure proper control over the expenditure
  - Increase for these line items shall be linked to the average inflation rate and macro-economic indicators unless a signed service level agreement stipulates otherwise.
  - As a guiding principle repairs and maintenance budget should constitute at least between 5% and 10% of the total operating budget based on the affordability levels
  - The maintenance budget percentage should increase annually be increased incrementally until the required targets are achieved.

### **4.3.5.10. Appropriations**

It refers to the transfers to and from the capital replacement reserve to offset depreciation charges. Appropriations are determined on an annual basis.

## **5. DEBT MANAGEMENT**

- Debt is managed in terms of the Council Credit Control Policy
- Provision for revenue that will not be collected shall be budgeted adequately as an expense and must be based on the projected annual nonpayment for services.

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **6. BORROWING MANAGEMENT**

The borrowing requirements are based on the backlogs of the infrastructure needs taken into consideration the operational impact of any loans

### **7. CASH MANAGEMENT**

- Cash availability shall be closely monitored to ensure a minimum cash days on hand of ninety (90) days for daily operations.
- Surplus cash not immediately required for operation purposes shall be invested in terms of the council's Investment Policy so as to maximize returns on the investments
- Municipality shall implement the inclining block tariffs and time of use tariffs

### **8. RESERVES**

- To ensure that funding is readily available for future development and timeous replacement of aging infrastructure
- Municipality shall create dedicated reserves that are cash-backed all the time
- All reserves to be 'rein-fenced as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognised Accounting Practice (GRAP).
- The following are the recommended reserves to be re-in fenced and cash backed over a period of time:-

#### **8.1.Capital Replacement Reserve**

- The municipality shall establish the capital replacement reserve through contributions from the operating budget
- Once fully established, it shall provide internal funding for municipal capital replacement and renewal programme.
- The reserve shall be cash-backed all the time.

#### **8.2.Bulk Capital Contributions Reserves**

- This reserve shall supplement capital expenditure for the necessary expansion and upgrading of bulk infrastructure due to new developments
- Revenue generated through bulk services contributions shall be allocated to this reserve for each applicable service
- The reserve shall be cash-backed all the time

### **9. PROVISIONS**

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

9.1.Provisions shall be revised annually and those settled within the next twelve months are treated as current liabilities.

#### **9.1.1. Leave Provision**

10% of the leave provision shall be cash backed-as not all leave balances are to be redeemed for cash at once.

#### **9.1.2. Landfill site rehabilitation Provision**

This provision shall be cash-backed to ensure availability of cash for rehabilitation at closure.

#### **9.1.3. Long Services Awards**

5% of the long service leave provision shall be cash backed-as not all leave balances are to be redeemed for cash at once.

#### **9.1.4. Post-Retirements Benefits**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

The provision for medical care benefits to qualifying retired employees shall be cash backed to ensure the availability of cash for the payment of medical aid payments

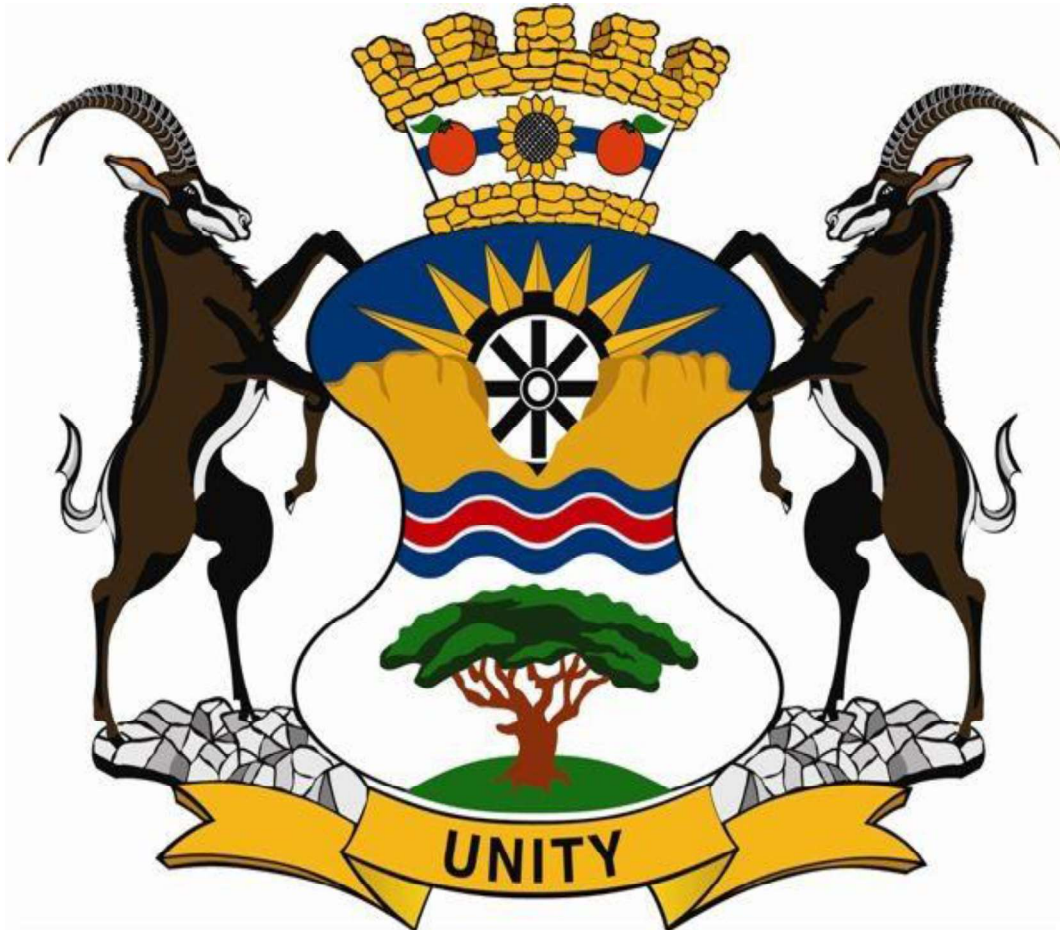
### **10. IMPLEMENTATION AND REVIEW OF POLICY**

- This policy shall be implemented once approved by Council
- To be implemented with effect from the 1<sup>st</sup> July 2017
- Shall be reviewed on an annual basis and tabled with other budget related policies as part of the budget process when circumstances warrant that to ensure that it is in line with the municipality's strategic objectives and legislation



# **RUSTENBURG**

## **LOCAL MUNICIPALITY**



### **INSURANCE CLAIMS POLICY**

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**PREAMBLE**

This **Insurance Policy** provides the Rustenburg Local Municipality with a concise,comprehensible description of its treatment of risk. The contents should be read and adapted by all

charged with the responsibility of management. The information is both educational, practical and is presented in a form which will facilitate easy reference on a day to day basis.

The foundations of the Safety Programme are on the principle that Rustenburg Local Municipality should insure as little as possible. However, where Insurance is essential, it must be correctly and adequately arranged. In this way, Insurance is an effective system of financial protection, but by its very nature it is limited. Where risk is concerned, in its many forms, the Rustenburg Local Municipality requires protection of which Insurance is simply an integral part.

The protection programme referred to is based on the following broad principles :

- We must be constantly aware of the risks to which the Rustenburg Local Municipality is exposed.
- Such risks must be evaluated and measured for their likely incidence, degree of seriousness and potential costs in financial terms.
- If risks cannot be avoided or eliminated entirely, all reasonable steps must be taken to minimize and control them.
- Having concern for the assets and resources of the Rustenburg Local Municipality, decisions must be made concerning the extent to which it remains economical for us to absorb such risks ourselves, without recourse to Insurance.
- We must then decide what risks constitute a sufficiently serious exposure to justify the expenses of arranging Insurance; such cover may well be bought on a practical basis, provided it is adequate and correct.

This, in essence, is Rustenburg Local Municipality's basic approach to the treatment of risk and the purchase of Insurance. Provided the rules are followed and with **Directorate**'s co-operation, we remain confident that the insurance programme will work successfully.

Such co-operation is essential in assisting the Municipality's Brokers with the identification of risks on a continuing basis, but, above all, Management must strictly enforce the risk control measures which have been encouraged and introduced throughout the Municipality by the Risk Management Unit. Some of the biggest losses in industry and commerce today are attributable to seemingly immaterial lapses in management control, housekeeping, maintenance and carelessness. Every member of staff should be encouraged to develop risk awareness and to co-operate in the overall efforts of the Rustenburg Local Municipality, to avoid the irretrievable wastage of loss.

**1. PURPOSE OF THIS DOCUMENT**

- 1.1 This document indicates the policy of Rustenburg Local Municipality (RLM) for insuring of municipal assets, and for insuring the municipality, its employees and Councillors against public liability claims and other losses.

**2. Background**

- 2.1 In terms of section 63 (1) of the Municipal Finance Management Act, the Municipal Manager is responsible for the safeguarding of municipal assets
- 2.2 It is the responsibility of the **Municipal Manager** or his/her delegates to ensure that all municipal assets are safeguarded against all risks that will result in loss. This implies that reasonable care need to be taken to prevent / minimize loss.
- 2.3 Insurance brokers active in the municipal environment over years prepared a **standard operating** procedure for local authority insurance that takes all circumstances related to a municipality into account. There are however aspects in addition to this **standard operating procedure** that the Council can decide on policy in order to reduce premium without an increase in risk or where the Council is prepared to accept risk because of a very slim probability that an event might occur.
- 2.4 Responsible financial management of any municipality requires that assets are properly managed. Municipalities have large numbers of assets, including equipment, plant and machinery. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times. The insurance should in addition protect the municipality, Councillors and employees against public liability claims and other losses.

**3. OBJECTIVE OF THE INSURANCE POLICY**

- 3.1 The objective of this policy is to ensure that Rustenburg **Local** Municipality's assets, councillors and employees are insured adequately and economically at all times. Detailed procedures, to ensure that management and employees within the municipality understand their respective responsibilities and duties, are provided in the standard operating procedures.
- 3.2 This document indicates the policy of Rustenburg Local Municipality for insuring municipal assets, and for insuring the municipality, its employees and Councillors against public liability claims and other losses.
- 3.3 In general, the objective of this policy is to ensure sound and sustainable financial management within Rustenburg Local Municipality have large numbers of assets, including PPE. As trustees of public funds, the Council must ensure that municipal assets are adequately insured at all times.

#### **4. RELATIONSHIP WITH OTHER POLICIES**

4.1 This policy, once effective, needs to be read in conjunction with other relevant **approved** policies of the municipality, including the following –

(a) Delegation of Powers (Delegations register) - Identifying the processes surrounding the establishment of delegated authority.

- GENERAL: General information and best practice for application in the municipality
- POLICY STATEMENT: A statement that reflects the specific policy **approved** by the municipality, in line with best practice
- RESPONSIBILITIES: Allocation of key responsibility areas to give effect to the **approved** policy **INSURANCE POLICY AND PROCEDURE**
- Actions to effectively implement the key responsibility areas indicated in the policy STANDARD OPERATING PROCEDURE

(b) SCM Policy - Regulating all processes and procedures relating to acquisitions of goods and services.

(c) Asset Management Policy.

**(d) Fleet Management Policy.**

(e) Budget Policy - The processes to be followed during the budget process as well as pre-determined prioritization methodology.

4.2 This policy does not overrule the requirement to comply with other policies. The Chief Financial Officer (CFO) will provide guidance or adjust these **policies** where an apparent conflict exists between this policy and other policies, legislation or regulations.

#### **5. RECOVERY OF LOSS**

5.1 All **Directorates** shall set up respective Loss Control Committee to investigate claims and co-ordinate decisions taken with the Insurance Claims Committee

5.2 The decisions based on the finding of the committee should be fair, consistent and transparent. These findings should then be escalated to Human Resources **Directorates** for disciplinary action and recovery of the loss where applicable.

#### **6. LIMITS**

On an annual basis the excess limits shall be assessed as part of the adjudication of the insurance quotations received from the Insurance Companies/Insurance Brokers.

**7. PAYMENT OF EXCESSES (or losses below excess payable) BY EMPLOYEES**

Where in the opinion of the relevant Director and the Municipal Manager, an employee's negligence led to the damage to, or loss of, an asset, the excess payable may be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

**8. INSURANCE CLAIMS REJECTED BY INSURER (above excess)**

Where in the opinion of the relevant Director and the Municipal Manager an employee's negligence led to the damage to, or loss of, an asset, the total loss to the municipality may be claimed from the employee concerned in terms of the outcome of the Disciplinary Procedures.

**9. FAILURE TO REPORT AN INCIDENT**

Failure to report an incident to the insurance section within the timeframes indicated on the SOP, may result in disciplinary action taken against the employee responsible for the asset. The outcome of the disciplinary process will determine whether the employee will be personally held liable for the losses incurred.

**10. RISK & INSURANCE PHILOSOPHY**

- 10.1.1 To identify and eliminate or reduce, as far as practicable, the conditions and practices which cause insurable losses.
- 10.1.2 When risk cannot be eliminated or reduced to workable levels
- 10.1.3 To purchase Insurance that will provide indemnity for catastrophic losses;
- 10.1.3.1 To retain those risks not considered to be of major importance to the operating position or financial stability of Rustenburg Local Municipality.
- 10.1.4 To retain whatever portion of the risk for Rustenburg Local Municipality's account, provided it is economically viable.
- 10.1.5 To maximize the overall Insurance purchasing power of Rustenburg Local Municipality.
- 10.1.6 To develop throughout Rustenburg Local Municipality a positive attitude towards identifying and controlling loss and minimizing risk exposures through the implementation of Risk Management techniques.
- 10.1.7 To consider capital expenditure on risk improvement recommendations, but only where it is cost effective in the medium and long term to implement such improvements.
- 10.1.8 To purchase Insurance from reputable Insurers and to avoid the use of non-registered Insurers and captive markets.

**11. RISK MANAGEMENT**

11.1 In its simplest form, Risk Management means knowing all the time :

- (a) what your risks are;
- (b) what they mean in financial terms;
- (c) what can reasonably be done to eliminate or reduce them;
- (d) what financial resources you have to absorb them economically; and ultimately,

(e) what Insurance is necessary for the potential catastrophes which remain.

11.2 This approach should form the basis of Rustenburg Local Municipality's Protection programme.

Insurance must not be looked upon in isolation as the only real answer to risk. It is a financial system which, in itself, is incapable of making good some losses. Human life, loss of time, lost opportunities for profit, and loss of goodwill are but a few examples.

11.3 Consequently, Insurance is better bought last when all other Risk Management techniques have been adopted.

11.4 Risk Management must be a sound foundation to Rustenburg Local Municipality. Top management must be seen to identify themselves with its objectives. This is essential if others directly involved are to ensure that it works.

## **12. LOSS CONTROL**

This is the practical application of Risk Management and its principal objectives are :

1. to give effect to the day to day application of Risk Management theory throughout your organization as an integral part of management practice;
2. to create and develop risk awareness among staff at all levels;
3. to educate all in the knowledge and practice of identifying and controlling risks on a continuing basis;
4. to achieve and maintain a high standard throughout of safety, security and good housekeeping so as to:-
  - minimize the incidence and impact of all losses (insured and self-insured);
  - control your Insurance costs;
  - generate increased efficiency, productivity and profitability;
  - promote a sense of pride and achievement in your operational standards.

# CLAIMS AND INSURANCE PROCEDURES

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**SECTION I**

**GENERAL PROCEDURE TO SUBMIT INSURANCE CLAIMS**

**RELEVANT CLAIM FORMS:-**

- (a) Annexure A: Property Loss – all property losses/damages/theft, Fire and Allied Perils, Business All Risks, Business Interruption, Money
- (b) Annexure B: Motor Vehicle – Any damage to Council Vehicle and to third party
- (c) Annexure C: Motor Theft;
- (d) Annexure D: Fidelity;
- (e) Annexure E: Public Liability : Claim From a Member of the Public;
- (f) Annexure G: Stated Benefits / Personal Accident.
- (g) Annexure H: SASRIA

**The following must be adhered to before claims may be submitted :**

1. Immediate notification of any claims or incidents likely to give rise to claims. Claims not notified within 30 days of occurrence may be rejected by the insurers for late notification.
2. Advice to the South African Police Services (SAPS), where applicable, ie theft, vehicle accidents etc.
3. As soon as possible after the event, notify the police, supervisor and Insurance Section, of any claim involving theft/damage of property and take all reasonable steps to discover the guilty party and to recover the property stolen or lost;
4. Non-admission of liability (whether liable or not) resulting from automobile accidents or any other cause.
5. Full information being provided as normally required by carriers in respect of transit claims, but the initial notification referred to above should not be delayed for any reason.
6. The duty to minimize damage losses and the need, therefore, to protect salvage and to act in principle "as if uninsured".
7. Following a potential claim, insurers have the right to examine the property damaged and this should not be disposed of. Once a claim has been settled, salvage generally becomes the property of the Insurers, and should continue to be protected until removed from the premises.
8. Where claims of magnitude arise, an assessor is normally appointed to investigate the cause of the loss and to assist in quantifying its effect. Where assessors are appointed, it will be done by Insurers following the notification procedure detailed in paragraph 1 above, but it is the responsibility of the Municipality's Appointed Broker to maintain close liaison with the assessors and/or insurers at all times, so that the insured's interests are protected and claims settled as quickly as possible. Full co-operation with the assessors is essential..
9. In respect of vehicle accidents, the third party's name, address and vehicle registration number must be noted, together with names and addresses of independent witnesses, wherever possible.

ALWAYS BE VERY FRANK WHEN ANSWERING QUESTIONS IN THE CLAIM FORMS REGARDING LIABILITY OR BLAME FOR ACCIDENTS.

False or contrived statements serve only to complicate claims settlement procedures.

10. In the case of injuries arising from motor accidents, it must be noted on the Motor Vehicle Accident Form.
11. It is imperative that in respect of each and every loss or incident resulting in, or likely to result in a claim, an appropriate claim form be submitted without delay. These are available from the Annexures hereto.
12. Submission of claim forms to the Insurance Section is in addition to the initial notification referred to earlier and should be as soon as possible of occurrence of the loss or incident. Delays in notifying claims/losses or submitting supporting information will only serve to prejudice the Insured's rights of recovery in terms of the policy. Such delays should therefore be avoided at all costs.
13. All losses must be reported, regardless of whether these are insured or not, or fall within the deductible/excess.
14. It is important that all staff are made aware of the importance of reporting to management all incidents that may give rise to a claim.

## **SECTION I**

### **1. PROCEDURES FOR CLAIM ADMINISTRATION GENERAL**

- 1.1 All claims, however small they may be, are to be reported to the Insurance section, dealing with such claims on behalf of Council, within 48 hours of the date on which this accident/incident took place.
- 1.2 The Head of Directorate/Supervisor should be notified within 24 hours of the accident/incident.
- 1.3 Should negligence or recklessness be proved by the security and loss control committee, the official should be personally held liable for losses incurred by the municipality.
- 1.4 The supply of false information is regarded as Insurance fraud and applicable disciplinary steps can be initiated by the Directorate Corporate Support Services (Human Resource).
- 1.5 Claims will be reported by the Insurance Section to the insurers as soon as practical (preferably within 7 days).
- 1.6 All claims will be entered in claims register which is to be reconciled and reported to Insurance Claims Committee on a Monthly basis.

**SECTION II**

**PROCEDURE TO SUBMIT DIRECTORATE CLAIMS : PROPERTY LOSS / DAMAGES**

On the happening of the event, either damage to Municipal property or loss of Municipal property:

- 1) These incidents must be reported to the SAPS within 48 hours and to the immediate supervisor and/or head of Directorate.
- 2) Reports from the Directorate involved should be submitted together with all relevant documentation to the insurance section.
- 3) Claims are forwarded with all relevant documentation (notice of claim form, claim form, affidavit, case number and any other proof that may be required) to the Insurers.
- 4) Damage to buildings (Civic and Housing units) should on discovery be immediately reported to the Civil Facility Unit and the Insurance Section.
- 5) In the case of damage to rental units the Housing Section is responsible for the report to the Insurance section and the reporting to the SAPS in the case of malicious damage.
- 6) The Civil Facility Unit should ensure that the building is safeguarded. If not possible, Security should be appointed to avoid further loss to Council and its Insurers.
- 7) Civil Facility Unit should also ensure that three (3) quotes are forwarded to the Insurance section as soon as possible to enable quick repairs.

**SECTION III**

**PROCEDURE TO SUBMIT PUBLIC LIABILITY CLAIMS**

There have been instances where Third Party Claimants have inferred that the Municipal employees with whom they have discussed their claims, have intimated that the Municipality was responsible for the injury/damage which was the subject of their complaint and that the Internal Insurance Fund will meet their claims.

Please ensure that the following procedures are approved as Municipal Employees are not authorized to commit the Municipality in any way:-

- 1) Do not admit any liability or leave the third party with the impression that the claim will be met.
- 2) Under no circumstances should words be used such as "have the motor car/radio/refrigerator or any other item repaired and send the account to the Chief Financial Officer".
- 3) The Claimant should be informed that even if he assumes the Municipality is under a liability, he should where possible obtain at least three quotations, to affect the repairs.

These quotations should be referred under cover of a written claim or complete a claim form, to the Chief Financial Officer: Budget and Treasury Office, Insurance Section

- 4) If the Claimant is referred as mentioned above, it must be made clear that this is for the purpose of enabling his/her claim to be investigated, in respect of both liability and quantum.
- 5) The Municipal Employee concerned must, as soon as possible, complete the Incident claim Form and register the incident with their Directorate, and submit this to their Insurance Section.

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- 6) Where damage was caused by a municipal motor vehicle, the appropriate Motor Vehicle Accident Report, must be completed and submitted **accordingly as required.**
  - (a) It is preferred that the driver call Rustenburg Traffic **Directorate** to the scene so that a formal Accident report can be done. If this is not possible, the accident must be reported to the nearest police station and obtain a police reference number.
- 7) The accident report must be completed immediately and handed to the Section/Unit Head and the insurance **Section.**
- 8) The relevant department and/or claimant should be requested to submit a comprehensive report of the incident to the Insurance Section, which should be submitted together with all relevant documentation to the insurers.
- 9) The report should include the following information:
  - a) Detailed description of incident
  - b) Date of first knowledge of incident
  - c) Could incident have been avoided
  - d) Steps taken/to be taken to prevent future incidents
  - e) Applicable legislation
- 10) Where appropriate, the foregoing provisions should also be adhered to when a vehicle is hired.
- 11) Drivers are reminded that the aforementioned procedure must be adhered to as any transgressions may result in disciplinary action.
- 12) Vehicle must be used in accordance with "Description of Use" as mentioned in the Fleet Management Policy.

**Reminder: vehicle should not be used for social, domestic or pleasure purposes.**

- 13) Claims not covered in terms of the Insurance Policy and claims that fall within excess (which are covered in terms of the policy) will be redirected (subsequent to confirmation from the insurance service provider) to the municipality's legal department / legal representative(s) to express an opinion based on the relevant findings(s) and consultation with the claimant in determination of whether or not, or to what extent the municipality is liable for related damages as claimed by third parties, or not. The approval / rejection of the above mentioned by the Senior Manager: **Financial Management Services** will be based on the expressed opinion received from municipality's legal **Unit** / legal representatives.

**SECTION IV**

**PROCEDURE TO SUBMIT VEHICLE ACCIDENT CLAIMS**

- 1) The responsible official (driver of councils vehicle), have to report the incident to his/her supervisor, who will assist (If necessary) with the claim to the Insurance Section, providing the information below and any other information required to lodge the claim:
  - a) vehicle(s) involved,
  - b) registration number(s) ,
  - c) details of driver(s) of vehicle(s) ,
  - d) residential/business addresses & telephone numbers,
  - e) passengers details ,
  - f) copies of identity document(s) and "Driving Licence(s)",
  - g) witness report(s), police report and case number,
  - h) description of damage to vehicle(s), date, time & location of scene of accident.
- 2) Where personal injury has occurred, the accident scene should ideally be visited by the safety official of the municipality and all relevant information should then be gathered by the safety official. The safety official must immediately institute a claim in terms of the COID Act and provide the insurance section with details of the accident in order to forward together with all other relevant information to the Insurers.
- 3) Any information with respect to the scene of the accident that may be required by the Insurers must be supplied by the safety officer and/or the relevant department.

**SECTION IV**

**PROCEDURE TO SUBMIT STATED BENEFIT AND PERSONAL ACCIDENT CLAIMS**

- (1) Claim form, must be accompanied by the following documents:

- ☐ Death Certificate.
- ☐ Identity document of the deceased.
- ☐ 12 months recent payslips .
- ☐ Accident Report
- ☐ Doctor's report

**SECTION V**

**PROCEDURE TO SUBMIT S.A.S.R.I.A. CLAIMS**

S.A.S.R.I.A. means: South African Special Risks Insurance Association.

The General Insurance Fund Policy does not cover loss or damage to property caused by civil commotion, labour disturbances, riot, strike, lockout and public disorder.

Should a claim arise from one of the causes aforementioned, a claim can be made against S.A.S.R.I.A. , provided that the department has taken such cover.

The requirement and procedure is as follows:

- (1) in the event of a S.A.S.R.I.A. claim, the Directorate must complete a claim form, and forward same to Insurance Section;
- (2) Insurance Section (Insurance Finance Clerk) to capture claim as cover type (S.A.S.R.I.A.) and forward the claim form to the Broker;
- (3) the Broker to complete the necessary S.A.S.R.I.A. claim form and forward to S.A.S.R.I.A.
- (4) the claim amount less the excess is paid to the Insurance Section;
- (5) Insurance Section, (Insurance Finance Clerk), will credit the relevant Department and cancel the claim on the insurance system;
- (6) should there be a shortfall or should the claim be repudiated by S.A.S.R.I.A. the department will bear the full cost of the claim; and
- (7) Section Manager: Assets and Insurance, to review cover type S.A.S.R.I.A. on an annual basis.

## SECTION VI

### POLICY ON PERSONAL EFFECTS (SASRIA FOR COUNCILLORS)

- 1) The Executive Mayor and councillors houses up to the value of R1.5m (homeowners and householders combined) (VAT inclusive) can now be insured within the Municipality policy at a premium of R54.00 per annum/ R5.40 per month.
- 2) In the event that a mayor or councillor would request cover exceeding a limit of R1.5m, a separate SASRIA coupon should be issued accordingly.
- 3) The cover for house contents is capped at a maximum of 30% of the value of the property not exceeding the combined limit of R 1.5m. The Executive Mayor and councillors insured under the Municipality policy should be noted accordingly including their risk addresses. An inventory list of all their household contents should also be completed in the event of a claim.
- 4) Rental of domestic property following a special risk loss is offered for free on condition that same is also offered for free under the underlying policy. However, should there be no free rental provisions in terms of the underlying policy, and there is a premium charged in this regard, premium will likewise be charged in respect of SASRIA. The above facility is still available to Executive Mayor and councillors' during their term of office ONLY. Implementation of the above applies to all new business, renewals and endorsements. The above-mentioned changes are effective immediately.

SECTION VII

INFORMATION FOR STATISTICAL PURPOSES

- 1) **Assets and Insurance Section** compiles statistical reports every month, which will be distributed to all Departments for cognizance of new claims.
- (2) Before renewal of insurance portfolio, annually, an insurance portfolio will be sent to all Directorates representing insured items. This is to be reviewed by managers, adjusted and advised to the **Assets and Insurance Section**.
- (3) It is the duty of every Unit to submit information to the **Assets and Insurance Section** on newly acquired assets for insurance purposes.

SECTION VIII

HOW TO COMPLETE DIFFERENT SCHEDULES

2. COMBINED SCHEDULE - CONTENTS

- a) Once a year the estimates are calculated in terms of percentage rate determined by the **Assets and Insurance** Section to ensure that assets are insured correctly as at day one average increasing all the contents.
- b) the percentage gets updated into the system; and
- c) combined schedule is run and sent by the Chief Financial Officer to all departments to check the percentage used, and to certify that the insured amount is correct.

3. CERTIFICATION OF SCHEDULES

3.1 COMBINED AND HOUSEOWNER'S COMPREHENSIVE SCHEDULE

After the estimates have been calculated in terms of percentage rate determined by the Assets and Insurance Section, Combined and Houseowner's comprehensive schedules are sent out to departments by the Chief Financial Officer for them to:

- a) Ensure that all buildings and contents appear on the listing.
- b) Delete all items that are no longer in existence.
- c) Ensure that assets are insured as at day one average.

The following can be used as guidelines when determining projected values

STRUCTURE & PROJECTION OF PROPERTY VALUES

(SUMS INSURED)

General Guidelines

1. STRUCTURE COMPONENTS

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- a) Current replacement costs of buildings (to include boundary walls, fences, private roadways, etc), plant/machinery, stocks (i.e. raw materials, work in progress, finished goods and stores but excluding any stock in transit and any stock specifically excluded in terms of the policy), or other assets.
- b) Allowance for cost of demolition, clearance of site, etc.
- c) Allowance for Public Authority Requirements during rebuilding.
- d) Allowance for Architects and/or other Professional Fees during rebuilding.

### 2. PROJECTION PERIODS

- (a) Bear in mind that a loss could occur on the last day of your insurance period.
- (b) Add to this, the period over which demolition and rebuilding could take place applicable to plant/machinery, project the values determined under 1 above to take into account escalation/inflation over:
  - (i) The period of Insurance
  - (ii) The demolition/rebuilding or replacement period following the period of insurance.

### 3. AVERAGE

In the event of under-insurance at date of loss or date of replacement, average could be applied to any claim according to the degree of under-insurance, for example :

Total of values at risk at date of renewal R 1 000 000

Sum insured at date of loss R 800 000 (80%) Cost of rebuilding R 100 000

Insurance payment R 80 000 (80%)

Other policies are subject to average as detailed in the "Important Considerations".

### 4. MARKET VALUE CONDITIONS

If the basis of value is not on replacement value, then the sum insured should represent the estimated market value at the time of the loss.

#### 3.2 SASRIA

In the combined and houseowner's comprehensive schedules there is a column for SASRIA.

It is the opinion of Rustenburg Local Municipality that S.A.S.R.I.A. will be applied to all assets, property and plant and machinery, as a form of risk transferal

### 4. MOTOR VEHICLE COMPREHENSIVE

Motor Vehicle Comprehensive Schedule is sent out by the Chief Financial Officer once a year to fleet management

department for them to:

- (a) Ensure that all vehicles appear on the listing, and that details are correct.



- (b) Delete all vehicles that are no longer in existence.
- (c) Ensure that vehicles are insured at replacement values and coded correctly.

**SECTION VIII**

**INSURANCE CLAIMS EXPERIENCE**

- (1) The **Assets and Insurance Section** compiles statistical reports monthly. This report shows the number of claims received by the Insurance Section for a period of 12 months and the total value of those claims, (paid and outstanding).
- (2) This report/schedule is sent to Directorate Heads twice a year.
- (3) Premiums charged to the Directorate are based on yearly claims experience. The increase in the number of claims result in the increase in the premiums charged.
- (4) **Directorate** Heads are required to examine the Claims Summary Report and review their risks management.

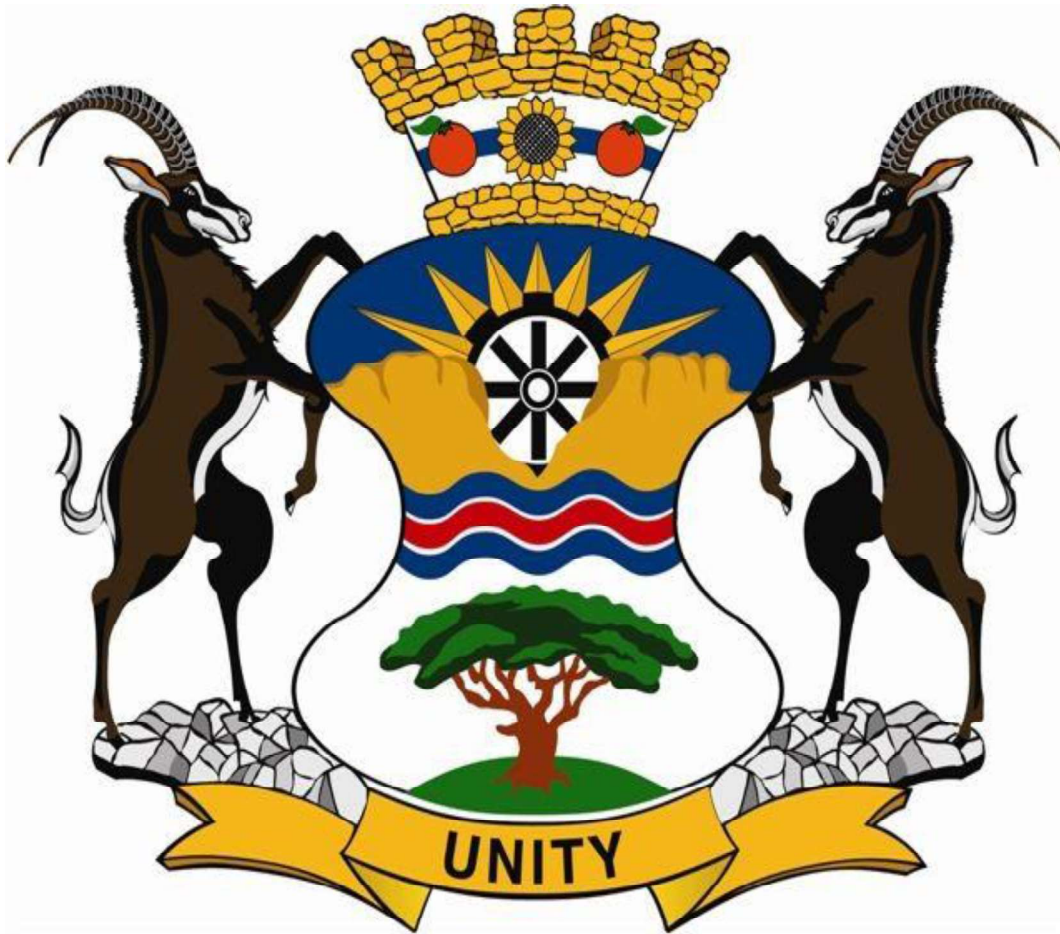
**SECTION X**

**HOW TO INSURE ASSETS**

- a) It is the duty of every Directorate to notify the **Assets Insurance Section** of any newly acquired assets, as they need to be insured. The following details must be given:-
  - Description of Asset
  - Purchase Date
  - Purchase Price
  - Copy of registration document
  - Purchase value
  - Purchase date
  - Asset Barcode Number
  - Fleet number

# **RUSTENBURG**

## **LOCAL MUNICIPALITY**



### **INSURANCE LOSS CLAIMS COMMITTEE POLICY**

## **INSURANCE CLAIMS & LOSS CONTROL COMMITTEE POLICY**

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**PURPOSE**

The purpose of implementing an Insurance Claims & Loss Control Committee Policy into the Municipality is to increase the safety and security of the Municipal assets, which helps reduce the frequency and possibly the severity of claims and ultimately lower insurance costs.

To provide for a written description of the Insurance Claims & Loss Control Committee (the “Committee”) procedures established for Rustenburg Local Municipality.

This document is an overview of the individual procedures which support the Insurance Claims & Loss Control Committee and contains guidelines for Good Practice for claims and loss management within Rustenburg **Local** Municipality.

WHEREAS the municipality does from time to time receive claims from the public relating to possible damages caused in incidents occurring in the service delivery activities of the municipality;

AND WHEREAS from time to time the municipality has to deal with losses occurring within the organization pertaining to its employees, official equipment, vehicles and municipal property as a whole as well as private property of employees;

AND WHEREAS it is the purpose of the Insurance Claims & Loss Control Committee to evaluate and settle property loss/damage and/or liability claims in amounts less than the excess amount for which the Municipality is liable in terms of its Insurance Policy and **Procedure**;

NOW BE IT ENACTED by the Council of the Rustenburg Local Municipality, as follows: -

**CHAPTER 1**

**COMMITTEE COMPOSITION**

**1.1 CUSTODIAN OF THE COMMITTEE**

- (a) The Insurance Claims Committee shall fall under the custodianship of the Chief Financial Officer of the Municipality.
- (b) Members of the Committee shall be appointed, in writing, by the Municipal Manager or his/her authorized representative.
- (c) The office of the CFO shall appoint a secretary for the Committee, the duty of whom it shall be to distribute Agendas for meetings of the Committee as well as record and minute meetings of the Committee.
- (d) This Policy as well as the appointment of members of the Committee shall be reviewed annually by the Municipal Manager or his/her authorized representative.

- (e) The CFO may delegate any of his/her duties under this policy to a Deputy Chief Financial Officer “DCFO” within the Budget and Treasury Office.
- (f) All records required and generated by the procedures and working of the Committee shall be maintained and located in the Records Section of the Municipality.
- (g) The Chairperson shall also be the technical mentor and coach of the Committee by providing guidance in terms of regulatory requirements, technical resources and references etc.
- (h) Members: Complete the functions and tasks necessary to fulfil the goals and objectives of the Committee.
- (i) All **Directorates** shall set up respective Loss Control Committee to investigate claims and co-ordinate decisions taken with the Insurance Claims Committee

**1.2 MEMBERS AND REPRESENTATION**

- 1.2.1.** Representatives of Insurance Claims Committee be people of authority who can act on claims under questioning.

- (a) The Committee membership shall comprise of the following standard members :-

Chairperson:	Chief Risk Officer
Deputy Chairperson:	Deputy CFO
Secretary:	CFO Secretariat
B.T.O. Officials:	Section Manager Assets & Insurance, Accountant Insurance & Finance Clerk Insurance
Legal Services:	Unit Manager
Occupational Health and Safety:	Unit Manager
Internal Audit:	Manager
Disaster Management:	Unit Manager
Mechanical Workshop:	Unit Manager
Law Enforcement:	Unit Manager/Security Manager
Traffic:	Unit Manager/Senior Superintendent

- (b) **Directorate** Units shall be represented by the relevant Manager of that Unit in meetings of the Committee whenever a claim or loss arising from the activities of such a Unit is tabled before the Committee.

- (c) Unit Managers may delegate a representative to attend meetings of the Committee on his/her behalf but only with the consent of the Chairperson of the Committee and further provided that such a representative shall be fully conversed and familiar with all relevant facts pertaining to the claim or loss

he/she shall be presenting before the Committee on behalf of the Unit.

**1.3 ROLES AND RESPONSIBILITY OF LOSS CONTROL COMMITTEE**

- (a) To discuss the circumstances of all claims;
- (b) To determine if negligence was the cause;
- (c) To initiate disciplinary procedures if necessary;
- (d) To establish preventative steps to prevent similar situation and or occurrences;
- (e) To ensure that the claim forms were completed and signed duly and that it was submitted to the insurance office;
- (f) To inform security manager in writing about all thefts and losses where a security company was on duty, within 72 hours;

To implement recommendations to the insurance claims committee.

**1.4 ROLE AND RESPONSIBILITY OF INSURANCE CLAIMS COMMITTEE**

- (a) The committee has to evaluate and investigate claims and where necessary, make sure that the relevant **Directorate** takes disciplinary action
- (b) The Insurance Claims Committee has the right to reject any claim, which was not considered by the respective Loss Control Committee.
- (c) The Chairperson shall ensure the meeting agenda is completed and that assignments and commitments have been achieved and further that all records are sent to the Records Section for safekeeping.
- (d) All records required and generated by the procedures and working of the Committee shall be maintained and located in the Records Section of the Municipality.
- (e) The Chairperson shall also be the technical mentor and coach of the Committee by providing guidance in terms of regulatory requirements, technical resources and references etc.
- (f) Members: Complete the functions and tasks necessary to fulfil the goals and objectives of the Committee.

**1.5 QUORUM RULES**

- (a) A minimum 75% (6) of the membership plus the Manager(s) whose claims are being assessed are required to be present in order to hold a meeting and take a vote.
- (b) Resolutions and process directions are passed by a majority vote.

**1.6 MEETING SCHEDULES**

The Committee will meet as claims arise but at least Monthly. The Insurance claims committee shall have meetings every first Friday of the month and Loss control committee shall have a meeting a week prior to the Insurance claims committee meeting.

**1.7 AGENDAS MINUTES AND RECORDING OF MEETINGS**

- (a) The secretary of the Committee shall be responsible for compilation and distribution of Agendas for Committee meetings at least 3 days prior to a meeting.
- (b) Agendas shall contain all relevant information as stipulated in this policy regarding a specific claim and/or loss including a written report from the relevant unit Manager to whose Unit the claim or loss relates.
- (c) The secretary shall capture all resolutions of the meeting during the meeting and then record same in written Minutes of the meeting to be distributed to all attendees of a specific Committee Meeting.
- (d) The secretary shall ensure that an attendance register is signed at all meetings of the Committee and also record any apologies accordingly.

**CHAPTER 2**

**PROCEDURE**

**2.1 PURPOSE OF THE COMMITTEE**

- (a) The purpose of the Committee is to consider and settle or repudiate claims for damages caused to the property of members of public arising against the Municipality from time to time as well as consider and settle internal loss control issues as they arise.
- (b) The Committee shall have the authority to deal with claims as described in sub-clause 2.1(a) on the merit of each individual claim, for claims which falls within the excess amount of the Municipality's liability under its public liability insurance policy.
- (c) The Committee shall focus on the following goals and functions in order to meet the purpose identified:
  - (i) Review, consider and discuss all claims and losses received;
  - (ii) Settle, repudiate or refer back for further information all claims tabled before the Committee which falls within its mandate;
  - (iii) Attend meetings arranged for purposes of discussion and finalisation
  - (iv) Seek advice from any Third Party in considering and finalising claims before the Committee as the Committee may deem necessary.

**CHAPTER 3**

RECEIPT OF CLAIMS TO SERVE BEFORE THE COMMITTEE

3.1 SUBMISSION OF CLAIMS

- (a) Claims against the Municipality have to be submitted by the **Section Manager Assets and Insurance** at the office of the Manager of the Unit allegedly responsible for the damage which gave rise to the claim.
- (b) Potential claimants have to contact the office of the **Section Manager Assets and Insurance** where the necessary claim form can be obtained and again submitted with the required information and documentation required as indicated on the form.
- (c) Claimants shall claim from their own insurance companies first before recourse is sought against the Municipality. No claimant shall refuse to claim for damages against their own insurance company. In all instances the claimant shall disclose the name and telephone number of their insurance company.
- (d) Claims for consideration by the Committee have to be lodged with the Municipality within 1 calendar month of the date of the incident causing the alleged damage. Claims lodged outside this cut-off period shall not be considered by the **Insurance** Claims and Loss Control Committee of the Municipality.
- (e) All claims lodged with the municipality shall contain the following information and be accompanied by the following relevant documentation: - (i) Completed claim form;
- (ii) Sworn affidavit by the claimant on the circumstances how, date, time and place where the incident allegedly causing the damage occurred;
- (iii) SAPS **Case** Number showing the incident has been reported with SAPS;
- (iv) In the event of a motor **vehicle** accident, a detailed traffic accident report complete with sketches;
- (v) 3x quotations for repairing of the damage allegedly caused;
- (vi) Colour photographs of the scene of the incident as well as the damaged property (where damage is caused to mag-wheels and tyres the municipality reserves the right to inspect such mag-wheels and tyres);
- (vii) A certified copy of the claimants' ID;
- (viii) A certified copy of the damaged motor vehicle's registration/licensing documents;
- (ix) A copy of the claimants' municipal services account for the month directly preceding the incident. In the event of the claimant being a tenant not receiving a municipal account, a copy of his/her rental agreement including a letter from the landlord confirming that the tenant's municipal services are paid to date;
- (x) A letter from the claimant's insurance company indicating that a claim has been lodged with the insurer for the damage to the claimant's property, further indicating what the excess amount payable on the claim is.



**3.2 CLAIMS ASSESSMENT**

- (a) Although all claims received shall be reviewed by the Committee, the Municipality is not obliged to honor any claim.
- (b) Claims received shall be considered on merit of each individual claim.

Negligence on the part of the claimant shall result in discounting of the claim in the discretion of the committee.
- (c) In all instances where alleged damage is caused to a claimant's property, the Municipality shall only consider payment of the claimant excess payable under his/her own insurance policy where the Committee is of the opinion that the claim has merit and warrants remuneration.
- (d) Claims received shall within a period of 5 working days from date of receipt of such a claim, be submitted to the office of the Assets and Insurance by the relevant Unit Manager receiving the claim. Claims thus submitted shall contain all relevant information requested on the claim form and shall be accompanied by a written report of the relevant Unit Manager regarding the merit of the claim from the Unit's perspective.
- (e) On receipt of a claim from the Unit Manager, the Finance Clerk Insurance shall acknowledge receipt of the claim and arrange for the claim to be lodged with the Records Section so that a file number can be allocated to the claim.
- (f) Complete claims shall be forwarded to the Secretary of the Insurance Claims and Loss Control Committee who in turns shall compile an Agenda for the Committee and secure a date for the next meeting to consider claims.
- (g) Claims have to be finalised within 30 working days following the date of receipt of a complete claim.
- (h) Where the municipal rates and services account of the claimant is in arrears for more than 60 days, the claimant claim shall be repudiated by the Committee.
- (i) Where the municipal rates and services account of the claimant is in arrears for 30 days, the claimant shall be allowed the opportunity to settle his/her municipal account and on submission of proof of such payment the claims shall be further considered by the Committee.

**3.3 PAYMENT OF CLAIMS**

- (a) Claims deserving of payment in accordance with the Committee's resolution shall be limited to payment of the lowest quotation amount or the claimant's excess payment under his/her policy, whichever is the lesser amount.
- (b) Where the Committee resolves to honour a claim against the Municipality, the payment shall be made ex gratia and in full and final settlement of the claimants claim.
- (c) Costs for car rental and tow in services shall not be considered.

**3.4 NO OR PARTIAL PAYMENT OF CLAIMS**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- (a) If the claim is denied, the Committee states and minutes explicitly to the claimant the reasons on which denial of the claim is based.
- (b) If the amount offered is different from the amount claimed, the Committee explains the reason for this to the claimant.
- (c) When the municipality is not responsible (by virtue of common law of delict principles) for meeting all or any part of the claim, the Committee notifies the claimant of this fact and explains why.

### **CHAPTER 4: LOSS CONTROL**

#### **4.1 RECEIPT OF LOSS CONTROL MATTERS FOR CONSIDERATION**

- (a) Incidents of internal loss control to be considered by the Committee shall be submitted to the office of the appointed Secretary of the Insurance Claims and Loss Control Committee for inclusion in the Agenda of the Committee.
- (b) Incidents so submitted shall consist of a comprehensive written report by the relevant Unit Manager, which report shall contain information on the nature of the loss, how it occurred, what remedial steps have been taken to prevent future occurrences, disciplinary action taken if any, value of the loss and how the damage caused will be compensated. The said report shall also contain a recommendation to the Committee on how the incident has to be dealt with.
- (c) When a loss control issue serves before the Committee, the relevant unit Manager shall avail himself/herself to ensure attendance of such a meeting of the Committee.
- (d) Resolutions taken on loss control issues shall be final and binding and executed accordingly, by the unit Manager.

### **CHAPTER 5: CLAIMS REGISTER**

- (a) A claims register shall be opened by the Finance Clerk Insurance and kept on all claims received and considered by the Committee. This register shall contain the date of the claim, the claimants name and ID number as well as the amount of the claim and whether the claim was paid out or not.
- (b) Claims are documented in order to be able to address questions that may arise concerning the handling and payment of a claim.

### **CHAPTER 6: COMPLAINTS AND DISPUTES**

#### **6.1 FILING OF COMPLAINTS AND DISPUTES**

- (a) When a claimant files a complaint against the findings of the Committee, the Committee: -
  - (i) acknowledges receipt of the complaint within a reasonable period of time (15 days);

- (ii) provides the claimant with explanations on how his/her complaint will be handled and the procedures to be followed
- (iii) processes the complaint promptly and fairly
- (iv) provides a final response in writing within a reasonable period of time (30 days).

**6.2 PROCEDURE FOR DEALING WITH COMPLAINTS AND DISPUTES**

- (a) Once a complaint has been received and acknowledged, the letter of complaint together with the resolution of the Committee taken with regard to the claim on which a complaint has been received has to be tabled before the earliest next sitting of the Committee for consideration.
- (b) Complaints and disputes so received shall be duly considered by the Committee, where after the Committee shall resolve on the matter and a final response on the complaint be forwarded to the claimant in writing.

**6.3 DISPUTES**

- (a) If the claimant is dissatisfied with the final response from the Committee, the claimant shall be informed to forward his/her dispute in writing to the CFO and Manager Legal Services, who will then assess the matter and take a final decision regarding that claim or dispute and inform the claimant accordingly in writing.

## **RUSTENBURG LOCAL MUNICIPALITY**



**DRAFT: INVESTMENT INCENTIVES POLICY - 2018**

Draft: Rustenburg Local Municipality Investment Incentives Policy (2018)

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## **Rustenburg Local Municipality**

Draft: Investment Incentives Policy (2018)

### **SECTION A: INTRODUCTION**

This section describes the problem statement that led to the drafting of the Investment Incentives Policy as well as applicable background information. The section serves as an introduction to the topic within which to contextualise the status quo description and the policy proposals that follows towards the end of this report.

#### **1. Preamble**

Municipalities across the world have a mandate to provide their respective communities with the best possible quality, affordable services and create suitable conditions for local business to thrive, create jobs and ensure that the municipality becomes financially sustainable. Provision of quality services is high on the priority lists of residents and business owners and is also a critical requirement for attractiveness of a city as people and corporations want to invest in a vibrant, clean, well-maintained, safe city with a highly capable and ethical administration.

Residents must be able to rely on the local government to make strategic decisions, guided by well-defined policies as procedures, that lead to prosperity for everyone who lives, visits or has business interests in the area. A municipality finds a balance between these competing but complementary responsibilities by developing and implementing dedicated instruments (strategies, programmes, projects and policies), to ensure that it succeeds in creating a quality, safe and vibrant environment for both business and ordinary residents.

One of those instruments is this Investment Incentive Policy, that is premised on the need for Rustenburg Local Municipality to ensure that the municipality achieves the outcome of attracting the necessary investment to implement economic and developmental infrastructure projects, that will ensure that the twin mandates of local municipalities are achieved.

#### **2. Purpose of the policy**

The incentive policy must create a connection between the municipal strategic intent and the strategy implementation document (Integrated Development Plan) and sector plans like the Spatial Development Framework, Land Use Management Scheme, the Local Economic Development Strategy and all the other infrastructure and environmental management plans.

The overarching purpose of this policy as articulated in Chapter 7 of The Constitution of the Republic of South Africa, mandates municipalities, per section 152 (1)(b) and (c) to ensure the provision of services to their communities in a sustainable manner; and; to promote social and economic development, respectively. Therefore, this policy seeks to identify relevant and effective internal instruments Rustenburg Local Municipality requires to achieve sustainable service delivery, social development, economic diversification and growth.

What the municipality needs to do is to identify the favourable conditions required for local, national, international capital owners to have enough confidence in the area to invest in its people and local economic growth. The policy will provide detail on the specific packages offered, the conditions that need to be met by potential investors to access such packages, how those will be implemented by the municipality and the required measurement criteria. The intention of this policy is to:

- Identify the package of incentives required to effectively attract investors to the city
- Create conditions suitable to the attraction and retention of investment, like reducing the cost of doing business and expediting approvals and appointments within the prescripts of legislation
- Establish mechanisms to expedite implementation of innovative, environment friendly, economic and social infrastructure investment in a cost effective and efficient manner
- Expedite creation of targeted sustainable urban planning, urban regeneration and township development to enhance the liveable city priority
- Ensure that skills development, sustainable jobs and procurement opportunities are created for locals through implementation of all government policies and projects, in a fair, easy to understand, easy to access with clear and consistent measurement criteria
- Define minimum standards (conditions) required for submission of applications, consideration and elimination of applications for incentives
- Ensure that the local environment is cared for through implementation of innovative green economy projects for future generations

### **3. Legislative context**

The incentives policy is guided by the following Government legislation, policies, strategies and programmes:

- The Constitution of the Republic of South Africa
- National Development Plan 2030;
- National Industrial Development Framework;
- Industrial Policy Action Plan;
- Rustenburg Integrated Development Plan
- Rustenburg Spatial Development Framework
- Rustenburg Integrated Masterplan
- Rustenburg Local Economic Development Strategy

### **4. Problem statement**

Rustenburg Local Municipality is a world-renowned of Platinum Group Metals mining area with a population of over 630 000 growing at an annual rate of 3.5%. Because of this character, it has an economy that is highly dependent on the mining, which has both economic advantages, disadvantages and risks.



Identified advantages to the mining activities are that the economy of the city can absorb a high number of job-seekers but conversely, attract a lot of hopeful job seekers who end up adding to the unemployment rate of the city. Statistics South Africa (2011 Census) reported that unemployment rates in Rustenburg are approximately 26.4% for the general population and the youth unemployment rate is at a troubling 37%. Low formal education and skills levels contribute to this situation.

Mining is finite and as such, not a sustainable economic activity. It is also vulnerable to external macro-economic factors. A reported downward trend in the production and sales of Platinum Group Metals (PGMs), per Statistics South Africa (Mining: Production and Sales; P2041 of February 2018) points to a bleak outlook for the economic sustainability of the city, as local mines look to downscaling production and retrenching employees. Other disadvantages to high mining activities are that the same operations undermine other economic sectors, land use, land distribution, agricultural production, tourism, consumption of municipal services, environmental impacts and pressure on housing provision. Such negative impacts of a dominant mining sector need strategic intervention contained in this policy.

The challenge for the municipality is to reduce the vulnerability of the local economy to external factors by working to diversify the local economy and ensure financial, social and economic sustainability of the area by developing mechanisms to attract and retain investment in education, technical and professional skills levels, infrastructure, agriculture and other catalytic projects and programmes like the renewable energy in the green economy. This can only be achieved by capitalising on the competitive and comparative advantages that the city has; like

- Location on the spine of major road networks (N4, provincial roads (R24 and R510),
- Existence of tourism routes, heritage sites,
- Being within reach of countries in the Southern African Development Community (SADEC), and,
- Being the economic hub of the North West Province.

Assumptions made, based on the information above, that need to be resolved are:

- A local economy that is highly dependent (tress index of over 65%) on a declining PGM mining production and sales output threatens the sustainability of the city beyond mining
- An above average (3.5%) inward migration of people hoping to be employed in local mines puts pressure on the provision of municipal services (housing, water, sewerage, waste removal and electricity provision)
- A depressed or declining output of local economic sectors (mining, agriculture, tourism, manufacturing, energy) contributes to the high unemployment rates. As at 2011, 196 123 of the 266 471 residents, aged between 16 – 65 were employed. A total of 105 188 young people were identified as unemployed.
- A favourable business environment will promote and attract capital investment
- Ease of access to investment capital, premised on provision of quality basic services, enhances growth of businesses in the municipality
- Clearly defined and easy to apply investment procedures will create business confidence from the investors, entrepreneurs and beneficiaries

The Investment Incentives Policy aims to address these identified problems by creating targeted investment attraction packages to:

- Enhance the creation of a favourable environment that will attract and retain capital investment in the local economy.
- Improve levels of business confidence in the municipality to enhance investor confidence.
- Address the high cost of creating greenfield infrastructure projects in the municipality.
- Ensure efficiency in receiving, processing and approving applications for identified incentive packages within applicable legislation
- Promote the establishment of professional project teams that will expedite innovative programme and project implementation
- Create suitable conditions for locals including SMMEs, to participate in the implementation of catalytic projects through education, skills transfer and capacity development programmes
- Ensure that local employment is also enhanced to reduce dependency and poverty levels in the municipality

The Investment Incentive Policy therefore focuses on improving systems, processes and mechanisms to coordinate investment and development facilitation to promote a more organized and transparent investment and development application processes and improve turnaround times. The policy further identifies key pillars necessary to achieve its objectives and unlock the city's development potential. These pillars include land release, delegations of authority, development and / or review of bulk contributions policies.

## **5. Defining Incentives and Development Charges**

### **5.1. Incentives**

*“non-market benefits used to influence the behaviour of an economic actor”.*

For investors, incentives may be defined as any measurable advantages (in the form of fiscal, financial, or non-financial incentives) accorded to specific enterprises or categories of enterprises by (or at the direction of) a government, to encourage investors to behave in a certain manner.

### **5.2. Financial incentives**

These may include direct grants and cost sharing schemes, lending instruments and guarantees. It may also refer to discounted prices on the market value of land or the direct provision of land on terms more favourable than that available on the open market.

### **5.3. Non-financial incentives**

This refers to technical or business support incentives: Services to support investors in setting up and running their operations (often provided by an investment promotion agency). These can include preferential treatment and streamlined administrative processing, administrative consulting, direct administrative assistance, relocation support and support to *ex patriate* employees of the investor business. Cities can also provide business-centric research, market intelligence, opportunity identification, project packaging and industrial clustering and support.

#### **5.4. Development charges**

Development charges are once-off fees applied to offset the additional public-service investment cost resulting from an intensification of land use. These charges are an important component of a sustainable system of municipal infrastructure financing. The general concept of a development charge is that the urban growth and expansion of new land use development creates the need for additional infrastructure services. These services, which are an essential part of land use development, are a direct cost generated by that development and should therefore be paid for by the land developer to avoid the financial burden being imposed on municipalities or existing communities.

Development charges can and should cover a significant portion of the costs of providing infrastructure that supports economic growth. They are a strategic and efficient source of capital finance to pay for new infrastructure that supports economic growth.

The following are principles underpinning development charges:

- Equity and Fairness: Development charges should be reasonable, balanced and practical to be equitable to all stakeholders;
- Predictability: Development charges should be a predictable, legally certain and reliable source of revenue to the municipality for providing the necessary infrastructure;
- Spatial and economic neutrality: A primary role of a system of development charges is to ensure the timely, sustainable financing of required urban infrastructure. They should be determined on identifiable and measurable costs.
- Administrative ease and uniformity: The determination, calculation and operation of development charges should be administratively simple and transparent.

#### **5.5. Fiscal or tax incentives**

Fiscal or tax incentives may refer to exemptions or Income excluded from the tax base. It may also refer to allowances which are amounts deducted from gross taxable income. Credits or rebates are allowances which are amounts deducted from gross taxable income.

### **SECTION B: BACKGROUND OF INVESTMENT INCENTIVES**

This section describes the current reality in the investment incentive environment. Holders of investment capital demand high returns on their investment due to the scarcity of capital resources, stringent controls placed by governments on financial flows and the increasing pressure for municipalities and other businesses to become financially viable.

#### **6. Creating sustainable competitive advantage**

Municipalities must craft innovative strategies to address the twin challenges of providing basic services and ensuring that the local conditions are conducive for the growth of the economy. In Rustenburg Local Municipality (RLM), the IDP provides a strategic plan to address most of the challenges. However, due to lack of financial resources for economic projects, economic infrastructure projects do not get adequate financial injection, thus the need for domestic and foreign direct investment attraction.

The fact that there are natural resources, adequate and competitive labour and other advantages does not make Rustenburg an investment destination of choice.

Attractiveness of a place for foreign direct investment to create sustainable competitive advantage requires innovative strategies and projects. These identified, and priority projects have been selected to create a diverse portfolio for interested investors and stimulate the economic growth of Rustenburg.

- Manufacturing: Logistics Hub, Mining Supplier Park, Factory Shops
- Tourism: Convention Centre and hotel, Flea market, Tourism and Heritage routes
- Agriculture and agro-processing: Fresh Produce Market, Urban Agricultural Hubs
- Green economy: Renewable and alternative energy production (solar, wind, mining, agricultural and landfill waste)
- Circular economy: Recycling and reusing of waste products
- Education: Centre for Science and Research Innovation, Tertiary Education Institutions
- Transport: Airport development, Bus Rapid Transport (RRT)
- CBD Regenerations
- Approved Precinct Development

## **7. Principles influencing investment decisions**

### **7.1. Achievable and relevant performance criteria**

Incentives must be tied to achievable and relevant performance criteria with clear and unambiguous mechanisms for monitoring and enforcement. Examples of conditions for the granting of incentives range from compliance with basic regulations to job creation and training targets.

### **7.2. Public access**

All investment incentives should be published for ease of access by the general business community and public.

### **7.3. Legality and compliance**

Tax incentives must comply with all relevant policy and legislation. Incentives should not be provided to companies which are not in compliance with the law. Incentives should align with core labour, health, safety and environmental standards. The investment incentives policy must be in line with national and provincial planning guidelines.

### **7.4. Low administrative complexity and clear criteria for granting rule-based incentives automatically**

Transparent and objective eligibility criteria must be used to grant access to incentives. Unless incentives are tied to pre-defined, public, and rule-based systems they become vulnerable to corruption investor confusion and information asymmetries. Eligibility for incentives provided by law should be based on clearly defined, easy to understand, predetermined criteria. Qualifying criteria should be consistently applied to all businesses applying for incentives without prejudice.

Incentives should not be granted through special permission or certification by investment promotion agencies, ministries of trade, or other government agencies. Ascertaining whether a business is eligible for an incentive and subsequently obtaining an incentive should be a simple task for investors and be based on the submission of pre-determined criteria and easily provided evidence of eligibility. This approach ensures prompt decision making and quick turnaround times for investors.

#### **7.5. Employment creation**

Investment incentives must consider temporary and sustained job creation in the private sector. Private investors and entrepreneurs must create both temporary jobs and permanent employment during start-up and sustained operations.

#### **7.6. Affordability of full financial costs**

Determine the full financial costs of incentives under all possible circumstances. It is possible that incentives decrease tax income initially but increase tax income in the long-run. However, all incentive packages must be affordable and allow the municipality to meet its service delivery targets. High impact, low cost incentives should be targeted. Mitigate indirect costs of incentives.

#### **7.7. Transparency**

Information on incentives policy and the availability of incentives should be public knowledge. Freely provide local and foreign investors with information on existing incentives in the most open and public way possible. All incentives available should be clearly spelt out in full detail and kept up-to-date on the Municipality's website ([www.rustenburg.gov.za](http://www.rustenburg.gov.za)) or another dedicated public website.

#### **7.8. Clear identification of those responsible for implementation**

Establish who (committee, agency, directorate or authority) is responsible for incentive implementation and for ensuring that the objectives and criteria for incentives are met.

#### **7.9. Spatial inclusivity**

Investment incentives that target specific sectors or businesses may run the risk of exacerbating spatial inequality. Investment incentives should include marginalised communities where possible. Policies that correct market or regulatory failures in all areas should be considered. However, this should be in line with the Spatial Development Framework.

#### **7.10. Complementarity and alignment (national and provincial)**

National, provincial and district government currently provide various programmes and packages that incentivise investment and job creation. Incentives offered by Rustenburg Local Municipality should align with these to enhance their impact. Furthermore, the RLM investment incentives policy should directly reflect its mandate as a separate and independent sphere of government i.e. it should relate to incentives that Rustenburg can uniquely provide.

#### **7.11. Continuous review**

The impact of the incentives on investment decisions will only be apparent when the investment incentives policy is implemented. Investment incentives need to be reviewed regularly to mitigate unintended consequences through adjustments. The review process will be made easier and more effective by keeping incentives simple, keeping records, and evaluating results. The full package of investment incentives should also be reviewed for effectiveness and investor popularity after a fixed period

### **SECTION C: POLICY DIRECTIVES**

This section deals with the proposed incentive policy in line with the Municipality's vision and strategic objective.

#### **8. Priority strategic programmes**

These Municipality's developmental programme is guided by the spatial development framework which has six priorities which should direct the application of the proposed incentives:

Priority 1: Integrated spatial development supported by the required bulk infrastructure development

Priority 2: Accelerated and shared economic growth supported by creation of spatial economic opportunities

Priority 3: Sustainable use and management of natural resources

Priority 4: Integration of land use and transport development

Priority 5: Creation of sustainable settlements through access to appropriate housing and social facilities. (housing projects; informal settlements).

Priority 6: Creation of opportunities for sustainable rural development

## 9. Eligibility

The following provides guidelines in terms of eligible projects which the Municipality will consider for incentives applications.

### Criteria for consideration

<b>PRIORITY SECTOR / PROGRAMME</b>	<b>PROJECT TYPE</b>	<b>MIN INVESTMENT (R')</b>
Education	Education precinct / facility / infrastructure / supporting amenities (student accommodation, retail development, etc.)	R100m
Agricultural Development	Urban Agriculture Hubs, Rural Agricultural projects / hubs, Agro-processing projects	R20m (primary agriculture development) R50m (agro-processing project)
Industrial Development	Logistics, Mining Supply, Green Economy, Manufacturing	R100m
Tourism	Convention centre, Hotel, Tourism Park	R100m
CBD Regeneration Projects	Single and Mixed-use high rise (Commercial, Residential and Retail),	R100m
Mixed Use Development	Combination of 3 or more land-uses, etc.	R300m
Precinct Development	Residential, Retail, Logistics, etc.	R50m

### Assessment Criteria

<b>CATEGORY</b>	<b>WEIGHT %</b>	<b>Score Max 10</b>	<b>Total Score</b>
Local Content and Procurement	15		
Bankable Business Plan and Financial Model	15		
Company Profile and Relevant Industry Experience	15		
Total Capital Investment Value	15		
Job Creation	10		
Green Economy	10		
Access to Market	5		
Skills Development	5		
Concept Design	5		
CSI Spend	5		
<b>TOTAL</b>	<b>100</b>	<b>100</b>	

POSSIBLE MAXIMUM SCORE: 1000. MINIMUM QUALIFYING SCORE ACCEPTABLE: 700

**10. Role of Municipal Directorates**

Directorates in the municipality each have a critical contribution to the Investment Incentive Policy and the packages on offer including the implementation thereof. Each unit must present possible concessions regarding applications complexity and costs, processing and turnaround times. These must be analysed for value so that potential investors can appreciate the savings on offer. Care must be taken to apply the basic principles of this policy in making the decisions.

**11. Proposed Investment Incentives**

In South Africa, the Department of Trade and Industry (the dti) offers a set of incentives through the fiscus to encourage development and investment in various sectors such as manufacturing, agriculture, tourism and film. Other incentives from the Department of Trade and Industry (the dti) are tailor-made to attract and retain investments in the automotive, business processes, outsourcing and offshoring industries. While the Department of Trade and Industry (the dti) incentives go a long way in making South Africa more competitive. These incentives generally apply nationally. Cities still must compete for such investments. This makes the provision of investment incentives by cities an important ingredient in developing a city's competitiveness.

International best practice acknowledges the benefits of both financial and non-financial local incentives to investors in addition to the National Government incentives. It is recommended that Rustenburg follows the same practice to offer both financial and non-financial incentives

**12. Financial Incentives**

The Financial Investment Incentives proposed through this policy are described below.

**12.1. Incentive F1: Electricity Rates Rebate**

A monthly rate rebate as a percentage of total electricity consumed per month per new customer, as per the categories listed, for a period not exceeding 3 years, as follows:

<b>Year</b>	<b>Action to follow</b>	<b>Rebate</b>
Year 1	Rand value to be quantified/estimated in each case	20%
Year 2	Rand value to be quantified/estimated in each case	15%
Year 3	Rand value to be quantified/estimated in each case	10%
Year 4	Revenue Neutral	0%

The following rules apply, for practical implementation:

- Commencement date for the Year 1 rebate countdown – to be determined in each case, in consultation with the investor. The commencement date may be postponed, up to a maximum of 12 months from the date on which the connection was activated.



In the period preceding the commencement date agreed upon, full energy rates will be applicable, subject only to demand charges exemption, upon prior request, as specified in the Energy Tariffs schedule.

- A Notified Maximum Demand (NMD) must be stated by these customers. The full Network Access Charges (NAC) values, will be payable from the month in which the electricity connection is activated by. In cases where the NMD is understated, the understated value will be clawed back once it becomes evident.
- Upon completion of the 3-year period, the normal tariff clauses will be applicable in relation to the NMD and NAC values.

### **12.2. Incentive F2: Water Rates Rebate**

A monthly rate / service tariff rebate as a percentage of total water and sewerage consumed per month per new customer, for a period not exceeding 3 years, as per the table below. This rebate is only available for investments above R100-million.

<b>Year</b>	<b>Action to follow</b>	<b>Rebate</b>
1	Rand value to be quantified/estimated in each case	20%
2	Rand value to be quantified/estimated in each case	15%
3	Rand value to be quantified/estimated in each case	10%
4	No rebate	0%

### **12.3. Incentive F3: Estate Rental Rebate**

A rental rebate on council owned land will be provided as per the table below.

<b>Qualifying project phase</b>	<b>Qualifying lease period</b>	<b>Qualifying investment value</b>	<b>Rebate</b>	<b>Maximum Duration</b>
Planning	Less than 10 Years	Less than R100 million	100%	12 Months
Planning	More than 10 Years	More than R100 million	75%	12 Months
Construction	Less than 10 Years	More than R100 million	50%	12 Months

The rental rebate will only be applicable and effective from the date of the signing of the lease agreement.

The lease agreement for the qualifying project should be subjected to 12 months for the development to commence from the date of signing the agreement or a similar condition in compliance to the land disposal policy.

### **13. Nonfinancial Incentives**

Non-Financial Investment Incentives formalised through this policy are described below.

#### **13.1. Incentive NF1: Catalytic Projects Fast-Track Committee**

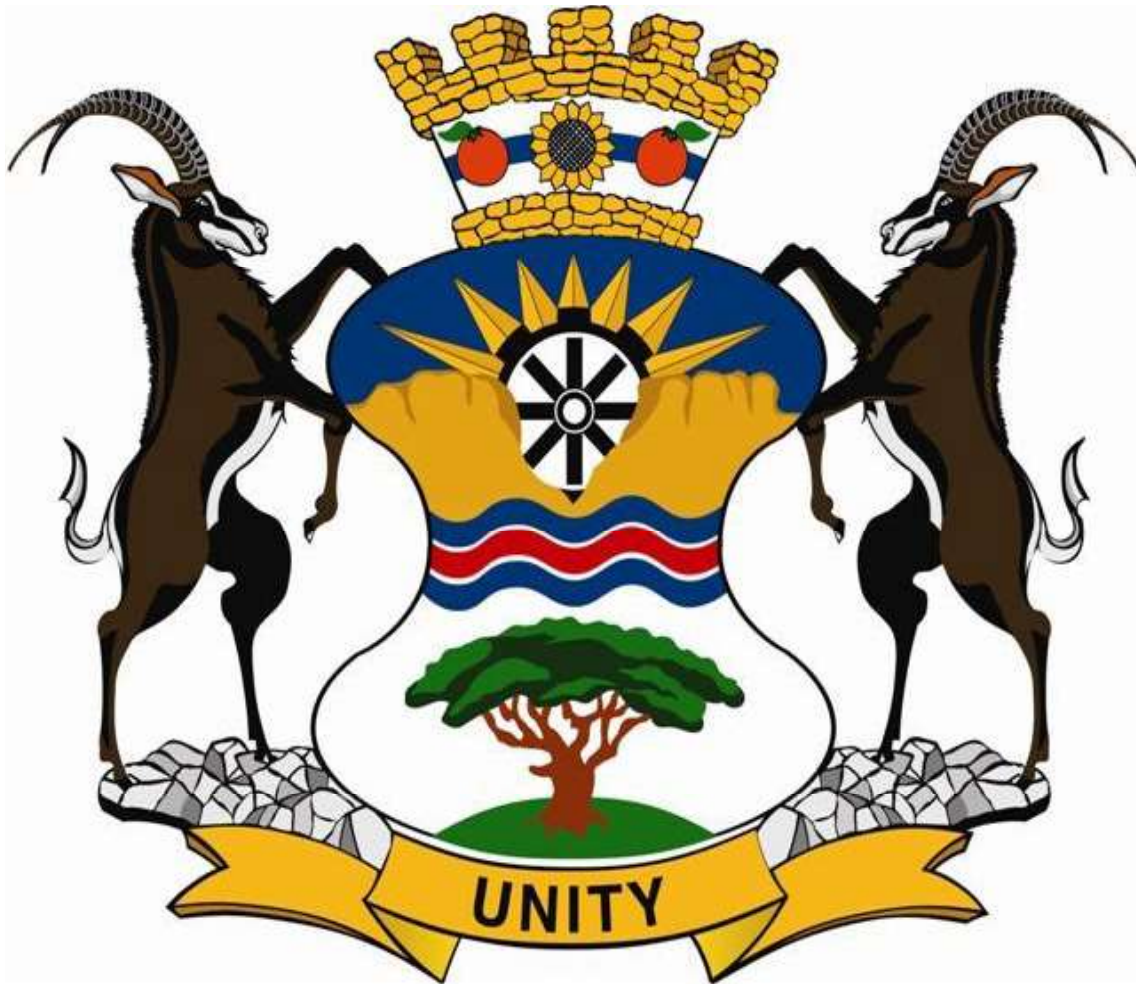
Catalytic projects fast-tracking committee has been established to fast track investment and development proposals. The fast-tracking of investments and development proposals contributes towards reducing the cost of doing business as it improves the turnaround time for decision making. The Local Economic Development Directorate is establishing a one-stop office that will also improve the interaction with investors and developers and provide ease of access to Municipality's services relating to investment and development facilitation.

### **SECTION D: MONITORING AND EVALUATION**

The incentives applications and their impact will be monitored by the Catalytic Projects Fast-Tracking Committee. The Local Economic Development Directorate will evaluate the impact of the incentives policy on an annual basis. Depending on the investment and macro-economic environments, the policy may be updated to ensure relevance and cost efficiency.

# **RUSTENBURG**

## **LOCAL MUNICIPALITY**



### **PETTY CASH POLICY**

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## **INTRODUCTION**

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Section 62(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Therefore, the Rustenburg Local Municipality adopts the following petty cash policy

## **POLICY STATEMENT**

1 Petty cash are funds to be used for small incidental purchases. Procedures have been established to encourage an effective administration and internal control of cash handling operations throughout the Rustenburg Local Municipality

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## **2. REGULATORY FRAMEWORK**

Legislation – Municipal Finance Management Act 56 of 2003

## **3. OBJECTIVES**

The aim of the policy is to ensure that the petty cash funds of the municipality are managed and controlled effectively, efficiently, economically and transparent in accordance with the procurement processes of the municipality and the prescribed legislation.

## **4. DEFINITIONS**

Accounting Officer: means the municipal officials referred to in section 60 of the MFMA (2003) and include a person acting as the accounting officer.

Chief Financial Officer: The person designated in terms of section 80(2) (a) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated.

Petty Cash Float: The total sum of Petty Cash which has been granted to a Petty Cash Officer.

Petty Cash Officer: An employee, made responsible for the day-to-day operating of the Petty Cash Float.

Reconciliation: Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.

Sub-advances: A relatively small amount of cash, made available by the Petty Cash Officer on request, to buy miscellaneous small items.

## **5. RESPONSIBILITY AND ACCOUNTABILITY**

The key responsibilities in terms of the MFMA (Section 65) are: Accounting Officer (Municipal Manager)-

- (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure:
  - (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
  - (b) that the municipality has and maintains a management, accounting and information system which:
    - (i) recognises expenditure when it is incurred;
    - (ii) accounts for creditors of the municipality; and
    - (iii) accounts for payments made by the municipality;
  - (c) that the municipality has and maintains a system of internal control in respect of creditors and payments;
  - (d) that payments by the municipality are made:
    - (i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

## **6. PETTY CASH POLICY**

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### **6.1 General Policy**

(a) The use of a petty cash float (a float may not exceed R10 000.00) is strictly confined to individual cash purchases of up to a maximum of R500.00 inclusive of VAT, unless authorized, to exceed the prescribed amount, by the Chief Financial Officer;

The user may not exceed R2000 for the procurement of the same goods for the month.

- (b) The expenditure regarding petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit;
- (c) A petty cash float is not to be used for any of the following:
  - (i) the cashing of cheques;
  - (ii) loans to any person whatsoever;
  - (iii) payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason, unless authorized by the Chief Financial Officer;
  - (iv) for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
  - (v) no approved store items may be purchased by means of a petty cash transaction;
  - (vi) no fixed assets may be purchased by means of a petty cash transaction; and

(vii) any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trading creditor that does exist on the financial system will be regarded as a deviation from the accepted accounting practices in the use of Petty Cash. Unless authorised by the Chief Financial Officer, deviations will be regarded as serious offences and will lead to disciplinary action;

(d) Other cash floats may also be established for the purpose of providing change for a cash register, or any purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy;

(e) The Internal Audit section may conduct internal audits to evaluate compliance with this policy.

### **Request for reimbursement**

3.2.5.1 Request for Petty Cash reimbursement must be authorised (signing on the receipt / invoice) by a delegated official, Head of Department or Manager as approved by Council, on the receipt.

The recipient must sign the Petty Cash voucher as proof of receipt and to verify that the amount is correct.

3.2.5.2 The official signatory must ensure that funds are available on the budget, prior to submitting claims.

3.2.5.3 An applicable vote number must be supplied on the Petty Cash voucher.

3.2.5.4 Reason for purchase must be supplied.

### **Documentation control**

3.4.1 All documentation (Petty Cash voucher and receipts), applicable for the period between replenishments, must be kept in the lockable cash box which will always be kept in a locked, fire- and thief resistant safe.

3.4.2 With replenishment, the above documentation together will be reconciliation sheet must be attached to the cheque / payment voucher.

### **Reconciliation**

3.5.1.1 A request for replenishment must be supported by a reconciliation sheet compiled by the Petty Cash official.

3.5.1.2 The above sheet must be signed by the Petty Cash official and authorised by the Accountant / Manager / Section 56 Appointments or Municipal Manager.

3.5.1.3 Such reconciliation must be done at least once a month.

3.5.1.4 A year-end reconciliation and replenishment must be done, at 30 June.

## **6.2 Establishing and Operating a Petty Cash Float**

(a) To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager of a department;

(c) The Senior administrative employee mentioned under 6.2

(b) will be responsible for the security and safe custody of the float;

(d) The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe;

### **6.3 Security of Petty Cash Floats and Documentation**

(a) The cash on hand and used petty cash vouchers are to be kept in a locked box for which there should be two keys. One key is to be retained by the petty cash officer (on their person) normally responsible for the petty cash and the other to be kept by the senior administrative employee mentioned under 6.2

(b) in a safe, to be used only in an emergency.

(b) The locked petty cash box must be kept in a secure place when not in use and should be removed and returned by the responsible staff member only. At no stage should staff other than the responsible administrative/clerical staff member have access to the petty cash box.

(c) Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.

(d) If the responsible Petty Cash Officer is either going on leave or is leaving the Municipality's employment, the Petty Cash Officer must perform a reconciliation and a Summary Claim Cover Page compiled, before possession of Petty Cash, can be handed over. The Summary Claim Cover Page must be signed by both the Petty Cash Officer and the recipient, to verify that the amount in cash, correspond with the balance on the Summary Claim Cover Page; and

(e) When the Petty Cash is returned to the Petty Cash official, the same processes must be followed.

### **6.4 Completing a Cash Purchase Claim Form**

(a) Petty cash claim forms is available from the designated petty cash official responsible for the petty cash in a particular department/section;

(b) The Cash Purchase Claim must be completed as follows:

(i) description and cost of the goods/services purchased.

(ii) purchaser's signature.

(iii) correct vote number with an adequate budget to be charged; and

(iv) signature of the Officer in Charge of Petty Cash.

(c) Original receipts and other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this documentation. The receipt and invoice must be in a formal business format. Receipts must set forth the complete description of the purchase. When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid.

(d) A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser.



**6.5 Sub-Advances to Staff Members**

- (a) If it is necessary to make an initial sub-advance to a staff member, a receipt for cash advance must be completed. The receipt for cash advance Form must be completed as follows:
- (i) description and estimated cost of the goods/services purchased;
  - (ii) purchaser's signature;
  - (iii) correct vote number with an adequate budget to be charged;
  - (iv) signature of the Petty Cash Officer;
- (b) On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in the above paragraph: Completing a Cash Purchase Claim Form (Section 6.4);
- (c) All such sub-advances will be accounted for within 24 hours, by submitting original receipts and other applicable documentation required, attached as proof of payment (with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or if not possible, alternatively be for the immediate recovery from the individual's salary;
- (d) No more than one advance will be made for the same purchase/event.

**6.6 Out-of-Pocket Payments**

- (a) Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim;
- (b) The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s); and
- (c) The recording-, documentation- and authorization requirements will be as stated in the above paragraphs (Section 6.4).

**6.7 Reimbursement of Petty Cash Floats**

- (a) A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement requires:
- (i) returning the cash level of the petty cash float to its original level, and;
  - (ii) charging the expenditure which has been incurred to the correct expenditure vote;
- (b) At any given time the unspent amount i.e. cash on hand plus any advances made for which adequate proof must be available, shall equal the level of the petty cash advanced to a Department.
- (c) Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be submitted to the Expenditure Section for reimbursement, after the Summary Claim Cover Page and attached documentation have been authorised.

1. REGULATORY FRAMEWORK

Legislation – Municipal Finance Management Act 56 of 2003

**1. INTRODUCTION**

- (1) As trustee of public funds, the Council has an obligation to ensure that all investments are made by the Municipality in the most efficient and effective manner.
- (2) Money invested must be for the benefit of the whole of the community and must be governed by the principle objective to maximise returns from authorised investments, consistent with the secondary objective of minimising risk.

**2. LEGISLATIVE CONTEXT**

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- (1) This policy is established in terms of section 13(1) and section 13(2) of the MFMA which requires that the Municipality establish an appropriate and effective Cash Management and Investment Policy within which the Municipality must:
  - (a) conduct its cash management and investments; and
  - (b) invest money not immediately required in accordance with any framework which may be prescribed by law.
- (2) In addition, the Regulations set out the framework within which all municipalities shall conduct their cash management and investment. The said regulations are annexed to this policy as **Annexure “A”**.
- (3) This policy is consistent with the MFMA, the aforementioned gazetted framework and section 60(2) of the Systems Act.

- (4) The Municipality shall at all times manage its banking accounts and investments, as well as implement this policy in compliance with the provisions of and the prescriptions made by the Minister of Finance in terms of the MFMA.

#### **4. ADOPTION AND COMMENCEMENT OF THIS POLICY**

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- (1) The Municipality shall adopt this policy which is consistent with the provisions of paragraph 3 above.
- (2) All investments made by the Municipality or an investment manager on behalf of the Municipality must be in accordance with this policy and with any investment regulations promulgated by National Government.
- (3) The effective date of this policy or any amendments thereto shall be the date of its adoption by Council.

#### **5. PURPOSE OF THIS POLICY**

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The purpose of this policy is to secure the sound and sustainable management of the Municipality's surplus cash and investments.

#### **6. SCOPE OF THIS POLICY**

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- (1) This policy prescribes the manner in which the Municipality must conduct its cash management and investments. This policy further prescribes the obligations and the accountability of the Municipality as a trustee of public

funds, and that cash resources are managed as effectively as possible by ensuring that such funds are invested with great care.

- (2) This policy aims through effective cash flow management, having regard to legislative provisions, at gaining the highest possible return without undue risk to the investment during those periods when funds are not required.
- (3) The policy governs the investment of money not immediately required by the Municipality for the defrayment of expenditure.
- (4) This policy applies to all new and existing investments made by:
  - (a) the Municipality;
  - (b) all investment managers acting on behalf of the Municipality in making or managing investments.
- (5) This policy does not apply to trust moneys administered by the Municipality where it is prescribed in the trust deed how the trust money is to be invested.

## **7. OBJECTIVES OF THIS POLICY**

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- (1) To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments.
- (2) To ensure that investment of surplus funds of the Municipality forms part of the financial system of the Municipality.
- (3) To create consistency in that the same procedure is followed in respect of each investment so as to conform to the requirements of transparency,

equitability and fairness. In each case the preservation and safety of investments is a primary aim.

- (4) To promote and ensure the need for investment diversification of the Municipality's investment portfolio across acceptable investees permitted types of investments and investment maturities.
- (5) To ensure the liquidity needs of the Municipality are duly discounted and provided for.
- (6) To ensure timeous reporting of the investment portfolio as required by the MFMA and in accordance with the Generally Recognised Accounting Practice (GRAP) and as required by the National Treasury.
- (7) To establish a minimum acceptable credit rating and requirements for investments including:
  - (a) a list of approved investment types that may be made, subject to the provisions of this policy; and
  - (b) a list of approved institutions where or through which investments may be made, subject to the provision of this policy.
- (8) To provide measures for ensuring implementation of this policy and internal control over, investment made as well as procedures for reporting on and monitoring of all investments made procedure for benchmarking and performance evaluation.
- (9) To provide the assignment of roles and functions, any delegation of decision-making powers including the conditions for the use of investment managers,

and their liability in the event of non-compliance with the provisions of this policy.

- (10) To provide the procedures for the annual review of this policy.

## **8. PERMITTED INVESTMENT TYPES**

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- (1) The Municipality shall only invest funds in any of the following investment types as set out and referred to in regulation 6 of the Regulations, being:
- (a) securities issued by the National Government;
  - (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
  - (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
  - (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
  - (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
  - (f) banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, Act 94 of 1990;
  - (g) guaranteed endowment policies with the intention of establishing a sinking fund;
  - (h) repurchase agreements with banks registered in terms of the Banks Act, Act 94 of 1990;
  - (i) municipal bonds issued by another municipality; and
  - (j) any other investment type as the Minister of Finance may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

**9. PROHIBITED INVESTMENTS**

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- (1) The Municipality shall not be permitted to make the following investments:
  - (a) investments in listed or unlisted shares or unit trusts;
  - (b) investments in stand alone or derivative instruments;
  - (c) investments denominated in, or linked to, foreign currencies;
  - (d) investments in market linked endowment policies.
- (2) The Municipality shall not borrow funds for the purposes of investing, as stated in terms of the Borrowing Policy of the Municipality.
- (3) Any investment in capital or money market instruments shall be held until maturity. The Municipality shall not buy or sell these instruments, to speculate with a view to making capital profits.

**10. STANDARD OF CARE**

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- (1) The Municipality must take all reasonable and prudent steps consistent with, and according to the provisions of this policy to ensure that it places its investments with credit-worthy institutions. The international rating given should be used to evaluate the creditworthiness of financial institutions.
- (2) The investment shall be made with the judgement and care, under the prevailing circumstances, which a person of prudence, discretion and intelligence would exercise in the management of his/her own affairs, not for speculation, but for investment, and with primary regard to:
  - (a) the safety of its capital;
  - (b) the liquidity needs of the Municipality; and

- (c) the probable income or return derived from the investment.

## **11. DELEGATION OF INVESTMENT PORTFOLIO MANAGEMENT**

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- (1) The authority to make investments and fulfil all functions related herein is in terms of section 59 of the Systems Act delegated by the Council to the Chief Financial Officer who will exercise his/her power, function and duty to make investments on behalf of the Municipality within a policy framework determined by the Minister of Finance and in accordance with the provisions contained within this policy. This power may not be sub-delegated.
- (2) The Chief Financial Officer shall make invitation and selection of competitive bids or offers from a list of approved institutions to make short-term investments as and when necessary.
- (3) The Chief Financial Officer shall invite bids or offers from a list of approved institutions, in accordance with the applicable provisions of the Supply Chain Management Policy of the Municipality, and make investments in consultation with the Municipal Manager in respect of the long-term investment of funds.

## **12. REPORTING AND MONITORING**

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- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall in terms of section 71 of MFMA submit, on a monthly basis, a report describing in accordance with Generally Recognised Accounting Practice (GRAP) the investment portfolio of the Municipality as at the end of the month and such report shall contain at least the following particulars:
  - (a) the market value of each investment as at the beginning of the reporting period;



- (b) any changes to the investment portfolio during the reporting period;
  - (c) the market value of each investment as at the end of the reporting period;
  - (d) applicable interest rates; and
  - (e) fully accrued interest or yield for the reporting period.
- (2) There shall at all times be transparency, equitability, fairness and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard, details of all investment must form part of the monthly financial report by the Accounting Officer to the Mayor and the provincial treasury.
- (3) There shall at all times be regular reporting mechanisms in place in order to assess the performance of the investment portfolio and to ensure that the investments comply with policy objectives, guidelines, applicable laws and regulations.
- (4) The following investment reports shall be prepared:
  - (a) For the Chief Financial Officer:
    - (i) a daily summary of current investments for all Investees;
    - (ii) a detailed schedule of investment capital and interest maturing on the current day;
    - (iii) a daily summarised schedule of future maturities for all investments;
    - (iv) a monthly reconciliation of all interest accrued and interest received;
    - (v) each month, the weighted average actual return earned on investments for the month, together with a comparison to the previous 3, 6, 9 and 12 months, shall be calculated on a

nominal annual compounded monthly basis and benchmarked against rates of return offered by other institutions.

(b) For the Mayor:

A monthly investment portfolio report (in accordance with the Generally Recognised Accounting Practice) to be submitted to the Mayor by the Accounting Officer, within 10 (ten) working days of the end of each month, as part of the section 71 report required in terms of the MFMA, detailing:

- (i) the market value of each investment as at the beginning of the reporting period;
- (ii) any changes in the investment portfolio during the reporting period;
- (iii) the market value of each investment as at the end of the reporting period; and
- (iv) fully accrued interest and yield for the reporting period.

(c) For Council:

- (i) the Accounting Officer must table a quarterly report to Council within 30 (thirty) days after the end of each quarter on the cash withdrawals from the Municipality's bank account for investment purposes.

(d) For the Auditor-General:

- (i) all investees shall, within 30 (thirty) days after the end of the financial year, notify the Auditor-General, in writing, of all investments held by them for and on behalf of the Municipality during that year, including the opening and closing balances of that investment in that financial year; and promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor General;

- (ii) within 90 (ninety) days after opening up any new bank account, the Municipality shall notify the Auditor-General and the provincial treasury of the name, type and number of any new bank account opened by the Municipality; and annually before the start of a financial year, the name of each bank account where the Municipality holds a bank account, and the type and number of the account.
- (iii) all banks, where the Municipality, at the end of a financial year holds a bank account or held a bank account at any time during a financial year, must –
  - a) within 30 days after the end of that financial year notify the Auditor-General in writing of such bank account including –
    - (i) the type and number of the account; and
    - (ii) the opening and closing balances of that bank account in that financial year; and
  - b) promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

### **13. DIVERSIFICATION**

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No more than 50% of the total investment portfolio may be invested with a single institution, except with the prior authorisation of Council.

### **14. COMPETITIVE SELECTION PROCESS AND INVITATION FOR QUOTATION**

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- (1) No investments may be made without obtaining quotations from at least 3 (three) institutions or investees permitted in terms of this policy, for the terms for which the investment is to be placed.

- (2) The selection of an investee for any investment shall be a competitive process in terms of the Supply Chain Management Policy of the Municipality.
- (3) In the event of one or more of the investees offering a more beneficial rate for an alternative term, the other investees who previously quoted or invited to quote shall be approached for their rates on the alternative term.
- (4) Written confirmation of the terms of the investments shall be prepared and signed with the investee in all cases.
- (5) Save where other considerations or factors as provided in this policy apply the best rate offered shall secure the investment.

#### **15. CONTROL OVER INVESTMENT(S)**

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- (1) Proper records should be kept of all investment made. At the very least the following facts should be indicated for each investment: the institution, the funds, the interest rate and the maturity date.
- (2) Interest correctly calculated should be received timeously together with any distributable capital.
- (3) Investment documents and certificates shall be kept in a locked and fire-resistant safe.
- (4) The Chief Financial Officer is responsible for ensuring that the invested funds are reasonably secure and should there be a measure of risk, such risk must be rated realistically.

- (5) All investment made must be in the name of the Municipality and recorded as such by the Investee.
- (6) The responsibility and the risk arising from any investment vests in the Municipality.

**16. INVESTEE LIMITS**

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- (1) Maximum investment levels shall be set for each approved Investee and these limits shall not be exceeded at the time of making the investment.
- (2) The investment limit per deposit taking institution shall be calculated using the balance sheet figures obtained from the individual Investee's Reserve Bank DI900 return and taking into account:
  - (a) 5% of total equity divided by total assets multiplied by total deposits;
  - (b) the ratio of the individual limits per Investee, calculated above, as a percentage of the total limits, shall then be applied daily to the actual funds invested and available for investment. In this way a daily investment limit, as per the calculated ratio, shall be determined per Investee for any given level of total actual investments.
- (3) Investee limits and ratios based on the above formulae shall be revised annually or as required upon the addition or deletion of an institution to or from the list of approved deposit taking Investees.
- (4) The Municipality shall only invest with Investees having, as applicable, an investment grade rating of A.1 or better for short term investments and an A or better rating for long term investments from a nationally or internally recognised credit rating agency.

- (5) The Municipality shall ensure that it places its investments only with credit-worthy Investees. The credit worthiness of every Investee shall be monitored throughout the year on an ongoing basis.
- (6) Any additions to or deletions from the list of approved Investees or any changes to the investment limits assigned to each Investee shall be approved by the Chief Financial Officer in consultation with the Accounting Officer.

#### **17. ELECTRONIC FUNDS TRANSFER**

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- (1) Investments shall be made by electronic transfer.
- (2) Strict segregation of duties shall be maintained in respect of the creator of the payment and the payment authoriser.
- (3) Investment payments shall be authorised by the Chief Financial Officer.

#### **18. EFFECTIVE CASH MANAGEMENT**

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- (1) In order to ensure adequate and efficient cash management of the Municipality, the Chief Financial Officer must establish and implement at all times a cash management plan and reports which entails at least the following:
  - (a) daily cash flow reporting shall be prepared as follows:
    - (i) a summary of the preceding day, and month date, closing bank account and investment balances, cash receipts, payments and inter-bank transfers;

- (ii) a detailed schedule of investment capital and interest maturing on the current day;
  - (iii) a summarised schedule of daily investment maturities for all existing investments;
  - (iv) a summary of daily cash receipts and payments, actual against forecast for the month to date; and
  - (v) a daily projection of cash receipts and payments through to the end of the current month;
- (b) monthly reporting showing:
  - (i) comparisons of actual cash flow with forecast, current month and year to date;
  - (ii) an explanation of any variances in sub-paragraph (i) above;
  - (iii) updating the estimates on a monthly basis and in reporting provides comments or explanations regarding any significant cash flow deviation in any calendar month;
  - (iv) a summarised monthly projected cash flow over the next 12 (twelve) months;
  - (v) an analysis of actual year to date cash receipts and payments and projected cash flows for the remaining months of the current financial year to be submitted to National Treasury; and
  - (vi) the cash backing of statutory funds and reserves balances at the end of the month;
- (c) every quarter preparing a revised detailed cash flow projection for the next 12 (twelve) months;
- (d) regular reports indicating, when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when, if applicable, either long-term or short-term debt must be incurred; and
- (e) preparing annually

- (i) the annual estimates for the budget year of the municipality's cash flows per revenue sources divided into calendar months;
  - (ii) the annual cash flow budget for the new financial year.
- (2) The Chief Financial Officer shall ensure regular and effective cash flow monitoring and forecasting which is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions.
- (3) The balance on the Municipality's current account shall be maintained at the minimum required level taking into account the day to day cash and expenditure requirements of the Municipality. Surplus cash shall be immediately invested in order to maximise interest earnings.

#### **19. CASH COLLECTIONS**

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- (1) All monies due to the Municipality must be collected as soon as possible and banked in a controlled and secure manner, on a daily basis as cash left in the safe can pose a security risk, necessitate additional insurance coverage and does not earn any interest.
- (2) All cash shortages should be paid for immediately and banked to the municipal bank account the next business day.
- (3) All surpluses should be recorded and banked to the municipal bank account and will be forfeited if not claimed after 3 years.
- (4) Special deposits should be arranged for the larger amounts received to make sure that these are banked on the same day that they are received.



- (5) It is essential that all amounts owed to the Municipality be levied by way of a debit and be dealt with in accordance with the Credit Control & Debt Collection Policy of the Municipality.
- (6) Adequate cash receipting points shall be made available to the public in all areas to facilitate prompt payment of accounts. Every effort should be made to encourage consumers to pay directly, or via third party agents, into the Municipality's bank account by electronic means.
- (7) The Municipality shall review the debt collection performance regularly comparing monies presently owed to the Municipality in relation to the total income as well as a comparison to previous financial years in order to determine whether the debt collection is deteriorating or improving. Debt collection and credit control must be executed in terms of the provisions of the Credit Control & Debt Collection Policy of the Municipality
- (8) The Chief Financial Officer shall regularly assess the daily available cash in the main bank account in order to determine the need for making daily call investments or making investment payments or withdrawals, whereas long-term investments need to be based on projections further into the future.

## **20. PETTY CASH**

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- (1) The Chief Financial Officer will determine by way of written petty cash procedures the maximum amount and the nature of the petty cash disbursements, as well as managing the allocation of all petty cash floats.
- (2) Payments by means of petty cash may be used internally, by officials of the Municipality for the purpose of acquiring goods and services that are small in nature and amount and may be required on an urgent basis.

- (3) The provisions of the Supply Chain Management Policy of the Municipality concerning the acquiring of goods and services by way of petty cash, must be adhered to at all times.

## **21. PAYMENT TO SUPPLIERS**

---

- (1) The Accounting Officer, assisted by the Chief Financial Officer, shall establish written creditors' payment procedures in terms section 65(2) of the MFMA in order to ensure that the Municipality maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
- (2) The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the Municipality stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality.
- (3) Suppliers shall be paid in accordance with the service level agreements concluded with such suppliers and the provisions of the Supply Chain Management Policy of the Municipality. The number of electronic batch payment runs shall be minimised and shall be done in a structured scheduled manner in order to facilitate efficient cash flow management.
- (4) The Chief Financial Officer shall ensure that the Municipality optimises financial incentive opportunities arising from effecting earlier payments.
- (5) In order to ensure continuous effective control of cash, any special payments to creditors shall only be made with the express approval of the Chief

Financial Officer who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end or other regular processing.

## **22. INVESTMENTS ETHICS AND PRINCIPLES**

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- (1) The Chief Financial Officer shall be responsible for investing the surplus revenues of the Municipality and shall manage such investments in consultation with the Accounting Officer, as the case may be, and in compliance with any policy directives formulated by Council and the prescriptions made by the Minister of Finance.
- (2) Under no circumstances may any staff member be subjected to coercive measures of any description.
- (3) No member of staff may accept any gift other than something that is so small (monetary value not exceeding R350.00 (Three hundred and fifty rand)) that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences such staff member in his/her work or is intended to do so. Excessive gifts and hospitality must be refused and avoided.
- (4) The Chief Financial Officer must record and report all cases to the Accounting Officer where there is a contravention of this policy.
- (5) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.
- (6) No employee or councillor of the Municipality or their family may under any circumstances whatsoever on his/her own behalf or on behalf of any other

person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made. This shall be confirmed annually by all Investees to the Auditor-General.

- (7) No fee, commission or other reward may be paid or given, directly or indirectly, to a councillor or official of the Municipality, or to a spouse or close family member of such councillor or official, in respect of any investment made by the Municipality. This shall be confirmed annually by all Investees to the Auditor-General.
- (8) All investments must be made without internal or external interference whether such interference comes from individual officials, councillors, agents, Investees or any other external body.
- (9) The Municipality shall review its investments regularly and liquidate any investment that no longer has the minimum acceptable rating as specified.
- (10) The Municipality must take all reasonable and prudent steps, consistent with the standard of care provided for in this policy to diversify its investment portfolio across institutions, types of investment and investment maturities. In this case it should be noted that a group of financial institutions would be treated as individual institutions.
- (11) Investments made by or on behalf of the Municipality must:
  - (a) be made while maintaining a strict code of ethics and standards;
  - (b) be a genuine investment and not an investment made for speculation.

**23. CONFIDENTIALITY**

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- (1) Interest or investment rates shall not be divulged or disclosed to another institution or Investee.
- (2) The Municipality's cash position and its future projected cash flows shall not be discussed with or disclosed to any Investee.

**24. GENERAL INVESTMENT PRACTICE**

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- (1) General principles:
  - (a) After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer shall consider the way in which the investment is to be made in conjunction with the Accounting Officer. Because rates can vary according to money market perceptions with regard to the term of investment, quotations for fixed deposits should be requested telephonically for a period within the limitations of the maximum term. All telephonic quotations must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before re-investment is made with the same institution;
  - (b) Where a fixed deposit is made with an institution at a lower rate than the other quotations, reasons must be recorded by the Chief Financial Officer and reported to the Mayor as part of monthly financial report by the Accounting Officer.
- (2) Payment of commission:
  - (a) The financial institution where a fixed deposit is made must issue a certificate with regard to each investment at the time when the

investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or councillor of the Municipality or their family or an agent or any other such person, or to any person nominated by such agent or such other person, except where the Municipality has decided, in terms of duly authorising legislation, to appoint an agent, consultant or such other person, and the fee commission has been decided and approved by the Mayor before any investment is made with such a financial institution;

- (b) In the case of long-term securities at insurance companies, any payment of commission to any agent, consultant or any other person, must be clearly stated on the application form and approved by the Mayor in terms of duly authorising legislation and shall not exceed industry norms, before any investment is made;
  - (c) If any fee, commission or other reward is paid to an Investment Manager in respect of an investment made by the Municipality, both the Investee and the Investment Manager must declare such payment to the Council by way of certificate disclosing full details of the payment.
- (3) “Call Deposits” and “Fixed Deposits” shorter than 12 (twelve) months:
  - (a) Quotations shall be solicited from a minimum of 3 (three) financial institutions bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than the term initially requested by the Municipality, the other institutions that were approached shall also be asked for quote a rate for the same term;
  - (b) It is acceptable to ask for quotations telephonically, as rates can generally change on a regular daily basis and time is a determining factor when an investment is made;

- (c) The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the relevant terms and rates, and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted shall be given before the investment is made;
- (d) Once the required number of quotations has been obtained, a decision shall be taken regarding the best terms offered and the institution with which the funds are going to be invested. The best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package, the institution has to be told to offer their best rate in their quotation. The institution shall be informed that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard;
- (e) The above mentioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis;
- (f) The Municipality shall ensure that the investment document received is the genuine document, issued by an approved institution. The investment capital should be paid over only to the institution with which it is to be invested, and not to any agent;
- (g) The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that are required to be evaluated.

**25. USE OF INVESTMENT MANAGERS**

- (1) The Municipality may employ an Investment Manager to:

- (a) advise it on its investments; and/or
  - (b) manage specific investments on its behalf.
- (2) The appointment of an Investment Manager shall be in accordance with the Municipality's Supply Chain Management Policy. No employee, councillor or official of the Municipality or any family member of any of the foregoing may be appointed as Investment Manager.
- (3) All investments made by an investment manager on behalf of the Municipality shall be in accordance with this policy and the Regulations.
- (4) Where any investment fee, commission or any other amount is paid by the Investee to the Investment Manager in respect of the Municipality's investments, both the Investee and the investment manager shall declare such payment to Council by way of a certificate disclosing the full details of the payment. Such amount shall not exceed industry norms.
- (5) Investment Managers found guilty of non-compliance with this policy, as well as the Regulations, shall be liable for any loss or penalty suffered by the Municipality.

## **26. ACCOUNTING FOR INVESTMENTS**

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The Municipality's investments shall be accounted for as held to maturity (HTM) financial investments in accordance with the Municipality's approved accounting policies. The investments shall be measured as at balance sheet date at the amortised cost, using the effective interest rate method, less any write off for impairment or non collectability.



**27. EXISTING INVESTMENTS**

---

Nothing in this policy compels the Municipality to liquidate an investment which existed when the Regulations took effect merely because such investment does not meet the provisions of those regulations.

**28. INVESTMENT DENOMINATED IN FOREIGN CURRENCY PROHIBITED**

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

**29. ANNUAL REVIEW OF THIS POLICY**

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- (1) This policy will be reviewed annually or earlier if so required by legislation.
- (2) Any changes to this policy must be adopted by Council and be consistent with the MFMA and the Regulations.

**ANNEXURE “A”**

**GOVERNMENT GAZETTE, 1 APRIL 2005**

**GOVERNMENT NOTICES**

**NATIONAL TREASURY Notice No. R. 308 dated 1 April 2005 in Gazette No.  
27431**

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003  
MUNICIPAL INVESTMENT REGULATIONS**

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of Section 168, read with Section 13 and 99 (2)(g), of the Local Government : Municipal Finance Management Act, Act 56 of 2003, made the regulations as set out in the Schedule.

**SCHEDULE**

**1. Definitions**

---

In these regulations, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and:

- (1) **“Act”** means the Local Government: Municipal Finance Management Act, Act 56 of 2003;
- (2) **“Investee”** means an institution with which an investment is placed, or its agent;
- (3) **“Investment Manager”** means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, Act 55 of 1989 and Stock Exchanges Control Act, Act 1 of 1985, contracted by a municipality or municipal entity to:

- (a) advise it on investments;
  - (b) manage investments on its behalf; or
  - (c) advise it on investments and manage investments on its behalf.
- (4) **“trust money”** means money held in trust on behalf of third parties in a trust contemplated in terms of Section 12 of the Act.

## **2. Application**

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- (1) These regulations apply to:
  - (a) all municipalities;
  - (b) all municipal entities; and
  - (c) all Investment Managers acting on behalf of, or assisting, a municipality or municipal entity in making or managing investments.
- (2) These regulations do not apply:
  - (a) to a pension or provident fund registered in terms of the Pension Funds Act, Act 24 of 1956, or any subsequent legislation; or
  - (b) in respect of trust money administered by a municipality or municipal entity where a trust deed prescribes how the trust money is to be invested.
- (3) Municipal pension or provident funds which do not comply with sub-regulation (2)(a) are exempted from these regulations until 30 June 2005.
- (4) The Accounting Officer of a municipality and municipal entity must provide the National Treasury with details of all pension or provident funds that do

not comply with sub-regulation (2)(a) within 30 (thirty) days of promulgation of these regulations.

### **3. Adoption of Investment Policies**

---

- (1) The investment policy to be established by a municipality in terms of Section 13(2) of the Act, must be:
  - (a) adopted by the Council of the municipality; and
  - (b) consistent with the Act and these regulations.
- (2) The board of Directors of a municipal entity must adopt an investment policy for the entity consistent with the Act and these regulations.
- (3) All investments made by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or municipal entity, must be in accordance with the investment policy of the municipality or entity and these regulations.

### **4. Core elements of Investment Policies**

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- (1) The investment policy of a municipality or municipal entity must:
  - (a) be in writing;
  - (b) give effect to these regulations; and
  - (c) set out:
    - (i) the scope of the policy;
    - (ii) the objectives of the policy, with due regard to the provisions of these regulations relating to:

- (aa) the preservation and safety of investments as the primary aim;
  - (bb) the need for investment diversification; and
  - (cc) the liquidity needs of the municipality or municipal entity;
- (iii) a minimum acceptable credit rating for investments, including :-
  - (aa) a list of approved investment types that may be made, subject to regulation 6;
  - (bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;
- (iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act;
- (v) measures for ensuring implementation of the policy and internal control over investments made;
- (vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;
- (vii) procedures for benchmarking and performance evaluation;
- (viii) the assignment of roles and functions, including any delegation of decision-making powers;
- (ix) if Investment Managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and
- (x) procedures for the annual review of the policy.

**5. Standard of Care to be exercised when making Investments**

---

Investments by a municipality or municipal entity, or by an Investment Manager on behalf of a municipality or entity:

- (a) must 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;
- (b) may not be made for speculation but must be a genuine investment; and
- (c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality or municipal entity and lastly to the probable income derived from the investment.

## **6. Permitted Investments**

---

A municipality or municipal entity may invest funds only in any of the following investment types:

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, Act 94 of 1990;
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, Act 45 of 1984;
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, Act 46 of 1984;
- (f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;

- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) municipal bonds issued by a municipality; and
- (j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

**7. Investments denominated in foreign currencies prohibited**

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

**8. Payment of Commission**

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- (1) No fee, commission or other reward may be paid to a councillor or official of a municipality or to a director or official of a municipal entity or to a spouse or close family member of such councillor, director or official in respect of any investment made or referred by a municipality or municipal entity.
- (2) If an Investee pays any fee, commission or other reward to an Investment Manager in respect of any investment made by a municipality or municipal entity, both the Investee and the Investment Manager must declare such payment to the Council of the municipality or the board of directors of the municipal entity by way of a certificate disclosing full details of the payment.

**9. Reporting requirements**

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- (1) The accounting officer of a municipality or municipal entity must within 10 working days of the end of each month, as part of the Section 71 report

required by the Act, submit to the Mayor of the municipality or the board of directors of the municipal entity a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

- (2) The report referred to in sub regulation (1) above must set out at least:
  - (a) the market value of each investment as at the beginning of the reporting period;
  - (b) any changes to the investment portfolio during the reporting period;
  - (c) the market value of each investment as at the end of the reporting period; and
  - (d) fully accrued interest and yield for the reporting period.

#### **10. Credit Requirements**

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- (1) A municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit worthy institutions.
- (2) A municipality or municipal entity must :-
  - (a) regularly monitor its investment portfolio; and
  - (b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

#### **11. Portfolio Diversification**

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A municipality or municipal entity must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed in regulation 5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

## **12. Miscellaneous Provisions**

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- (1) The responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.
- (2) All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity.
- (3) A municipality or municipal entity may not borrow money for the purpose of investment.

## **13. Existing Investments**

---

Nothing in these regulations compels a municipality or municipal entity to liquidate an investment which existed when these regulations took effect merely because such investment does not comply with a provision of these regulations.

## **14. Commencement**

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These regulations take effect on 1 April 2005.

**ANNEXURE “B”**

**LIST OF CURRENTLY APPROVED INVESTEES**

**A. Deposit taking institutions**

ABSA Bank

FirstRand Bank

Investec Bank

Nedbank

Standard Bank

Public Investment Commissioners

Corporation for Public Deposits

**B. Corporate bond issuers**

None currently approved.

**C. Municipal bond issuers**

None currently approved.

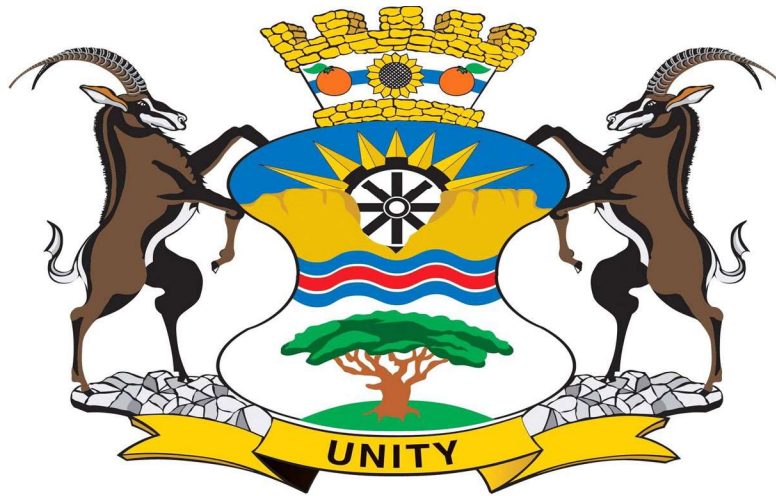
**D. Endowment policy issuers**

**E. National Government / Parastatals**

RSA fixed income stock.

Eskom fixed income stock

# **RUSTENBURG LOCAL MUNICIPALITY**



## **REWARDS, GIFTS AND FAVOUR POLICY**

**REWARDS, GIFTS AND FAVOURS POLICY**

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## **REWARDS, GIFTS AND FAVOURS POLICY**

### **PART 1 OBJECTIVE**

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

### **PART 2 GENERAL PRINCIPLES**

Councillors and staff members will appreciate that receipt of hospitality or acceptance of gifts is, in law, no different from the receipt of monies.

To resolve any doubts about the wisdom of accepting rewards, gifts and favours whether or not such is intended (or might be thought to be intended) to influence councillors or staff member's actions, where there is an offer of hospitality or gifts from persons having of proposing to have contractual relationship with the municipality, then the proper course of action for councillors and staff members is:

- a) To consider acceptance of any such offer only where the councillor or staff member regards it as normal and reasonable. "Normal and reasonable" is defined for this purpose as no more than the municipality would be prepared to offer in equivalent circumstances. The council will provide guidance as to what may be considered appropriate and councillors and staff members should not exceed such guidance without the specific and written authority of the Executive Mayor or Municipal Manager.
- b) Councillors and staff members must ensure that any rewards, gifts and favours not of a level or amount which would lead to the public perception that the individual might be influenced. Councillors and staff members should ask themselves the question "how would acceptance of the reward, gift or favour be perceived by an objective member of the public" and check the answer by seeking an independent view from within the organization's governance and management structure.
- c) If there is doubt as to the propriety of acceptance, the councillor or staff member should decline the offer of a reward, gift or favour.

As a matter of law, it does not matter if the gift, reward or favour is given to or received by the councillor or staff member before or after a contract is awarded or other favour shown. **However, the timing of any acceptance of the reward, gift or favour is important, as demonstrating a possible connection between the acceptance and the grant of a contract. No reward, gift or favour should be accepted from a tenderer in the period between invitation to tender and acceptance by the municipality, nor, so**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**far as is practicable, in the immediate period before invitations to tender are requested or the immediate period after the grant of a contract. To an extend, a period foreseeable which can be directly linked to the awarding of that particular contract.**

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

### **SCHEDULE 1 SECTION 9 STATES:**

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

### **SCHEDULE 2 SECTION 8 STATES:**

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

The code of conduct prohibits any councillor or staff member from "soliciting" any gift benefit or reward for example by asking or hinting or making innuendo to that effect, whether directly or indirectly in the workplace or elsewhere through the agency of a colleague, friend or relative.

Within reason, the distribution of company specific items shall not be classified as gifts, favours or rewards. However, this indulgence should not be extended to tenderers, persons with whom there are legal disputes or any person in an adversarial or doubtful relationship with the municipality.

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### **PART 3 VALUE OF REWARDS, GIFTS AND FAVOURS (Normal and Reasonable)**

Councillors and staff members are required to report and register rewards, gifts and favours above a prescribed value which is determined by council from time to time.

### **PART 4 REGISTER OF REWARDS, GIFTS AND FAVOURS**

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

### **PART 5 RESPONSIBILITY OF COUNCILLORS AND STAFF MEMBERS TO DECLARE REWARDS, GIFTS AND FAVOURS**

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

### **PART 6 AUTHORITY TO ACCEPT REWARDS, GIFTS OR FAVOURS**

#### *Staff Members*

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

#### *Councillors*

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

### **PART 7 ACCOUNTABILITY**

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

### **PART 8 ENFORCEMENT**

Municipal Councillors or staff members who accept rewards, gifts or favours without declaring them in breach of the code of conduct will be dealt with in terms of the disciplinary procedures of the municipality.

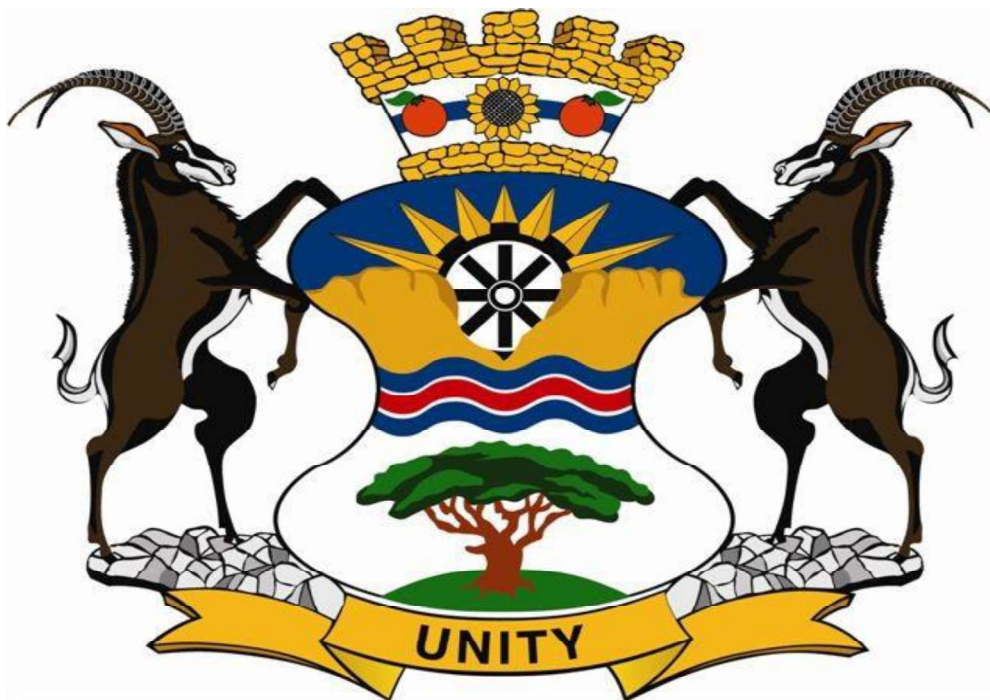
**ANNEXURE A**

**RUSTENBURG MUNICIPALITY**

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



**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY**



**RUSTENBURG LOCAL MUNICIPALITY**

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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16 .	EFFECTIVE DATE
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## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

### **ABBREVIATIONS/ACRONYMS**

Except if otherwise stated in this policy, the following abbreviations or acronyms will represent the following words:

CFO	-	Chief Financial Officer
COO	-	Chief Operations Officer
EM	-	Executive Manager
MIG	-	Municipal Infrastructure Grant
RLM	-	Rustenburg Local Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Rustenburg Local Municipality's Municipal Public Accounts Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	-	Municipality Budget Rules and Regulations

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# **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

## **1. INTRODUCTION**

- 1.1. In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as “MFMA”), the accounting officer is responsible for managing the financial affairs of Rustenburg Local Municipality (RLM) and he/she must, for this purpose, inter alia:
- a) Take all reasonable steps to ensure that unauthorised, irregular; fruitless and wasteful expenditure and other losses are prevented; and
  - b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of RLM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 1.2. This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

## **2. OBJECTIVE**

- 2.1. This document sets out RLM’s policy and procedures with regards to unauthorised, irregular, fruitless and wasteful expenditure.
- 2.2. This policy aims to ensure that, amongst other things:
- a) Unauthorised, irregular, or fruitless and wasteful expenditure is prevented, detected, processed, recorded, and reported in a timely manner;
  - b) Officials and councillors have a clear and comprehensive understanding of the procedures they must follow to prevent and/or address unauthorised, irregular, fruitless and wasteful expenditure;
  - c) RLM’s resources are managed in compliance with the MFMA, the municipal regulations and other relevant legislation; and
  - d) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

## **3. ENABLING LEGISLATION**

The following enabling legislation sets the precedent for the development of RLM’s unauthorised, irregular, fruitless and wasteful expenditure Policy:

- a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;
- b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- c) The Remuneration of Public Office Bearers Act;
- d) Municipal Systems Act, 2000, Act No 32 of 2000;

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- e) MFMA Circular 68;
- f) Any other legislation, regulation or circular that may impact this policy; and
- g) Municipal Structures Act No. 117 of 1998.

### **4. APPLICATION OF THIS POLICY**

- 4.1. This policy applies to all officials and councillors of RLM.
- 4.2. This policy should be read in conjunction with the following of RLM:
  - a) Delegations of Authority;
  - b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
  - c) Policy on financial misconduct;
  - d) Code of Conduct for Municipal Staff Members; and
  - e) Code of Conduct for Councillors.
- 4.3. Officials and Councillors must ensure that all instances of unauthorised, irregular as well as fruitless and wasteful expenditure are prevented, detected and reported in a timely manner.

### **5. DEFINITIONS**

Except if otherwise indicated:

**“Councillor”** means member of municipal councillor\ of RLM.

**“Fruitless and wasteful expenditure”** means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**“Financial Misconduct”** means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

**“Irregular expenditure”**, in relation to a municipality or municipal entity, means:

- a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality 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 this Act;

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- 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 20 of 1998);
- d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of RLM 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; or
- e) excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

"Official", in relation to a RLM, means:

- a) an employee of RLM;
- b) a person seconded to RLM or to work as a member of the staff of the RLM; or
- c) a person contracted by RLM to work as a member of the staff of the RLM or otherwise than as an employee.

**"Overspending"** means:

- 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.

**"Political Office Bearer"** means the speaker, executive mayor, mayor, deputy mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

**"Prohibited expenditure"** in relation to this policy, means unauthorised, irregular, fruitless and wasteful expenditure;

**"Senior Manager"** in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act.

**"Unauthorised expenditure"**, means:

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

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

**"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.

### **6 UNAUTHORISED EXPENDITURE**

- 6.1. Rustenburg Local Municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 6.2. Expenditure incurred within the ambit of RLM's virement policy is not regarded as unauthorised expenditure.
- 6.3. Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure.
- 6.4. Unauthorised expenditure would include:
  - a) Any overspending in relation to both the operational budget and capital budget of the municipality;
  - b) Overspending in relation to each of the votes on both the operational budget and capital budget;
  - c) Use of funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;

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- d) Funds that have been designated for a specific purpose or project within a department's vote may not be used for any other purpose;
- e) Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
- f) Any grant to an individual or household unless it is in terms of the municipality's indigent policy, bursary scheme, corporate social responsibility policy, councillors discretionary grant or the grants-in-aid;
- g) Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and
- h) Any overspending on non-cash items, for example depreciation, impairments, provisions.

6.5 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

### 6.6 Expenditures that are NOT classified as unauthorized expenditure

Given the definition of unauthorised expenditure, the following are examples of expenditure that is NOT unauthorised expenditure:

- i. Any over-collection on the revenue side of the budget as this is not an expenditure; and
  - ii. Any expenditure incurred in respect of:
    - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
    - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
    - overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a „vote“ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
    - overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a „vote“ on the main budget Table A5.
- 6.6.1. Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:
- a). To defray expenditure authorised in terms of section 26 (4) of the MFMA, [Section 26: Consequences of failure to approve a budget before the start of the budget year];
  - b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [Section 29: Unforeseen



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and unavoidable expenditure] failing which the unforeseen /unavoidable expenditure is unauthorised;

- c) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [Section 12: Relief, charitable, trust or other funds];
- e) To pay over to a person or organ of state money received by the RLM on behalf of that person or organ of state, including—
  - (i) money collected by the RLM on behalf of that person or organ of state by agreement; or
  - (ii) any insurance or other payments received by the RLM for that person or organ of state;
- f) To refund money incorrectly paid into a bank account;
- g) To refund guarantees, sureties and security deposits;
- h) For cash management and investment purposes in accordance with section 13 [Section 13: Cash Management and Investments]; and
- i) To defray increased expenditure in terms of section 31 [Section 31: Shifting of funds between multi-year appropriations].

6.6.2 Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

### **7 IRREGULAR EXPENDITURE**

- 7.1. Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.
- 7.2. Irregular expenditure is actually expenditure that is in violation of some or another procedural/legislative requirement as specified in the MFMA.
- 7.3. Irregular expenditure excludes unauthorised expenditure.
- 7.4. Although a transaction or an event may trigger irregular expenditure, a Council will only identify irregular expenditure when a payment is made. The recognition of irregular expenditure must be linked to a financial transaction.
- 7.5. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

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### **7.6. Remuneration of councillors.**

7.6.1. Payments to RLM councillors cannot exceed the upper limits of the salaries, allowances and benefits for those councillors as promulgated in the Public Officers Bearers Act.

7.6.2. Any remuneration paid or given in cash or in kind to a person as a councillor or as a member of a political structure of RLM otherwise than in accordance with 7.6.1 including any bonus, bursary, loan, advance or other benefit, must be classified as irregular expenditure.

### **7.7. Irregular staff appointments**

7.7.1. No person may be employed in RLM unless the post to which he or she is appointed, is provided for in the RLM's staff establishment of the municipality as approved by the council.

7.7.2. Any person who takes a decision contemplated in subparagraph (7.7.1) knowing that such decision is unlawful, will be held personally liable for any irregular expenditure that the municipality may incur as a result of such invalid decision.

7.8 Officials and councillors must ensure that all instances of irregular expenditure are prevented where possible and are detected and reported in a timely manner.

## **8. FRUITLESS AND WASTEFUL EXPENDITURE**

8.1. All officials and councillors must always act cautiously when spending public money and ensure that they abide by the public and accountability principles which are to promote "efficient, economic and effective use of resources and the attainment of value for money".

8.2. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

8.3. This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

8.4. Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure.

8.5.1 An expense is only fruitless and wasteful in terms of this policy if:

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- (i) It was made in vain (meaning that the municipality did not receive value for money) and;
- (ii) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned was carelessly negligent in causing the expenditure to be incurred by the municipality, furthermore another official or councillor under the same circumstances would have been able to avoid incurring the same expenditure).

8.5.2 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-

- a) Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and
- b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?

8.6 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

### **9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

9.1. Reporting of unauthorised, irregular, fruitless and wasteful expenditure must be done at the appropriate level, as this could constitute financial misconduct, as follows:

- a) a Councillor of a municipality, must be reported to the Speaker of the council;
- b) the municipal manager and speaker, must be reported to the mayor;
- c) senior managers or the chief financial officer of a municipality, must be reported to the municipal manager;
- d) all cases of prohibited expenditure reported as per a), b) and c) above must be reported to Council, and be referred by Council to MPAC for investigation unless the allegations are frivolous, vexatious, speculative or obviously unfounded; and
- e) officials below senior management level of the municipality must be reported to the CFO.

9.2. All reports made by officials, councillors must be treated with utmost confidentiality.

9.3. The MM must promptly inform the Mayor, the MEC for local government in the Province and the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality:

- a) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- b) the steps that have been taken:

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- To recover or rectify such expenditure; and
- To prevent a recurrence of such expenditure.

9.4. All expenditure classified as unauthorised, irregular, fruitless and wasteful expenditure must be reported to:

- a) The Finance Portfolio Committee on a quarterly basis
- b) Mayoral Committee on a quarterly basis
- c) Council on a quarterly basis;
- d) MPAC on a quarterly basis; and
- e) Audit Committee on a quarterly basis.

9.5. In accounting for unauthorised, irregular, fruitless and wasteful expenditure, municipal manager or delegated officials (as may be relevant) must ensure that:

- a) All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in separate account, in the accounting system of RLM, created for each of the above types of expenditure;
- b) All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements; and
- c) Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

### **10. MAINTNANCE OF A REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

10.1. Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:

- a) This register will be maintained by the CFO for all officials other than the CFO and MM;
- b) A separate register must be maintained by the MM for expenditure incurred by CFO;
- c) A separate register must be maintained by the Mayor for expenditure incurred by the MM; and
- d) The Speaker will maintain a register for expenditure incurred by the Mayor and Councillors.

10.2. These registers must be updated on a monthly basis.

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### **11. INVESTIGATIONS OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

- 11.1. MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1. (d) above, after it is referred to it by Council.
- 11.2. The CFO must seek the Municipal Managers approval to investigation all prohibited expenditure reported to him/her in terms of clause 9.1(e) unless the allegations are frivolous, vexatious, speculative or obviously unfounded.
- 11.3. Once the nature of the expenditure is confirmed as unauthorised, irregular, fruitless and wasteful expenditure, the person to whom the prohibited expenditure was reported in terms of clause 9.1 above must institute the necessary procedures which could include disciplinary as well criminal proceedings.

### **12. DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

- 12.1. After having followed a proper investigation, as per paragraph 11 above, the MPAC or the CFO as the case may be must determine whether there is a prima facie case and that a Councillor or official made, permitted or authorized prohibited expenditure.
- 12.2. If a prima facie case has been established, as per paragraph 12.1 above, then MPAC, mayor or municipal manager (as may be relevant) must institute disciplinary action as follows:
  - a) Financial misconduct in terms of section 171 of the MFMA: in the case of an official that deliberately or negligently:
    - (i) contravened a provision of the MFMA which resulted in prohibited expenditure; or
    - (ii) made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
  - b) Breach of the Code of Conduct for Municipal Staff Members: in the case of an official whose actions in making, permitting or authorizing an prohibited expenditure constitute a breach of the Code; and
  - c) Breach of the Code of Conduct for Councillors: in the case of a Councillor, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.

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12.3. The MPAC, mayor or municipal manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

12.4. The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- a) The charge is against the MM; or
- b) The MM fails to comply with the above paragraph.

### **13. RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

13.1. The MM or delegated person must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:

- a) in the case of unauthorised expenditure, is authorised in an adjustment budget; OR certified by the municipal council, after investigation by MPAC, as irrecoverable and is written off by council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by MPAC, certified by council as irrecoverable and written off by council.

13.2. Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the Councillor to whom it was paid.

13.3. Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable Councillor or official to pay the amount within 30 days or in reasonable instalments.

13.4. Without limiting liability in terms of the common law or other legislation, the MM must recover any such expenditure, in full, from official or Councillor where:

- a) In the case of a Councillor, the Councillor knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of RLM to incur the expenditure; and
- b) In case of the official, the official deliberately or negligently incurred such expenditure.

13.5. The fact that the Council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse in:

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- a) Either disciplinary or criminal proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such unauthorised, irregular or fruitless and wasteful expenditure; or
  - b) Recovery of such expenditure from such person.
- 13.6. If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the municipality.

### **14 CONSEQUENCES OF NON-COMPLIANCE**

- 14.1. Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of Financial Misconduct.
- 14.2. Any councillor or official of RLM will be committing an act of financial misconduct if that councillor or official deliberately or negligently makes or permits, or instructs another official of RLM to make, an unauthorised, irregular or fruitless and wasteful expenditure.

### **15. PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

- 15.1. If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation, threats such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.
- 15.2. The MM or Mayor must immediately take appropriate action to ensure that protection of the official or councillor after receiving the above report.
- 15.3. Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official concerned, the MM or the Mayor, where applicable.

### **16 EFFECTIVE DATE**

This policy will be effective upon adoption by Council.

### **17 REVIEW OF POLICY**

This policy must be reviewed and updated:

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

### **SPEAKER OF RUSTENBURG LOCAL MUNICIPALITY**

Date:



**RUSTENBURG LOCAL MUNICIPALITY  
ELECTRICAL ENGINEERING CONTRIBUTIONS POLICY**

**2022**



# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

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**GLOSSARY OF TERMS AND ABBREVIATIONS**

For a glossary of terms and abbreviations, refer to the Definitions section of the Policy

**RUSTENBURG LOCAL MUNICIPALITY**

**ELECTRICAL ENGINEERING CONTRIBUTIONS POLICY**

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**1. INTRODUCTION**

**1.1 The case for Engineering Contributions**

The expansion through of development of a Municipality's area of jurisdiction results in an increasing number of applications for new connections, subdivision of land, application for rezoning and increased services requirements of existing customers.

Granting the rights to proceed with such developments causes a heavy burden on existing municipal service infrastructure and necessitates upgrading and/or extension of the infrastructure at enormous cost, if not immediately, then at a later stage.

It is accepted to be fair and equitable, that a developer who establishes new properties or applies for the subdivision of land, or for particular departures in utilization rights, should be obliged to make a financial contribution (henceforth referred to as an engineering contribution) for the upgrading and/or extension of existing or future engineering infrastructure.

Engineering Contributions (or sometimes referred to as Bulk Supply Contributions) deal with the recovery of capital for electrical infrastructure development to service these developments and future customers in a sustainable way.

The key to the successful implementation of this policy lies in the establishment of the optimum differentiation where developers must contribute capital for electricity infrastructure that will be recovered from property sale prices.

It is also important to ensure that double recovery of capital does not take place through ensuring that the consumption tariffs only deal with servicing the cost of capital portion of loan accounts where loans were used to facilitate capital expansion, and that the Engineering Contributions are utilized towards the capital requirements for network expansion (i.e. the capital portion of loan accounts).

**1.2 Some key considerations**

Existing customers and rate payers should only subsidise via the capital component in their electricity consumption tariffs for infrastructure spare capacity to ensure an acceptable level and quality of service and attract new developments.

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It is extremely important to clearly define the level of services provided as this will lead to disagreements when developers or customers (at a later stage) have to pay additional engineering contributions when the service required is more than what was originally provided.

Pro-rata recovery of engineering contributions will make provision to upgrade and extend existing services to cater for the new developments but will not address the backlog problems created as a result of no or under-recovery in the past.

When developed land is sold without recovering the full extent of engineering contributions, either the Municipality or the new owner will have to pay the cost for servicing the property.

### 1.3 **Aim of Policy**

The aim of this document therefore is to establish a uniform approach to establish in which cases and to what extent engineering contributions will be levied by the municipality.

This policy recommends a methodology and application guidelines that are fair, reasonably easy to understand and practical and further determines the detail cost of the electricity engineering contributions.

## 2. DEFINITIONS

The following meanings apply in this policy document, unless indicated otherwise by the context:

### 2.1 **GENERAL**

- a) *applicant* - customer and developer have the same meaning
- b) *town* - city and municipality have the same meaning
- c) *infrastructure* - with regard to municipal services – all external bulk services, link services as well as internal services and networks;
- d) *services* and infrastructure have the same meaning
- e) *municipality* – Rustenburg Local Municipality
- f) *residential unit* - has the same as the meaning attached to it in the Provincial Regulations promulgated

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### 2.2 **CAPACITY**

- a) *Network Capacity* is the maximum technical limit of load that can be delivered by a particular network before equipment life would be abnormally reduced.
- b) *Standard Network Capacity* is the maximum capacity that would economically be allowed on a particular network before system reinforcement is required.
- c) *Utilised Capacity* is the maximum capacity used by the customer at the specific location of the customer. This would normally refer to the registered half hourly integrated kVA.
- d) *Additional Capacity* refers to the additional amount of service required by increasing the notified maximum demand (NMD).
- e) *Spare Network Capacity* is the difference between the network capacity and the diversified sum of the connected NMD.
- f) *Authorised Capacity* refers to the demand calculated by applying the after diversity maximum demand (ADMD) at a point in the network that has been provided and paid for by the development. This will be the ADMD according to the zoning but could be higher as per contractual agreement.
- g) *Zone Capacity* refer to the capacity associated with a development based on the type of development in the area and the average coverage (floor area ratio = FAR).

### 2.3 **ENGINEERING CONTRIBUTION**

- a) *Engineering contribution* is the engineering service costs incurred through a once-off capital expenditure on plant, equipment and other productive resources to increase network capacity. This is the pro-rata cost to be paid by a developer to connect a new development or to provide for additional requirement for services. This cost is based on the nett present replacement value of the network being or to be shared by more than one customer. (also called: Engineering Charges, Developer Contributions, Bulk Contributions.)
- b) *Capital allowance* is the contribution to network engineering service costs that are contained in the consumption tariffs - i.e. average engineering service costs recovered over time through the tariffs.
- c) *Connection fees* are the up-front payment payable by the customer towards the cost of a standard new connection.
- d) *Network charges* are part of the consumption tariffs that are unbundled to reflect the costs associated with networks and are usually based on the required capacity of the supply.

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### 2.4 **COSTS**

- a) *Network upstream costs* refer to costs that will be incurred closer to the source of electricity supply from the actual point where supply is / will be required.
- b) *Cost sharing* refers to cases where costs are pooled and shared between the developers utilizing the network.
- c) *Replacement value* refers to the value of installing and commissioning new equipment or networks to the required standard and in the year in which contribution calculations are done.

### 2.5 **DEVELOPMENT**

- a) *Developers* are the entities who undertake the required activities of developing a particular area and this could also include the township establishment, Special / Written / Temporary Consent, Change of land use, Rezoning or Subdivision of land. This includes private persons or government at any level.
- b) *Developments* are activities where the requirement or utilization of engineering services is changed and can include only one or various facets of the area.
- c) *External services* refer to the networks that fall outside of the boundaries of a particular development but are required to service a particular development.
- d) *Internal services* are networks that fall within the boundaries of the development and are specifically required to provide the required capacity to each stand in the development. It excludes service connections.
- e) *Leapfrog Developments* are developments that are remote from the existing or available networks of the utility and beyond any short-term expansions of the services. No development inside a development objective area can be regarded as a leapfrog development.
- f) *Subdivisions* refer to situations where a particular piece of land is subdivided, thus requiring one or more additional utility service connection/s to be made to the development. These are considered a development like any others in terms of determining engineering services contributions.

### 2.6 **ELECTRICITY USAGE**

- a) *Diversity* refers to the ratio of the sum of the non-simultaneous maximum demands of various points of supply divided by the simultaneous maximum demand in time at a common point in the network. The closer to the source of supply the higher the diversity will be. (also referred to as After Diversity Maximum Demand (ADMD))
- b) *Registered Maximum Demand* is the highest averaged demand, during any integrating period within a designated billing period (usually one month).

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- c) *Notified Maximum Demand* (NMD) is the contracted maximum demand notified in writing by the customer and accepted by the utility to supply.
- d) *After Diversity Maximum Demand* (ADMD) is the maximum demand for a homogenous load class (i.e. a similar group of consumers) divided by the number of consumers in the group (kVA / residential unit). ADMD can also be determined by using the maximum demand divided by the total floor area (kVA/m<sup>2</sup>). In some cases, property area is used.

### 2.7 **NETWORKS**

- a) *Distribution Networks* refer to the service network of the utility. This includes all assets required to transfer the service from the in-feed point to the distributor and include service connections.
- b) HV (high voltage) networks are the lines, cable, switches, protection and associated equipment at voltages from 44kV to 132kV.
- c) *HV to MV transformation networks* refers to transformation networks between Distribution and Reticulation voltages which includes all substation equipment.
- d) *MV (medium voltage) networks* are the lines, cables, switches, protection and all other associated equipment at voltages from 1 000V to 33kV.
- e) *MV to LV transformation networks* are the transformation equipment between Reticulation and LV voltages which includes all substation equipment.
- f) *LV (low voltage) networks* are the lines, cables, switches, protection and all other associated equipment at voltages below 1 000V.
- g) *Metering* includes all equipment associated to measure and calculate the quantities of services used including: VT's and CT's, meters, modems, metering kiosks, seals, tamper protection, internal wiring, etc.
- h) *Network strengthening / upgrading / augmentation* is the engineering service expenditure required to increase the capacity of the network to be able to meet increased demand or capacity required on the network.
- i) *Network refurbishment* refers to major engineering service expenditure required to existing network equipment after the end of its technical life necessary to extend the life of the asset to an age similar to when it is new. It excludes costs to increase the capacity of the network.
- j) *Point of supply (POS)* is a physical point on the network, where service is supplied to a customer or where the customer's installation connects to the utility network.
- k) *Point of delivery (POD)* is the grouping of one or more POS at the same substation, for one customer, at the same voltage and same tariff.

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- l) *Rural network* are all networks not considered under the term urban.
- m) *Urban networks* - supply to an applicant or customer that will be considered to be urban when:
  - 1) It is a proclaimed township or within a proclaimed township as determined by the Council,
  - 2) The number of connections within a 1km radius of the particular point of supply exceeds 314. **NOTE:** All connections within the particular development will qualify.
  - 3) The number of current and newly applied connections per kilometre of MV line exceeds 44 and / or there are at least 40 connections in one development.

### 2.8 **REFUNDS AND SURPLUS CHARGES**

- a) *Refund* of engineering contributions refer to amounts repaid to developers where they have previously paid full incremental cost for engineering service contributions which are later utilised by other customers.
- b) *Surplus capacity* provided due to technical standards that may be shared in the near future will not be allocated as a contribution cost to the developer. The cost of surplus capacity provided due to technical requirements that will unlikely be shared in future (for example, the provision of a 20 MVA transformer to meet a 15 MVA load requirement), will not be pro-rated.
- c) Assets that are later shared will result in a refund/reduction to the initial contributor only based on capacity. Adequate records must be kept by the Municipality.

### 2.9 **SUPPLIES**

- a) *Firm supply* refers to a design standard that will ensure single contingency in security of supply. (Referred to N-1)
- b) *Premium supplies* refer to supplies that have features that exceed the standard set for the particular utility on a specific network.
- c) *Dedicated supply* refers to a network or a portion of network that is considered dedicated according to the best judgement at the time to the supply of a specific consumer and it is unlikely that it will be shared by another supply within a reasonable foreseeable period of 5 years.
- d) *Engineering contribution subsidies* refer to situations where the required engineering services contribution, is funded by another party other than the one to whom it is due.



### **3. ABBREVIATIONS**

The following abbreviations are used in this document:

AMD	Authorized maximum demand for a particular development.
ADMD	After diversity maximum demand
FAR	Floor area ratio
HV	High voltage
kV	Kilo-volt
kVA	Kilo-volt ampere
kWh	Kilowatt hour
LV	Low voltage
MV	Medium voltage
NRS 069	National Rationalized User Specification: Code of practice for the recovery of capital costs for distribution network assets
NMD	Notified maximum demand
NERSA	National Energy Regulator of SA
NPRV	Nett present replacement value
VAT	Value added tax

### **4. LEGISLATION**

#### **4.1.1 Constitution**

In terms of section 151(3) of the Constitution of the Republic of South Africa, 1996, municipalities have the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution.

In terms of section 156(1)(a) of the Constitution of the Republic of South Africa, 1996, municipalities have the right to administer certain local government matters listed in Part B of Schedule 4 of the Constitution. Among these is “electricity and gas reticulation”.

The Constitution further makes provision for three categories of municipalities. The distinction between these categories is important in that it creates the basis for differentiated powers and functions between category B and C municipalities and for the possibility that this division of powers and functions may differ. In other words, the respective allocation of powers and functions does not have to be the same in all situations where category B and C municipalities

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interact and may take into account the particular patterns of capacity / revenue and other local circumstances. The aim of this flexibility is to ensure that municipal services are provided in an equitable and sustainable manner, in terms of section 155(4).

### 4.1.2 Municipal Structures Act

The above-mentioned right to provide services is further provided for by the Local Government: Municipal Structures Act 117 of 1998, section 85(1) for the MEC to adjust the division of functions and powers between a district and a local municipality as set out in section 84(1), which refers to the distribution of electricity.

Section 74(1) of the Municipal Systems Act 32 of 2000 further provides that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided. Section 74(2)(b) specifically requires that the policy reflects the amount users pay for services should generally be in proportion to their use of that service.

### 4.1.3 Electricity Regulation Act

The municipality's distribution right is subject to and regulated in terms of Section 7(1) of the Electricity Regulation Act 4 of 2006 provides that: *"No person may, without a license issued by the Regulator in accordance with this Act-*

- (a) operate any generation, transmission or distribution facility;*
- (b) import or export any electricity; or*
- (c) be involved in trading."*

### 4.1.4 Town Planning Ordinance

The provisions of the Town Planning Ordinance are tabled below for the sake of completeness and historic importance.

In terms of section 48(1)(a) of the Town Planning and Township Ordinance 15 of 1986, contributions in respect of engineering services may (at the discretion of the local authority) be payable where an approved amendment scheme came into operation.

Section 121 of the Ordinance further stipulates that: "The applicant shall pay to the local authority concerned as a contribution concerned as a contribution towards the cost incurred by such local authority to install and provide the external engineering services or caused such services to be installed and provided-

- (a) an amount of money determined by agreement between the applicant and such local authority".*

### 4.1.5 Spatial Planning and Land Use Management Act

Section 49(4) of the Spatial Planning and Land use Management Act (SPLUMA), Act 16 of 2013, that replaced the Development Facilitation Act (Act 67 of 1995), makes provision for

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contributions and stipulates that: *"An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable development charges, and the fair and reasonable cost of such external services may be set off against development charges payable."*

Section 49(5) further states that, where a developer is installing external engineering services in lieu of contributions payable, *"the provision of the Local government: Municipal Management Finance Management Act, 2003 (Act No. 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the municipality does not apply"*.

### 4.1.6 Distribution Tariff Code

Distribution Tariff Code - Version 6 - 2014 forms part of the distribution license conditions issued by NERSA [2].

Section 4.2.1(12) states that *"Connection charges will recover that portion of the full cost of dedicated assets and the approved standard scheduled capital contribution to shared upstream assets, not recovered by the tariff. The allocation of costs for connection charges is as per NRS 069."*

Section 11(1) states that the connection charge *"... is payable in addition to the tariff charges and is payable on all dedicated costs plus a fair contribution to capacity on upstream networks"*.

Section 11(3) states that *"the methodology used to calculate connection charges must be approved by NERSA, in line with NRS 069"*. Connection Charges in the Distribution Code refers to Engineering Contributions (for shared upstream infrastructure) as well as dedicated costs.

Section 11.1(10)(f) states that *"In addition to dedicated costs the customers shall be allocated a standard R/kVA contribution based on replacement costs, for shared upstream costs, whether new upstream investment is required or not"*.

### 4.1.7 NRS 069

NRS 069 [1] defines a methodology to be used when calculating Engineering Contributions. Since NRS 069 is referred to by the Distribution Code, and the Distribution Code forms part of the License conditions Rustenburg Local Municipality must comply with, it becomes not only a guideline any more but an authoritative document.

## 5. RESPONSIBILITIES OF THE DEVELOPER

The provision of all internal engineering services and infrastructure within the boundary of the development are the responsibility of the developer.

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Some exceptions may however occur where the specification of equipment is dictated by the municipality to be higher than that required by the development to cater for future developments or upgrading of existing infrastructure. The developer and the municipality should then enter into a services agreement or the additional requirements are to be funded by the municipality.

### **6. RESPONSIBILITIES OF THE MUNICIPALITY**

In terms of the Distribution Network Code, the Distributor is required to invest by considering best practice technical alternatives and based on a least life-cycle cost approach. Least life cycle cost is the discounted least cost option over the lifetime of the equipment, taking into account the technical alternatives for investment, operating expenses and maintenance. Calculations to justify investment shall assume a typical project life expectancy of 25 years, except where otherwise dictated by plant life or project life expectancy.

The Distribution Tariff Code requires the Distributor to implement a methodology used to calculate connection charges approved by NERSA and being in line with NRS 069. The developer pays for all dedicated equipment and in addition be allocated a standard R/kVA contribution based on replacement costs for shared upstream costs, whether new upstream investment is required or not.

Contributions must be utilized to install the required infrastructure requested for, pay outstanding loans of the electrical service or to be preserved into a dedicated fund that is ring fenced for the specific service.

Adjacent distributors should coordinate and share contributions according to all infrastructure requirements (where applicable).

### **7. TYPES OF DEVELOPMENTS**

Developments can primarily be categorized as follows:

- Township development / Extension of boundaries of townships
- Rezoning / change of land-use right / Special or Temporary Consent approved by the Local Municipality
- Subdivision of a property
- Increased services requirements that exceed the original limits of services designed or currently provided.

Although rural networks are significantly different, the principles and methodology of calculation are similar with the difference that infrastructure for urban areas is more capital intensive with a higher degree of supply reliability.

**8. BASIC PRINCIPLES FOR CALCULATION OF ENGINEERING CONTRIBUTIONS**

The following points form the basis of the electricity engineering contribution policy and guidelines:

- a) A consistent approach should be applicable throughout the municipal area;
- b) The approach should be in harmony with sound practices employed within South Africa and internationally;
- c) The approach should be consistent within different utilization and zoning categories;
- d) Contributions for each service should be financially ring-fenced;
- e) Contributions should be targeted at developers to service properties to the full capacity according to the new zoning;
- f) Contributions should be charged to customers when they exceed the designed capacity contributed by the developer or that associated with the zoning;
- g) Capital and interest redemption through tariffs should be minimized;
- h) Assets financed by engineering contributions remain the property of the distributor;
- i) Assets financed by engineering contributions may be used for other customers;
- j) The principle of contestability of dedicated networks and funded by customers is supported;
- k) Recognition must be given in the longer-term to society benefits from most network extensions because they allow the utility to gradually extend and expand its distribution system to the benefit of all;
- l) The standard must be transparent in the way it is set out and applied;
- m) The approach should be relatively easy to implement and practical; and
- n) The approach should be developed in consultation with representatives from all technical services.
- o) Engineering contributions are calculated by the Electrical Engineering Department.

The calculation of engineering contributions must be based on the fundamental principle that customers or subsequent customers should not benefit from a new development at the cost of the developer, or that the developer should not benefit at the cost of customers.

The aim of the policy is to institute a uniform basis for the calculation of engineering contributions in the Municipality's area of jurisdiction as a whole. Calculation of engineering contributions is based on specific applications and guidelines as set out in the documentation for the various services.

The capital component for engineering infrastructure in the consumption tariffs should be limited to spare capacity. It is the municipalities' responsibility to ensure the level of spare capacity is limited as this places risk and an unfair burden onto customers via electricity inflated tariffs.

Developers in the case of Leap-Frog developments, who have funded bulk infrastructure networks in full, should receive a refund of the pro-rata contribution once other developments pay engineering contributions for sharing of that infrastructure. Refunding of contributions should be avoided where possible and be limited to a set a window period of 5 years as proposed by NRS 069.

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Where developments are sharing bulk or link infrastructure, it should be done on a pro-rata basis and based on infrastructure cost and capacity.

The present property zoning and FAR or the existing rights, whichever is the greater, will be used as the basis to calculate the level of services to be credited.

### 9. ASSUMPTIONS

In developing and applying the policy, it is important to understand the situations and circumstances where the policy is intended to be applied. Minor adjustments based on the above principles will have to be made where applicable.

The following was assumed to form a consistent basis for the policy:

- a) Consumption tariffs will contain various components which must cover:
  - i. Operational and maintenance costs.
  - ii. Capital cost of refurbishing networks at some time in the future when networks have reached the end of its technical and economic life. (Applicable to minimum required services).
  - iii. Outstanding loans for spare capacity within the electricity infrastructure networks.
- b) Contributions will be based on R/kVA for electricity services applicable at the pre-determined point of supply within the network.
- c) Contributions are set by the required capacity, which are based on the full rights attainable on the property or notified demand requirements stated by the developer, whichever are the higher.
- d) The engineering contributions are to be the same, irrespective of the service provider or customer, provided it is connected to and supplied through the municipal infrastructure networks.
- e) Contributions only include municipal owned infrastructure.
- f) Contributions are payable only for pro-rata shared infrastructure.

Connection costs are payable for all dedicated equipment. This also includes link or connection services, where applicable.

### 10. METHODOLOGY AND CALCULATION OF ELECTRICITY ENGINEERING CONTRIBUTION FEES

#### 10.1 General

The methodology to be followed is the most important and critical part of the policy. It describes how contributions are made up and how the calculations should be done in respect of engineering contributions. It also addresses refunding of excess contribution payments where required.

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This section also describes how the fees will be established for electricity contributions.

Where a step change in the electricity supply from ESKOM is required due to the additional load imposed by a new development, the developer will be required to fund the full pro-rata increased demand cost as part of the connection costs.

The Nett Present Replacement Values (NPRV) of each of the segments of the network is determined as follows:

- a) HV network values are based on the actual or network quantities of existing equipment and immediate future expansion to complete the primary networks in terms of the master plan.
- b) Calculations for the main substations and downstream networks are based on a generic network model, using the standards adopted by the municipality.
- c) The municipal HV & MV supply network is segmented into the various voltage and functional equipment, where the POD's from Eskom is at 88, 33 or 11kV level:
  - i. Main 88/33/11kV substation which includes 88kV main busbars, two 88kV bays, bus-section complete with switchgear, two 40MVA 88/33kV transformers and two 20 MVA 88/11kV Transformer, control panels, 33kV and 11kV switchgear;
  - ii. 33/11kV substations which includes 33kV and 11kV switchgear, and two 20 MVA transformers;
  - iii. Medium voltage 800mm<sup>2</sup> Al XLPE 1-core XLPE inter-connection cables operating at 33kV;
  - iv. Medium Voltage 300mm<sup>2</sup> Al 3-core XLPE inter-connection cables operating at 11kV.
- d) 11kV Switching substation which includes 11kV switchgear complete with yard stone and fence.
- e) Medium Voltage 120mm<sup>2</sup> Al unarmoured XLPE ring cables operating at 11kV. On average 300m MV cable per minisub is installed;
- f) 500kVA miniature substation, complete with plinth, earth mat and MV cable terminations;
- g) 100m low voltage 120mm<sup>2</sup> Al radial cable complete with 9-way distribution kiosks operating at 400V.

The nominal service capacity of each of the segments of the network is determined, based on standard ADMD's and the diversity at each voltage level.

### 10.2 **ADMD**

The following ADMD's at secondary transformer level will apply:

**Table 1: Guideline ADMD values**

Description	ADMD
Residential	As per NRS 069 and NRS 034 for the applicable consumption class

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Description	ADMD
Hotel, Guest House or equivalent	80 VA/m <sup>2</sup>
Business, Office or equivalent	80 VA/m <sup>2</sup>
Light Industrial, Garage or equivalent	40 VA/m <sup>2</sup>
Educational or equivalent	20 VA/m <sup>2</sup>
Devotional, agricultural, nursery, scrap yard or equivalent	20 VA/m <sup>2</sup>

### Notes:

- a. The m<sup>2</sup> above refer to the larger of the FAR multiplied with the stand size or the coverage i.r.o. the property zoning.
- b. The ADMD values above are at secondary transformation level. Diversity factors are applied in the rate calculation to account for increased diversity between loads at higher transformation and voltage levels.
- c. Heavy industry is treated on its application for a connection.
- d. The ADMD's are at load class peak, and not at system peak. For mixed-used developments, diversity must be applied between loads by calculating a composite load profile. The demand applicable in mixed-use developments for the purposes of the calculation of engineering contributions is the resulting maximum demand once the composite load profile has been determined (i.e. the expected NMD).
- e. The ADMD for residential developments to be used is the capacity obtained after using the a, b and c parameters of the Herman-Beta method through the capacity formula tabled in NRS 034.
- f. A developer's consulting engineer may request a higher demand than calculated through ADMD.
- g. Where a lower demand is requested than calculated using the ADMD, a servitude of restraint of capacity must be registered over the property.

Gross floor area is used and is determined by multiplying the total stand area with the applicable FAR stipulated in the Town Planning Scheme.

Initial contribution will be based on the highest of the NMD on the application or the capacity as determined using the ADMD for the development or the relevant consumption classes.

The R/kVA engineering contribution fees of each segment are calculated by dividing replacement cost by the system capacity.

In order to apply the correct applicable fee, the point where the development will be connected to the municipal network must be determined to only include upstream shared equipment.

Should the customer require a prime supply, the additional costs to provide this will form part of the connection costs.



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For a mixed-use development, the total capacity shall be determined by applying diversity between different load classes.

The formulae for the calculation of maximum demand are as follows:

**Table 2: Maximum demand formulae**

Category	Formula
Residential.  This includes Residential 1 and Residential 2 Use Zones as per the RLM Town Planning Scheme.	$MD = 0.23 \times n \times \frac{c}{a+b} \left[ a + 1.28 \sqrt{\frac{a \times b}{n(a+b+1)}} \right]$ <p style="text-align: right;">(Eq.1)</p> <p>(Capacity formula as per NRS 034)</p> <p>Where:</p> <p><math>MD</math> = Maximum demand in kVA  <math>n</math> = Number of consumers on heaviest loaded phase (see note in NRS 034)  <math>a, b, c</math> = Beta probability curve parameters</p> <p>ADMD is given by</p> $ADMD = c \frac{a}{a+b} \times \frac{230}{1000}$ <p style="text-align: right;">(Eq.2)</p> <p>in kVA per residential unit</p> <p>Values for a, b, c for standard ADMD values can be obtained in NRS 034. For any other ADMD value, it must be calculated using the formulae given in NRS 034.</p>

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Category	Formula
Non-domestic and non-industrial loads not catered for elsewhere in this table, including Governmental, Offices, Retail and other Business related loads	$MD \text{ (in kVA)} = ADMD \text{ (in kVA/m}^2\text{)} \times FAR \times \text{Stand area (in m}^2\text{)}$ <p style="text-align: right;">(Eq.3)</p> <p>ADMD is selected from Table 1.</p> <p>This is applicable to any zoning where an FAR is specified that falls within the Business 1, Business 2, Special, Institutional, Municipal, Government, Transportation, Conservation, Recreational, Institutional and Public Open Space Use Zones as defined in the RLM Town Planning Scheme. Agricultural and High Potential/Unique Agricultural Use Zones with special consent for facilities which falls within any of the abovementioned Use Zones will be treated according to the formula in this category.</p>
Light Industrial	$MD \text{ (in kVA)} = ADMD \text{ (in kVA/m}^2\text{)} \times \text{Stand area (in m}^2\text{)}$ <p style="text-align: right;">(Eq.4)</p> <p>This is applicable to Industrial 1 and Industrial 2 uses, but exclude Noxious land use.</p>
Agricultural, Heavy Industry, including Mining and Quarrying	As determined by the developer or the developer's consulting engineer (Professional Engineer). This is usually process dependent and includes Noxious land use.
Special loads	e.g. Storage garages, Cemeteries, Churches etc.: the higher of 13.8 kVA (60 A single phase at 230 V), or the demand calculated by the developer's consulting engineer.
Mixed use	Any combination of the above, with diversity factors applied or composite load curves summated to determine the annual maximum demand of the saturated development (i.e for the full development when all properties have been developed).

### 11. DETERMINATION OF ELECTRICITY ENGINEERING CONTRIBUTION FEES

This section describes in steps how the Electricity Contribution fees are determined according to the modelled network configuration and adopted standards.

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- a) The electricity supply networks are modelled to allow for standard equipment types and capacity and separated into logical components.
- b) Each component is allocated the minimum of its own capacity / rating or the associated upstream or downstream component's capacity / rating.
- c) Each component cost is allocated at the replacement values that include professional fees, installation and commissioning.
- d) Provision for a base date and industry related escalation is built into the model.
- e) Provision for a pre-determined portion for the respective equipment is subject to rate of exchange.
- f) The cost per kVA is calculated taking all the above-mentioned into consideration.
- g) Select a typical generic connections type at the applicable voltage levels at a differentiation of the point where the connection will be done.
- h) Each generic connection is allocated all the respective components required to make the supply available with a diversity differentiation at all the voltage levels.

### 12. CALCULATION OF ENGINEERING SERVICES CONTRIBUTIONS

This section describes in steps how the Electricity Contribution fees are determined according to the modelled network configuration and adopted standards.

- a) Only shared infrastructure is used to calculate contributions on a pro-rata basis.
- b) Establish the point in the network where infrastructure will be shared with other developments.
- c) Determine the incremental capacity to be charged for as follows:
  - i. The highest of the demand required by a development or the calculated nominal capacity based on the approved zoning.
  - ii. Only increased capacity will be applicable for any rezoning and full credit (in kVA) must be given for previous zoning rights.
- d) Determine the optimum means to service the development for the medium and long term, taking cognisance to mitigate risk, avoid unutilised capacity and duplication of infrastructure.
- e) Multiply the incremental capacity with the relevant engineering service contribution fee to determine the contribution payable.

### 13. SPECIAL CASES

#### 13.1 Leapfrog developments:

Developments located remotely from the promulgated developed area or existing networks are classified as leapfrog developments.

The developer is normally responsible for all costs with regard to the provision or extension of services required by the development, without any contribution from the municipality.

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The municipality may decide to specify larger equipment than what is required by the development due to the fault levels or in order to make provision for future developments.

In cases mentioned above, the municipality may only cost for the minimum standard equipment used by the municipality to meet the system and load requirements of the development.

### **14. REFUNDING OF ENGINEERING CONTRIBUTIONS**

This section describes how developers should be refunded where they have funded the full incremental costs for services and sharing takes place at a future date.

- a) Only the difference between the engineering contribution payable and the equivalent contribution for the development should be refunded.
- b) Refunding should only be applicable for a window period of up to 5 years after the initial connection or as per agreement between the municipality and the developer in the case of a leapfrog type development.
- c) Refunding must be based on proportionate capacity sharing of only shared infrastructure.
- d) Refunding will be based on replacement values and the approved fees applicable at that time.
- e) Refunding will be done on a pro-rata basis being based on the portion of additional service required of the capacity previously financed by private developments.
- f) No refunding will be considered for initial overstating of service requirements.

### **15. LONG TERM LOAN AGREEMENTS WITH DEVELOPERS**

This section covers the implications of the municipality entering into a loan agreement with a developer for the provision of shared infrastructure and the implications of the MFMA.

- a) A debt agreement can be entered into with a developer who provides additional capital expenditure on behalf of the municipality in accordance with section 46(1).
- b) The loan or debt agreement must be approved by a Council Resolution and signed by the Mayor in accordance with section 46(2).
- c) A long-term debt taken up by a municipality is subject to the specific process stipulated in section 46(3).
- d) The long-term debt may not be subject to rate of exchange of the Rand against any foreign currency.
- e) The municipality may provide security to such a developer in terms of section 48(1)c.

### 16. IMPLEMENTATION ISSUES

This section stipulates who should make payments, by what means and when.

- a) Engineering contributions due by the developer should be a condition for granting development / subdivision / rezoning approval.
- b) Engineering contributions should be calculated and charged as soon as possible in the application process.
- c) Payments should in all cases be made as follows:
  - i. Township establishment, extension of boundaries of a township & rezoning: Prior to proclamation approval of the town / extension of boundaries / amendment scheme.
  - ii. Special Written or Temporary Consent of Council: Within a period of thirty (30) days from date from approval by Council
  - iii. Subdivisions: Prior to issuing a certificate confirming that all conditions imposed by council relating to the approval have been complied with.
  - iv. Permits: Within a period of thirty (30) days from date of issuing a Permit by the Department of Local Government & Housing.
  - v. Any consent given by Council which may require upgrading of the network.
- d) The manner in which payments are made for each service must be flexible but should be agreed upon at the time of the signing the Services Agreement, alternatively it should be determined in a resolution of Council or letter of approval issued by Council. Acceptable alternatives are:
  - i. The provision of a bank guarantee for the full cost of electrical services and it must make provision for escalation to the planned date of construction.
  - ii. Cash payment.
  - iii. Phasing of the payment according to pre-determined milestones such as pro-rata contribution per phase, subject to the developer offering an acceptable bank guarantee for the balance of the amount.
  - iv. The physical provision of infrastructure to the value of the calculated contribution required for that service, forming part of the Services Agreement.

### 17. CHANGES TO TOWN PLANNING RIGHTS AND/OR DEMAND

Contributions will be applicable for developments exceeding the original designed capacity for each development as per approved contribution fees.

The zoning can be changed during the planning process, based on new information / requirements.

Where a downgrading of zone takes place after payment of contribution was made, no refund will be made of contributions already paid. The supply requirements may however increase in future up to the original service level, without any further contribution.

Where a developer wishes to reduce the demand in kVA calculated on which contributions will be applied, he should first consider reducing the town planning rights, e.g. reducing the FAR.

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Where the developer cannot reduce the town planning rights, and still requires a lower demand value for the purposes of calculating engineering contributions, he can restrict the demand by registering a servitude of constraint in the title deed for the particular property

Where a consumer's notified maximum demand is increased in order to avoid penalties for exceeding the NMD on the monthly consumption charges, engineering contributions will be payable as well.

Where a consumer reduces his notified maximum demand, no refund for previously paid engineering contributions shall be considered.

### **18. PUBLICATION AND REVISION FREQUENCY OF RATES**

The electricity contribution fees should be reviewed and updated annually and published with the annual municipal rates and tariffs.

### **19. CONTESTABILITY**

A developer has the right to contest a quote from the utility and thus use a contractor to install the services to the municipal standards and specifications.

### **20. EXCLUSIONS AND EXEMPTIONS**

Contributions will not be payable under the following circumstances:

- a) Where existing municipal services or components thereof are established and are mainly financed from sources other than municipal funds. For instance, allocations and/or subsidies, i.e. INEP, MIG, etc.
- b) Where the municipality is not the supply authority that providing electricity services in a specific municipal area.
- c) For areas previously supplied by other and the distribution license is transferred, the exemption lapses as soon as the Municipality is established or provides the municipal service.
- d) Indigent Customers registered on the municipal indigent database shall be exempted from paying engineering contributions, on condition that the supply remains limited to a maximum of 20A single phase and will be used exclusively for a single connection per erf or designated family living area. Only one such consent will be allowable per Indigent Customer. Should the customer at that address in future apply for the demand increase above 20A, the full payment of contribution for the new NMD will be payable.

## **ANNEXURES**

ANNEXURE A: RATES SCHEDULE

ANNEXURE B: SINGLE LINE DIAGRAM WITH RATES

### **ANNEXURE A: RATES SCHEDULE**

Refer to Annexure A attached as a separate document.

### **ANNEXURE B: SINGLE LINE DIAGRAM WITH RATES**

Refer to Annexure B attached as a separate document

## RUSTENBURG LOCAL MUNICIPALITY



### DRAFT PREFERENTIAL PROCUREMENT POLICY:

**Version 1**

Issued in terms of the Preferential Procurement Policy Framework Act 5 of 2000, and its regulations.



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### **1. ACRONYMS AND ABBREVIATIONS**

AO	Accounting Officer
RLM	Rustenburg Local Municipality
CSD	Central Supplier Database
GCC	General Conditions of Contract
MFMA	Municipal Finance Management Act, 1999 (Act No. 1 of 1999)
PPPFA	Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
MBD	Municipal Bidding Documents
SCM	Supply Chain Management
SMME's	Small, Medium and Micro Enterprise

### **2. PURPOSE**

The broad purpose of the Preferential Procurement Policy is to sets out guidelines for fair, equitable, transparent, competitive and cost-effective Supply Chain Management (SCM) systems:

- 2.1. Validate Municipality's commitment to Preferential Procurement.
- 2.2. Ensure effective and efficient application of resources.
- 2.3. Promote accountability, transparency and fairness.
- 2.4. Create opportunities for local small, medium, and micro enterprises.
- 2.5. Stimulate socio-economic development.
- 2.6. Promote competitive bidding.

### **3. SCOPE OF APPLICATION**

This Policy applies to the procurement of all goods and services and sale and letting of assets by Rustenburg Local Municipality.

### **4. DEFINITIONS**

**“Administrative action”** bears the meaning assigned to it in the Promotion of Administrative Justice Act, No 3 of 2000.

**“bidder/tenderer”** means any natural or legal person who makes an offer in response to a Request for Quotation (RFQ), a Request for Proposal (RFP) or a Request for Bid (RFB).

**“Black people”** is a generic term which means Africans, Coloureds, Indians and Chinese –

- Who are citizens of the Republic of South Africa by birth or descent; or
- Who became citizens of the Republic of South Africa by naturalization- Before 27 April 1994; or
- On or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalization prior to that date.”

**“Central Supplier Database (CSD)”** is a single database that will serve as the source of all supplier information for organs of state. The supplier information is verified with institutions such as the South African Revenue Service, Companies and Intellectual Property Commission, Bank Institutions, etc.

**“Contract”** means the written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein as defined in the General Conditions of Contract.

**“Municipality”** in the context of this policy means the ***Rustenburg Local Municipality***

**“highest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

**“lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the lowest price compared to other tenders;

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**“price”** means an amount of money tendered for goods or services and includes all applicable taxes less all unconditional discounts.

**“Rand value”** means the total estimated value of a contract in Rand, calculated at the time of the tender invitation.

**“specific goals”** means specific goals as contemplated in section 2(1)(d) of the Preferential Procurement Policy Framework Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;

**“tender”** means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation.

**“tender for income-generating contracts”** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions; and

**“the Act”** means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

**“Rural business”** means a business whose main address is within villages or other areas other than urban/or township.

**“Township business”** means a business whose main address is within township.

**5. POLICY OBJECTIVES**

- 5.1. To ensure that procurement of goods and services within the Municipality is aligned to the Preferential Procurement Policy Framework Act 2000 and its regulations, 2022;
- 5.2. To give effect to the provisions of the Rustenburg Local Municipality Procurement Strategy.
- 5.3. Provide clarity on the Municipality's approach to procurement, particularly with regards to requirements of preferential procurement.
- 5.4. Provide access to procurement opportunities for Historical Disadvantaged Individuals (**HDI**).
- 5.5. Promote participation by SMMEs.
- 5.6. Promote local economic development and SMME support and development.
- 5.7. Promote joint venture opportunities between HDI-owned enterprises, SMMEs, and other business entities.

**6. LEGISLATIVE FRAMEWORK**

**6.1. Constitution of the Republic of South Africa, 1996**

Section 217(1) of the Constitution, 1996 (Act 108 of 1996) provides that when contracting for goods and services, organs of state must do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective. Section 217(2) and (3) of the Constitution allows organs of state to grant preferences when procuring for goods and services within a Framework prescribed by National legislation.

**6.2. Municipal Finance Management Act (MFMA), 56 of 2003**

6.2.1. The MFMA aims to ensure an effective, efficient and transparent system of financial management as well as procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

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6.2.2. **Sections 38 and 51 of the MFMA deals** with SCM requirements and must be read together with the SCM TR 16A effective from 15 March 2005. Both these sets of prescripts support the application of the PPPFA.

### 6.3. **Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000) and its associated regulations as amended**

6.4. The PPPFA, 2000 and PPR 2022 took effect on 3 February 2000 and 16 February 2023 respectively. The main aim is that an organ of state **must determine its preferential procurement policy** and implement such within the preferential procurement framework.

## 7. POLICY PRONOUNCEMENT /POLICY CONTENT

### 7.1 ROLES AND RESPONSIBILITIES

Stakeholders	Policy Development	Policy Approval	Policy Implementation	Monitoring and Evaluation
Member of the Executive Council	Accountable and approves policies in line with the four I's of authority: identifying, initiating, integrating and interpreting.  Provides political leadership, vision and policy direction	Approves all Municipal policies in line with powers conferred by delegation	Members of the Executive Council exercise executive authority through a wide range of responsibilities, including overseeing the implementation of approved Policies.  Oversees policy implementation in relations with to electoral mandate	Approves amendment of the reviewed policy
Chief Financial Officer	Contribute to the policy agenda and recommends for the approval of new	Adopts all the Municipal Policies	Oversees the Implementation of the Municipality's policies and delivers the outputs	Adopt amendment of the policy after the review.

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Stakeholders	Policy Development	Policy Approval	Policy Implementation	Monitoring and Evaluation
	<p>policies in line with delegated powers</p> <p>Informs and advises elected political officials accurately, completely and on time</p>		<p>defined in the Municipality's budget.</p> <p>Implements policy and ministerial decisions efficiently and effectively, and in ways that promotes preferential procurement</p>	
Supply Chain Management (SCM) Unit.	Identify policy gaps in line with the Municipality procurement regulations.	Makes recommendations on this Policy	Implements policy and ministerial decisions efficiently and effectively, and in ways that promote preferential procurement	Monitor and assess policy implementation and consolidate implementation reports for further actions.

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Stakeholders	Policy Development	Policy Approval	Policy Implementation	Monitoring and Evaluation
Strategic Planning Research and Policy	<p>Offer various units with strategic and technical support on policy development</p> <p>Scrutinise early intentions of developing policies to test whether they are worthwhile or not or to review or amend.</p> <p>Co-ordinates the consultation and supports the development of Municipal policies.</p> <p>Ensure that policy and legislative development processes are inclusive of Socio-Economic Impact Assessment System (SEIAS).</p> <p>Ensure that policies and legislation development is according to the planned schedule and legislative programme</p>	<p>Validates all policies' preapproval for compliance and alignment with the Municipal mandate</p> <p>Ensures policies are aligned with a Municipality-wide policy and the national policy.</p>	<p>Implement policies within the area of responsibility</p> <p>Play an oversight role on the implementation of approved policies and legislation</p>	<p>Assists in the monitoring and evaluation of Municipal policies.</p> <p>Work with the Municipal Monitoring and Evaluation Units.</p>



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Stakeholders	Policy Development	Policy Approval	Policy Implementation	Monitoring and Evaluation
Labour Management Forum	Analyse and make inputs on the draft policy.	Recommend the adoption of all policies to the Accounting Officer and the Executive Authority	Ensures that all policies implemented are analysed and checked for justifiability in terms of policy implementation for employer and employee	Monitors and evaluates all Municipal policies.
Communication Services	Circulate the drafted policy for inputs to all staff and other relevant stakeholders.	Informs all staff and other relevant stakeholders on the approval of all policies	Communicates all approved policies to all staff and other relevant stakeholders.	Informs all staff and other relevant stakeholders on the Monitoring and Evaluation of the policy process

### 8 IDENTIFICATION OF SPECIFIC GOAL

#### 8.1 Petty Cash

The following **direct purchase** will be utilised for awarding of quotations. The range of quotations will be between the rand value of R1 to R 2 000.

#### 8.2 Quotations

The following specific goals and applicable points will be utilised for awarding of quotations.

The range of quotations will be between the rand value of R30 000 to R 200 000.

Ownership	Means of Verification
Rustenburg Jurisdiction	Latest (not older than three months) Municipal Account/Traditional Council letter
Rural /Township Businesses	Latest (not older than three months) Municipal Account/Traditional Council letter
Black People	Valid Sworn Affidavit
Persons with Disability	Disability verification letter
Youth	Certified ID copy
Women	Certified ID copy
SMME's	Company registration

### **8.3 Open Tenders**

The following specific goals will be utilised for awarding of tenders. They can be applicable individually or wholly in awarding of points. The points will be allocated on merit per tender in line with the specification. The range of open tenders will be for rand value above R 200 001.

<b>Ownership</b>	<b>Means of Verification</b>
Rustenburg Jurisdiction	Latest (not older than three months) Municipal Account/Traditional Council letter
Rural /Township Businesses	Latest (not older than three months) Municipal Account/Traditional Council letter
Black People	Valid Sworn Affidavit
Persons with Disability	Disability verification letter
Youth	Certified ID copy
Women	Certified ID copy
SMME's	Company registration

8.4 Failure to submit means of verification will result in zero points awarded for specific goals.

## **9 IDENTIFICATION OF PREFERENCE POINT SYSTEM**

9.1 Accounting Officer (AO) must, in the tender documents, stipulate—

- 9.1.1 the applicable preference point system as envisaged in paragraphs 9.2, 9.3, 9.4 or 9.5.
- 9.1.2 the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.
- 9.1.3 if it is unclear whether the 80/20 or 90/10 preference point system applies, the AO will, in the tender documents, stipulate in the case of—
  - 9.1.3.1 an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system: or

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- 9.1.3.2 any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

### **9.2 The 80/20 preference point system for acquisition of goods or services with and value equal to or below R50 million.**

- 9.2.1 The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left( 1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

*Where-*

*P<sub>s</sub> = Points scored for price of tender under consideration;*

*P<sub>t</sub> = Price of tender under consideration; and*

*P<sub>min</sub> = Price of lowest acceptable tender.*

- 9.2.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 9.2.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 9.2.4 Subject to section 2(1)(f) of the PPPF Act, the contract must be awarded to the tenderer scoring the highest points.

### **9.3 The 90/10 preference point system for acquisition of goods or services with Rand value above R50 million**

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- 9.3.1 The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left( 1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{\min}$  = Price of lowest acceptable tender.

- 9.3.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 9.3.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 9.3.4 Subject to section 2(1)(f) of the PPPF Act, the contract must be awarded to the tenderer scoring the highest points.

### **9.4 The 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million.**

- 9.4.1 The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left( 1 + \frac{P_t - P_{\max}}{P_{\max}} \right)$$

Where –

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

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Pmax = Price of highest acceptable tender.

- 9.4.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender
- 9.4.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 9.4.4 Subject to section 2(1)(f) of the PPPF Act, the contract must be awarded to the tenderer scoring the highest points.

### 9.5 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

- 9.5.1 The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left( 1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

- 9.5.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 9.5.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 9.5.4 Subject to section 2(1)(f) of the PPPF Act, the contract must be awarded to the tenderer scoring the highest points.

## 10 CRITERIA FOR BREAKING DEADLOCK IN SCORING

- 10.1 If two or more tenderers score an equal total number of points, the contract will be awarded to the tenderer that scored the highest points for specific goals.

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**10.2** If two or more tenderers score equal total points in all respects, the award will be decided by the drawing of lots.

### **11 REMEDIES**

11.1 If the AO is of the view that a tenderer submitted false information regarding a specific goal, it must—inform the tenderer; accordingly, and give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

11.2 After considering the representations referred to in subparagraph (11.1.2), the AO may, if it concludes that such information is false—disqualify the tenderer or terminate the contract in whole or in part; and if applicable, claim damages from the tenderer

### **12. INCEPTION DATE**

This policy takes effect upon approval by the **Municipal Council**.

### **13. REVIEW**

This policy shall be reviewed by the Municipality **every year** or as and when necessary.

### **14. DATE OF COMMENCEMENT**

This policy takes effect upon approval by the **Municipal Council**.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### 15. APPROVAL

<b>DOCUMENT TITLE</b>	<b>PREFERENTIAL PROCUREMENT POLICY</b>	
<b>COMPILED BY:</b>	<b>SUPPLY CHAIN MANAGEMENT</b>	
	_____	_____
	<b>UNIT MANAGER</b>	<b>DATE</b>
<b>RECOMMENDED BY:</b>		
	_____	_____
	<b>CHIEF FINANCIAL OFFICER</b>	<b>DATE</b>
<b>QUALIFIED BY:</b>		
	_____	_____
	<b>DIRECTOR STRATEGIC PLANNING, DATE</b>	
	<b>RESEARCH, MONITORING AND</b>	
	<b>EVALUATION</b>	
<b>ADOPTED BY:</b>		

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

	<div>_____</div> <div><b>ACCOUNTING OFFICER</b></div>	<div>_____</div> <div><b>DATE</b></div>
<b>APPROVED BY</b>	<div>_____</div> <div><b>MEMBER OF THE EXECUTIVE COUNCIL</b></div>	
		<div>_____</div> <div><b>DATE</b></div>



# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

## RUSTENBURG WATER SERVICES TRUST

### DRAFT BUDGET 2023/24 +2 YEARS

Version 3 - Approved by the Trustees on 9 May 2023 - Resolution #8

	Forecasted Figures 30 June'23	Draft Budget 30 June'24	Medium Term Budget 30 June'25	Medium Term Budget 30 June'26
<b>Revenue:</b>				
RLM - STC Income	77 480 973	92 749 804	105 085 528	119 061 903
Boitekong - STC Income	19 640 068	26 002 142	29 460 427	33 378 664
Bospoort	41 557 662	49 177 441	55 718 041	63 128 541
RLM - Lethabong & Monakato	5 378 277	5 855 617	6 441 179	7 085 297
RLM - Kloof	2 592 346	2 803 066	3 175 874	3 598 266
RLM - Effluent	1 401 931	1 647 653	1 754 750	1 851 261
RLM - Bokamoso	-	5 000 000	5 500 000	6 050 000
	148 051 257	183 235 724	207 135 800	234 153 932
Water Sales-Off take - Mines	78 036 565	77 038 903	84 507 824	91 830 427
Glencore	742 330	1 396 331	1 582 043	1 792 455
Other	12 000	12 000	12 000	12 000
<b>Total Income</b>	<b>226 842 152</b>	<b>261 682 958</b>	<b>293 237 667</b>	<b>327 788 814</b>
<b>Expenses:</b>				
Contracted Services:				
- Operator cost: Rustenburg plant	-69 589 932	-81 570 814	-97 226 880	-115 895 059
- Operator cost: Boitekong plant	-21 628 470	-26 692 591	-32 021 579	-38 414 462
- Operator cost: Bospoort plant	-20 924 669	-19 366 155	-22 300 776	-25 680 090
- Operator cost: Monakato and Lethabong	-4 547 509	-4 667 270	-5 249 009	-5 903 257
- Operator cost: Kloof	-2 023 161	-2 071 049	-2 362 742	-2 695 518
- Operator cost: Bokamoso	-	-4 500 000	-4 950 000	-5 445 000
- Operator cost: Effluent	-1 176 895	-1 318 122	-1 403 800	-1 481 009
- Operator cost: Management	-7 456 634	-9 693 624	-10 323 710	-10 891 514
	-127 347 269	-149 879 626	-175 838 497	-206 405 910
<b>Gross Profit</b>	<b>99 494 883</b>	<b>111 803 332</b>	<b>117 399 170</b>	<b>121 382 904</b>
	44%	43%	40%	37%
<b>General Expenses:</b>				
Asset Revaluation GRAP17	-2 500 000	-	-	-
Bank Charges	-6 644	-7 076	-7 536	-7 950
DWS Compliance	-220 135	-234 443	-249 682	-263 415
External Audit Fees	-1 151 939	-1 226 815	-1 306 558	-1 378 419
Impairment loss	-686 163	-730 764	-778 264	-821 068
Insurance	-881 881	-939 203	-1 000 251	-1 055 265
Leasing Charges	-132 434	-90 960	-41 971	-
Legal Fees	-1 035 171	-1 102 457	-1 174 117	-1 238 693
Marketing	-	-50 000	-18 000	-18 000
Maintenance Emergency	-3 165 000	-3 798 000	-4 177 800	-4 595 580
O & M Supervision	-3 255 252	-3 466 844	-3 692 189	-3 895 259
Printing & Stationary	-	-12 000	-12 780	-13 483
Research and Development	-	-300 000	-500 000	-1 000 000
Repairs & Maintenance	-16 156 392	-19 387 670	-21 326 437	-23 459 081
Salaries	-2 235 265	-3 600 000	-3 834 000	-4 044 870
RLM - Section 78 Process	-	-1 000 000	-1 500 000	-2 000 000
Suscriptions	-	-20 000	-21 300	-22 472
Training	-	-80 000	-85 200	-89 886
Trustees Remuneration	-909 650	-968 777	-1 031 748	-1 088 494
	-32 335 926	-37 015 010	-40 757 832	-44 991 934
<b>Earnings before interest, depreciation &amp; tax</b>	<b>67 158 957</b>	<b>74 788 322</b>	<b>76 641 338</b>	<b>76 390 970</b>
Interest Received	15 585 906	28 464 768	20 242 027	17 064 090
Interest Paid	-626 117	-	-	-
Depreciation	-35 083 175	-35 083 175	-35 083 175	-35 083 175
<b>Earnings after interest, depreciation &amp; tax</b>	<b>47 035 571</b>	<b>68 169 915</b>	<b>61 800 190</b>	<b>58 371 884</b>

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

## RUSTENBURG WATER SERVICES TRUST

### DRAFT BUDGET 2023/24 +2 YEARS

Version 3 - Approved by the Trustees on 9 May 2023 - Resolution #8

#### BALANCE SHEET

<b>Assets</b>				
Nett Plant Assets	444 059 369	598 245 430	562 383 991	526 479 747
<b>WIP - Capital Projects</b>				
MIG WIP - Bospoort Bulk	15 286 872	159 652 110	330 271 317	374 586 872
RLM WIP - Monakato Inlet	388 987	388 987	388 987	388 987
MIG WIP - Bospoort Plant Ext	63 851 113	124 951 113	247 151 113	308 251 113
MIG WIP - Rustenburg Plant Ext		36 975 759	250 517 734	464 059 708
<b>Total Plant and Equipment</b>	<b>523 586 341</b>	<b>920 213 398</b>	<b>1 390 713 140</b>	<b>1 673 766 427</b>
Debtors - RLM	123 168 411	83 168 411	39 701 028	44 879 504
Debtors - Mines	14 187 962	15 033 420	16 500 558	17 944 386
Bank and cash	379 530 246	443 362 712	310 256 174	253 747 678
<b>Accumulated Assets</b>	<b>1 040 472 960</b>	<b>1 461 777 941</b>	<b>1 757 170 901</b>	<b>1 990 337 995</b>
<b>Equity / Liabilities</b>				
Statutory Funds	1 000	1 000	1 000	1 000
Reserves - Revaluation	264 589 771	444 589 771	444 589 771	444 589 771
Retained income - prior years	490 815 915	688 430 367	756 600 282	818 400 472
Profit - this year	47 035 571	68 169 915	61 800 190	58 371 884
RLM Lease	929 315	502 124	-	-
Creditors	15 158 533	16 583 588	19 297 949	22 499 149
<b>Equity:</b>				
Equity: MIG contribution - Boitekong	127 478 880	-	-	-
Equity: MIG contribution - Bospoort Bulk	13 931 767	149 093 209	166 931 767	166 931 767
Equity: MIG contribution - Bospoort Plant	57 432 207	57 432 207	57 432 207	57 432 207
Equity: MIG contribution - Rustenburg Plant	-	36 975 759	250 517 734	422 111 744
Equity: Anglo conditional contribution	23 100 000	-	-	-
	<b>1 040 472 960</b>	<b>1 461 777 941</b>	<b>1 757 170 901</b>	<b>1 990 337 995</b>

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RUSTENBURG WATER SERVICES TRUST CAPITAL PROJECTS - BUDGET								
		01-Jul-23 to 30-Jun-24		01-Jul-24 to 30-Jun-25		01-Jul-25 to 30-Jun-26	01-Jul-26 to 30-Jun-27	01-Jul-27 to 29-Jun-28
TOTAL		MIG		RWST				
BOSPOORT WWTW Bospoort - M&E Bospoort - Civil Contingencies Professional fees	188 000 000	-		188 000 000		47 000 000	94 000 000	47 000 000
	12 000 000	-		12 000 000		3 000 000	6 000 000	3 000 000
	20 000 000	-		20 000 000		5 000 000	10 000 000	5 000 000
	24 400 000	-		24 400 000		6 100 000	12 200 000	6 100 000
	244 400 000	-		244 400 000		61 100 000	122 200 000	61 100 000
10 000 000		-		10 000 000				
Eskom dedicated line at Bospoort								
BOSPOORT BULK Pipeline Reservoir Reservoir access road Pump station and generator Contingencies Professional fees	95 000 000	41 676 056		53 323 944		31 666 667	63 333 333	
	85 000 000	36 394 366		48 605 634		51 944 444		
	58 000 000	21 408 451		36 591 549		41 428 571	16 571 429	
	65 000 000	25 690 141		39 309 859		48 750 000	16 250 000	
	30 300 000	12 416 901		17 883 099		12 120 000	12 120 000	6 060 000
	26 000 000	15 414 085		10 585 915		10 400 000	10 400 000	5 200 000
	359 300 000	153 000 000		206 300 000		144 365 238	170 619 206	44 315 556
RUSTENBURG WWTW UPGRADE								
Power supply	12 694 995	6 347 497		6 347 497		12 694 995		
Upgrade	666 487 216	333 243 608		333 243 608			166 621 804	166 621 804
Contingencies	67 918 221	33 959 111		33 959 111		22 639 407	22 639 407	22 639 407
Professional fees	97 123 056	48 561 528		48 561 528		24 280 764	24 280 764	24 280 764
	844 223 487	422 111 744		422 111 744		36 975 759	213 541 975	213 541 975
TOTAL		1 457 923 487	575 111 744	882 811 744	252 440 997	506 361 181	318 957 530	213 541 975
SUMMARY								
Construction	1 192 182 210	464 760 119		727 422 091		194 540 233	414 721 010	249 677 359
Contingencies	118 218 221	46 376 012		71 842 209		17 120 000	44 759 407	33 699 407
Professional fees	147 523 056	63 975 613		83 547 444		40 780 764	46 880 764	35 580 764
	1 457 923 487	575 111 744		882 811 744		252 440 997	506 361 181	318 957 530

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RUSTENBURG WATER SERVICES TRUST  
DRAFT BUDGET 2023/24 +2 YEARS  
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2024 Budget Assumptions:

Income Statement

- 1. Departure point was the actual figures to April 2023 and forecasted to 30 June 2023.
- 2. Average volume used for the past 20 months and then increased with 3% to account for growth in Rustenburg.
- 3. See indicator table for increases and other rates used.
- 4. Drop in GP percentages but GP amount increases, this is due to the increase in operator costs.

Balance Sheet

- 1. RLM repays old debt in full over the next 14 months.
- 2. RLM continues to pay the current invoices on 30 days.
- 3. MIG funds become retained earnings once asset is in use.
- 4. See capital projects sheet for details on capital spend.
- 5. Assumption that MIG will finance 50% of the value of the projects.
- 6. Delays in capital project will have a huge impact on the costs of the various projects.

Indicators	2024	2025	2026
RLM & Glencore increases	10.00%	10.00%	10.00%
Anglo and Impala increases	6.50%	6.50%	5.50%
RLM growth rate	3.00%	3.00%	3.00%
Credit interest rate	7.50%	6.90%	5.50%
Inflation rate used	6.50%	6.50%	5.50%
WSSA - Fixed Cost - Other	12.50%	12.50%	12.50%
WSSA - Fixed Cost - Repairs	5.50%	5.50%	5.50%
WSSA - Variable Cost - Chemicals	10.00%	10.00%	10.00%
WSSA - Variable Cost - Electricity	18.95%	18.95%	18.95%
WSSA - Labour Cost	7.50%	7.50%	7.50%
WSSA - Management staff	30.00%	6.50%	5.50%
Effluent Monitoring	12.00%	6.50%	5.50%
Repairs increase	20.00%	10.00%	10.00%
Bokamoso GP	10.00%	10.00%	10.00%

## Municipal Budget Circular for the 2023/24 MTREF

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## Introduction

This budget circular provides guidance to municipalities with their compilation of the 2023/24 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA), and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial management reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, mSCOA is implemented correctly and that audit findings are addressed.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that is not covered in this circular.

## 1. The South African economy and inflation targets

The National Treasury forecasts real economic growth of 1.9 per cent in 2022, compared with 2.1 per cent projected in the 2022 Budget Review, in response to global and domestic shocks. Growth is projected to average 1.6 per cent from 2023 to 2025. Implementing structural reforms, especially in the energy sector, remains crucial to improve the economy's productive capacity and competitiveness.

The recovery in economic activity that began in 2021 was driven by a strong rebound in global economic activity, high commodity prices and easing COVID-19 restrictions. The scarring impact of the pandemic on employment and investment decisions will likely weigh on the recovery over the medium term. Investment remains well below pre-pandemic levels.

The economy grew by 1.4 per cent in the first half of 2022 compared with the first half of 2021. Real GDP grew more than expected in the first quarter of 2022, with output returning to pre-pandemic levels. However, a deteriorating global environment, flooding in KwaZulu-Natal and the Eastern Cape, industrial action in the electricity and mining sectors, and prolonged and intense power cuts resulted in a broad-based contraction across most sectors during the second quarter. The third quarter was marked by frequent and prolonged power cuts, which significantly disrupted economic activity.

The following macro-economic forecasts must be considered when preparing the 2023/24 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections, 2021 - 2026**

Fiscal year	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Forecast		
CPI Inflation	5.2%	6.8%	4.7%	4.6%	4.6%

Source: Medium Term Budget Policy Statement 2022.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

It is noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

## **2. Key focus areas for the 2023/24 budget process**

### **2.1 Local government conditional grants allocations**

Over the 2023 MTEF period, conditional grant allocations to municipalities will grow below inflation. This is due to a higher 2022/23 baseline (R3.8 billion) added to local government conditional grants in the 2022 Division of Revenue Amendment Act. Over the next three years, total local government resources, including the equitable share and indirect conditional grants increase at an annual average rate of 6 per cent.

The local government equitable share increases at an annual average rate of 7.8 per cent and municipal conditional grants increase by 3.6 per cent over the 2023 MTEF period. The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2023 MTEF period.

The annual Division of Revenue Bill will be published in February 2023 after the Minister of Finance's budget speech. The Bill will specify grant allocations and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2022 Division of Revenue Act to compile their 2023/24 MTREF. In terms of the outer year allocations (2025/26 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2022 Division of Revenue Act for 2022/23. The DoRA is available at:

<http://www.treasury.gov.za/documents/national%20budget/2022/default.aspx>

### **2.2 Re-enforcing the 2023 Division of Revenue Bill, (DoRB) to facilitate improved intergovernmental relations**

Towards enforcing a system of good intergovernmental relations as envisaged in the Chapter 3 of the Constitution and subsequent related legislation, the National Treasury would like to remind municipalities of Section 31 of DoRA that articulates the facilitation of personal liability for unnecessary litigation. Going forward, a municipality may therefore only institute litigation against any organ of state, state-owned enterprise, public-and/ or municipal entity after exhausting all dispute resolution mechanisms required and/ or available to the municipality in terms of existing intergovernmental relations processes, policy and/ or any related contract with the municipality, including in terms of the Municipal Finance Management Act, 2003, the Intergovernmental Relations Framework Act, 2005, and/ or the Electricity Regulation Act, 2006 (dispute processes administered by NERSA).

The 2023 DoRB will facilitate the personal liability of and refund of any expenditure related to such litigation to the national revenue fund (NRF) by any person responsible for the institution of litigation by a municipality without having exhausted all the available dispute resolution mechanisms. This will be done through the equitable share off-setting processes. Municipalities, parallel to instituting any litigation against any organ of state, must report such litigation to the Auditor-General, the National Treasury and to the relevant provincial treasury. The report must provide the details of all the dispute resolution processes that were attempted, supported by information explaining the failure of these attempts.

#### ***Division of Revenue Amendment Bill, 2022 (DoRAB)***

#### ***Disaster response funding***

***Conversion of disaster response grants*** – To allow for adequate response to the April 2022 floods, funding was shifted between the disaster relief grants in August 2022. R145 million

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was shifted from the Provincial Disaster Response Grant to the Municipal Disaster Response Grant and R120 million was shifted from the Municipal Emergency Housing Grant to the Provincial Emergency Housing Grant.

***Additional funding for disaster response grants*** – In response to disasters that have occurred, most of the disaster funding for 2022/23 had been depleted by the time of the tabling of the DoRAB. To enable for response should a disaster(s) occur in the remaining months of the current financial year, R248 million is added to the Municipal Disaster Response Grant to enable immediate response by municipalities.

***Additional funding for disaster reconstruction and rehabilitation<sup>1</sup>*** – For the reconstruction and rehabilitation of municipal infrastructure damaged by flash floods in the Western Cape (Overberg District Municipality, Cape Winelands District Municipality and Garden Route District Municipality) in December 2021 and the April 2022 floods in the Eastern Cape (Winnie Madikizela-Mandela Local Municipality) and KwaZulu-Natal (eThekweni Metropolitan Municipality, uMhlathuze Local Municipality, uThukela District Municipality, uMgungundlovu District Municipality and iLembe District Municipality), R3.3 billion is added to the Municipal Disaster Recovery Grant.

***Purchasing of land for relocation of flood victims*** – R92 million is added to the Informal Settlements Upgrading Partnership Grant: Municipalities for eThekweni Metropolitan Municipality for the purchase of land identified for the relocation of displaced flood victims.

### ***Changes to local government allocations***

***Roll-over of funds in the Integrated National Electrification Programme (municipal) Grant*** – R1 million is rolled over in the Integrated National Electrification Programme (municipal) Grant to fund 50 electrification connections in Swellendam in Dikgatlong Local Municipality.

***Roll-over of funds in the indirect Regional Bulk Infrastructure Grant*** – R15 million is rolled over in the indirect Regional Bulk Infrastructure Grant to fund operational payments for the Vaal River pollution remediation project in Emfuleni Local Municipality.

***Reprioritisation in the Neighbourhood Development Partnership Grant*** – R100 million of the Neighbourhood Development Partnership Grant is shifted from Schedule 5, Part B (direct) to Schedule 6, Part B (indirect) to fund project preparation, planning and implementation for municipalities that are having administrative and financial challenges that are affecting project implementation. These funds will be used for projects they were allocated for in the direct component. Affected municipalities are Mogale City Local Municipality, KwaDukuza Local Municipality and Emfuleni Local Municipality.

### ***Changes to gazetted frameworks and allocations***

***Municipal Disaster Response Grant*** – The grant framework for the Municipal Disaster Response Grant is amended to allow for spending to respond to the disasters that occurred in December 2021 and April 2022.

***Informal Settlements Upgrading Partnership Grant: Municipalities*** – The grant framework for the Informal Settlements Upgrading Partnership Grant is amended to ring-fence funds for

<sup>1</sup> There was an oversight in the allocations to Western Cape and KwaZulu-Natal, wherein the allocations or parts thereof allocated to the district municipalities in the DoRAB ought to have been allocated to the respective local municipalities in these districts. This is explained in detail in the section “Correction of errors in the Municipal Disaster Recovery Grant framework and allocations to municipalities” below.



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the purchase of identified land for the relocation of flood victims who were previously residing in informal settlements that were washed away by April 2022 floods in eThekweni Metropolitan Municipality.

**Municipal annexures** – Changes to previously gazetted municipal allocations include a change of the name of a municipality. The name of Engcobo Local Municipality in the Eastern Cape is updated to Dr A.B. Xuma Local Municipality as per the Gazette published in terms of section 12 of the Local Government: Municipal Structures Act, on 30 May 2022.

### ***Correction of errors in the Municipal Disaster Recovery Grant framework and allocations to municipalities***

The National Disaster Management Centre (NDMC) has requested changes to the in-year allocations for the Municipal Disaster Recovery Grant in the DoRAB tabled in Parliament. Part of the funding allocated to uThukela and iLembe district municipalities in KwaZulu Natal (page 36 of the DoRAB), should have been allocated to Alfred Duma and KwaDukuza local municipalities, respectively. The allocations made to the Cape Winelands, Overberg, and Garden Route district municipalities in the Western Cape (page 39 of the DoRAB), should have been made to Breede Valley; Theewaterskloof and Swellendam; and Oudtshoorn and George local municipalities, respectively. These corrections also affect the ring-fencing in the grant framework (page 28 of the DoRAB).

Parliament has approved that the National Treasury correct the allocations and effect the required changes to the MDRG framework, as part of section 15(1) of the 2022 DoRA to ensure that MDRG allocations are correctly allocated to the municipalities assigned for the functions.

### **3. Pension fund defaults**

There has been a growing trend where municipalities are deducting pension from the employees but are not paying it over to their pension fund. This in our view is inconsistent with the intent and spirit of the MFMA and constitute an act of financial misconduct in terms of section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings and potentially also a criminal offence in terms of section 173 of the MFMA read with other applicable legislation. Municipal Councils should refer these actions to the Disciplinary Boards for further investigation and should also consider laying criminal charges against the accounting officer and other responsible officials that has failed to perform the responsibility outlined in terms of section 65(2)(f) of the MFMA which states that “the accounting officer of a municipality must take all reasonable steps to ensure that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments”. Municipal Councils should also consider further measures and actions in terms of the Pension Funds Administration Act, as may be applicable.

### **4. Municipal Standard Chart of Accounts (mSCOA)**

#### **4.1 Release of Version 6.7 of the Chart**

On an annual basis, the mSCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.7 is released with this circular.

Version 6.7 of the chart will be effective from 2023/24 and must be used to compile the 2023/24 MTREF and will be available from 20 December on the link below:

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<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

Kindly note that, in accordance with section 8(2)(j) of the Municipal Property Rates Act (MPRA) as amended in 2014, municipalities may apply for categories other than the categories in 8(2)(a) to (i). Towards this end the Minister of Cooperative Governance and Traditional Affairs approved the following categories:

- Sports Clubs and Fields for Bitou Municipality and
- Residential sectional title garages for Drakenstein Municipality.

These categories were only approved for use by municipalities indicated above. System vendors must therefore block the use of these categories for all other municipalities. The Project Summary Document (PSD) on the National Treasury webpage will be aligned to the chart changes in version 6.7 where applicable. The PSD is also available on the above link.

For the National Treasury to consider a new chart change in version 6.8 of the chart, the issue must be logged with all relevant background and details on the *m*SCOA FAQ portal by 31 August 2023. The *m*SCOA FAQ portal can be accessed by all registered GoMuni users on the following link. [https://lq.treasury.gov.za/ibi\\_apps/signin](https://lq.treasury.gov.za/ibi_apps/signin)

### 4.2 Amendments to the regulated A1 schedules

The following tables of the A1 Schedule that was regulated in terms of the Municipal Budget and Reporting Regulations (MBRR), have been aligned to the *m*SCOA and Generally Recognised Accounting Standards (GRAP):

- A4: Statement of Financial Performance; and
- A6: Statement of Financial Position

In addition, tables A8 and A10 have been linked to the *m*SCOA data strings and will be included in the 2023/24 budget reports available on the GoMuni portal from 01 July 2023.

The amended and protected version of the A1 schedule will be available from 20 December on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

System vendors and municipalities that are managing their own in-house systems must programme the amended schedules on their financial systems. Input fields for supporting tables that are not part of the non-financial data string must be created to ensure that a complete A schedule is generated from the core municipal financial system.

The *m*SCOA Regulations require that municipalities budget, transact and report on legislated *m*SCOA segments and directly on the core financial system and submit the required data strings directly from this system to the GoMuni Upload portal. To ensure that the data strings submitted are credible, municipalities must:

- Lock the budget adopted by Council on the core municipal financial system before submitting the budget (ORGB) data string to the GoMuni Upload portal;
- Close the core financial system at month-end as required in terms of the MFMA before submitting the monthly data string to the GoMuni Upload portal; and
- Generate the regulated MBRR Schedules (A, B and C) directly from the core municipal financial system.

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The preparation of budgets on excel spreadsheets that is captured in the system at a later stage and manual correction of data strings by municipal officials or system providers are not allowed in terms of the *mSCOA* Regulations. Where a municipality makes use of a stand-alone 3rd party sub-system or a system provider has entered into an agreement or consortium for the provision of certain functionality with a 3rd party sub-system provider, such a 3rd party sub-system should host the relevant part of the *mSCOA* chart to seamlessly integrate with the core financial system without manual intervention.

### 4.3 Credibility of *mSCOA* data strings

The credibility and accuracy of the data strings must be verified by municipalities before submission as the data strings submitted will be used as the single source for all analysis and publications in the 2023/24 municipal financial year.

Municipalities have been given access to the GoMuni portal in April 2022 and should use the reports on GoMuni to verify the credibility of their submissions. It should be emphasized that errors in the data can only be corrected in the next open period. e.g., errors in the tabled budget (TABB) data string can only be corrected in the adopted budget data string (ORGB). Municipalities are not allowed to open closed periods to make corrections.

Municipalities are reminded that incorrect or incomplete data string submissions is considered as non-submission.

The credibility of the *mSCOA* data strings remains a concern in the following areas:

#### The inclusion of opening balances in data strings

Municipalities and system vendors must ensure that opening balances are included in the budget and in-year data strings. The opening balances at year end (month 12 – M12) of the previous financial year must be rolled over to the first month (M01) and updated with pre-audited (PAUD) and audit (AUDA) adjustments in the current financial year in the *applicable open period*. In other words, if the audit is completed on 31 October, then the changes in the opening balances must be reflected in the in-year submission for November 2022 (M05 submission). If opening balances and changes thereto are not included in the budget and in-year data strings, the C schedules will not populate correctly. This means that the movement of the balance sheet items will not have a starting point and the Statement of Financial Position (balance sheet) will be incorrect.

#### Accounting for Water Inventory

As per the guidance in MFMA Budget Circular No.115 (dated 04 March 2022), municipalities must budget and account for bulk water purchases as **inventory** under current assets in the Statement of Financial Position as per GRAP 12 (paragraph. 07).

In terms of GRAP 12:

*Inventories are assets:*

- a. *In the form of materials or supplies to be consumed in the production process;*
- b. *In the form of materials or supplies to be consumed or distributed in the rendering of services; and*
- c. *Held for sale or distribution in the ordinary course of operations, or*
- d. *In the process of production for sale or distribution.*

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*Inventory acquired through non-exchange transactions should be recorded at its fair value as at the date it is acquired. The cost of inventory, except for non-purified water, will be determined or recognised in accordance with paragraph 25 and 26, which is the primary and secondary costs in getting the water either to the treatment works or to the users of the water.*

It is important to note that water cannot be issued if it was not purchased or brought into the inventory through system input transactions. Therefore, the total input volume of water related to water purified and water from natural sources should include both primary and secondary cost components. The allocation of secondary cost to the input volume of water will necessitate the utilisation of the Costing Segment in the *m*SCOA. This is crucial in determining cost reflective tariffs for water.

The fair value of water from natural resources such as boreholes, springs and fountains may be determined by the primary and secondary cost components. Secondary costs include:

- Labour
- Extraction cost
- Distribution cost
- Chemicals/ Treatment
- Maintenance
- Infrastructure
- Depreciation charges

The municipality must account for water from natural resources as follows:

**Debit:** System Input Volume: Natural Resources

**Credit:** Gains and Losses: Water at fair value

Water inventory must be budgeted to be acquired and recorded in the Current Assets: Inventory: Water as indicated below. The movement accounts in the *m*SCOA structure makes provision for the different methods of acquiring and the consumption/ issuing of Water inventory.

**Current assets:**

- Inventory: Water Opening balance: Non-Funding Transactions
- Inventory: Water: System Input volume: Bulk Purchases: Water Treatment/Natural Resources
- Water Authorised Consumption:
  - a) Billed Unmetered Consumption
  - b) Un-Billed Authorised Consumption
  - c) Billed Metered Consumption
- Inventory: Water Losses (Apparent and Real Losses)

Water that is issued to Consumers must be issued from the inventory and expensed in the **Expenditure:** Inventory: Consumed -Water.

Water losses will reduce the Water inventory in current assets and the corresponding amounts should be captured in **Gains and Losses:** Inventory: Water: Fair value

It is important to note that the change in accounting for water through the inventory purchased process and the change of using a methodology to report the balance of water as at year-end may impact on the Annual Financial Statements (AFS). Municipalities must ensure that they update their accounting policy, document this process, and provide comparative figures when assessing and reporting their water balance to ensure that the GRAP guidelines of changes in reporting and materiality is applied correctly.

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### **The Local Government Municipal Property Rates (MPRA) Amendment Act, 2014**

Municipalities are reminded that section 8 of the MPRA on the determination of categories of rateable properties has been revised through the Local Government Municipal Property Rates Amendment Act, 2014 ("the Amendment Act").

Municipalities were required to implement the new property categorisation framework by not later than 01 July 2021. The *m*SCOA chart Version 6.7 will only make provision for the new framework. The old framework has been retired and municipalities must prepare their 2023/24 MTREF Budgets accordingly.

### **Fixed Asset Register**

Municipal financials systems must comply with the minimum business processes and system requirements on fixed asset registers as articulated for the asset management module in MFMA Circular No 80. The asset management module should be embedded in the core financial system or seamlessly integrate from a third-party sub-system to the core financial system. This will enable the regular and seamless updating of the fixed asset register. The register must contain the following information as a minimum requirement:

- Description of the asset
- Date of acquisition or brought into use
- Purchase cost
- Location of the asset
- Function responsible for the asset
- Current value
- Depreciation and method utilised
- Remaining life of the asset
- Maintenance information
- Insurance Coverage

Municipalities will be required to upload their updated fixed asset register in a PDF format on the GoMuni Upload portal as part of their 2023/24 MTREF tabled and adopted budget submission and thereafter on a quarterly basis as part of their in-year reporting.

### **Recording of Schedule 6B Grants in *m*SCOA**

Grants allocated in terms of Schedule 6B of DoRA should be recorded in terms of *m*SCOA as an allocation-in-kind. This means that the municipality will only record the transaction once they received a completed asset.

Importantly, a Schedule 6B grant may not be transferred to the end-user of the asset to construct the asset as this is in contravention with the conditional grant framework. If a transferring officer of a Schedule 6B grant consider the municipality capable of constructing its own asset, the grant should be re-gazetted and reclassified as a Schedule 5B grant. The grant will then be transferred directly to the municipality to construct the asset and the receipt and expenditure of the grant must be in accordance with GRAP 17. An adjustments budget in terms of Section 28(2)(b) of the MFMA and Regulation 23(3) of the MBRR must be adopted to include the grant funding and project in the MTREF budget.

In the case where a municipality is constructing an asset for a national department but will not be the end-user of the asset being constructed, the accounting must be done in terms of GRAP 11. There will be VAT implications as the municipality will be a contractor and act as an agent. It is important to ensure that the contract between the municipality and the department outlines the responsibilities of all parties.

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Municipalities must ensure that they are making provision for VAT in accordance with the VAT Act, 1991 (Act No. 89 of 1991) and the VAT 419 guide issued by SARS. The National Treasury issued *mSCOA* Circular No.12 (dated 01 October 2021) that provides guidance on the recording of VAT in the *mSCOA*.

### Impact of Balance Sheet Budgeting and Movement Accounting on Cash Flow Tables

From the analysis of the *mSCOA* data strings it is evident that the cash flow tables (A7, B7 and C7) are still not populating correctly or completely. This can be contributed to the fact that a number of municipalities still do not use balance sheet budgeting and movement accounting. Guidance on the use of balance sheet budgeting and movement accounting to populate tables A7, B7 and C7 correctly was provided in MFMA Budget Circular No. 107 (dated 04 December 2020) and *mSCOA* Circular No. 11 (dated 04 December 2020).

### 4.4 Regulation of Minimum Business Processes and System Specifications

National Treasury will review and regulate minimum business processes and system specifications for *mSCOA* by the end of 2024/25. In preparation for the regulation of the minimum requirements, municipalities should ensure that they comply fully with the current minimum business processes and system specifications articulated in MFMA Circular No. 80 (dated 08 March 2016).

Where a municipality is not fully compliant with the *mSCOA* requirements, a *mSCOA* Road Map must be in place to drive and fast track the *mSCOA* implementation in the municipality. The *mSCOA* Steering Committee, chaired by the Accounting Officer or his/ her delegate, must use the *mSCOA* Road Map to track progress and take correction actions where required.

Road Maps must be reviewed and updated annually as part of the budget process is updated and submitted to Council for approval together with their 2023/24 MTREF budget. Municipalities will be required to upload their updated *mSCOA* Road Maps in a PDF format on the GoMuni Upload portal as part of their 2023/24 MTREF tabled and adopted budget submission and thereafter on a quarterly basis as part of their in-year reporting.

Municipalities should ensure that they budget sufficiently to become and remain *mSCOA* compliant.

Guidance on the content of the *mSCOA* Road Map was provided in MFMA Budget Circular No. 115 (dated 04 March 2022).

### 4.5 *mSCOA* Training Initiatives

#### Training to municipalities and municipal system vendors

The National Treasury, in conjunction with CIGFARO, will conduct monthly training sessions aimed at municipalities, municipal system vendors and other relevant role-players. The training will focus on technical aspects of budgeting, transacting and reporting in the *mSCOA* and is aimed at improving the quality of *mSCOA* data strings. The draft programme is attached as **Annexure A**.

#### *mSCOA* eLearning Course

The National School of Government is hosting the *mSCOA* eLearning Course that was developed by the National Treasury. The *mSCOA* eLearning Course provides government officials with the basic knowledge on the reform and how to record transactions using the *mSCOA*.

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Government institutions can enrol their employees for this course by sending a request for training to the NSG at [contactcentre@thensg.gov.za](mailto:contactcentre@thensg.gov.za). If your institution has not attended any training with the NSG previously, then you will also be required to register on the NSG database. The *m*SCOA eLearning Course will be offered at no cost until 31 March 2022. Thereafter, delegates will have to pay to attend the course.

Any queries in this regard must be directed to the NSG at [contactcentre@thensg.gov.za](mailto:contactcentre@thensg.gov.za) or tel number: 086 100 8326.

### **5. The revenue budget**

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, Water Boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending.

Municipalities must ensure that they render basic services, maintain their assets and clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in reduced unemployment. Some municipalities are experiencing serious liquidity challenges. Therefore, the new leadership is advised to:

- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection; and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

#### **5.1 Maximising the revenue generation of the municipal revenue base**

Reference is made to MFMA Circulars No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

The purpose of the above mentioned MFMA Circulars is to ensure that the municipalities are using their entire revenue base as the basis for the revenue budget. It is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. The municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing.

One of the aims of the reconciliation process is to identify exceptions, i.e. records on the roll and not on the billing system and records on the billing system and not on the roll. In addition, the reconciliation must identify duplicated records, missing data, and data errors. These exceptions should then be investigated, and remedial action strategies developed for data cleansing and other corrective actions. The Debtors Ageing data should also form part of the reconciliation process so that "debtors" can be tracked and assessed at a property record level and prioritised for verification of rates liability measured against a MPRA property and owner.

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To facilitate reconciliation of the separate databases (Roll and Billing), a unique property identifier (common primary unique link code) must be created and populated for each rateable property on the roll system and on the rates billing system. This property identifier must be unique, without duplicates, and remain constant for the life of the property. The standards adopted by the South African Council for the Property Valuers Profession (SACPVP), namely South African Standard: Municipal Valuations for Property Rating, specifies that the Surveyor General Code SG 21-digit Code, derived, and created from the property description, be applied for all registered full title property defined in terms of part (a) of the definition of property.

For all other MPRA defined property, Part (a) Sectional Title, Part (b) Registered Rights, Part (c) Land Tenure Rights and Part (d) PSI, and apportioned multiple use property in terms of sections 8(2)(i) and 9(2), an added suffixed 5 digits to the SG 21-digit code must be assigned by the designated municipal valuer, thereby creating a unique 26-digit code. The municipality must ensure that the SG21 digit code and 26-digit coding system is applied in their valuation roll management system and billing system and engage with their designated municipal valuer and systems service providers to implement the unique property identifier.

Further it is important that municipalities who are performing a general valuation (GV) to implement a new valuation roll on 1 July 2023, must also as best practice compare the current consolidated roll to the new valuation roll. This can identify any anomalies and errors of category of property and market values for review and investigation and the option of lodging an objection by the municipality, where applicable. This process should also identify outliers and shifts in market values by category and area so that tariffs on the new roll can be modelled and determined in an equitable manner to avoid rates shocks.

Municipalities should undertake this exercise as a routine practice during the budget process so that supplementary adjustments to the valuation roll are kept up to date. In order to ensure that the most updated information is used for the reconciliations, municipalities are reminded to adhere and comply with s23(1)(2) of the MPRA and therefore use the Part A register as the basis for performing the reconciliations going forward.

Furthermore, municipalities are also advised and expected to comply with s8(1) of the MPRA in terms of the billing methodology that needs to be specified within their policies to ensure that the correct categories (based on the selection made by the municipality) are used in the reconciliation process.

The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates or whether the municipality is overstating its revenue budget.

A further test would be to reconcile this information with the Deeds Office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their reconciliation of the Valuation roll/Part A register to the billing system to the National Treasury on a quarterly basis by no later than the 10<sup>th</sup> working day. A detailed action plan must accompany the reconciliation where variances are noted.

The above information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: [https://lg.treasury.gov.za/ibi\\_apps/signin](https://lg.treasury.gov.za/ibi_apps/signin). If the municipality experience any challenge uploading the information, a request for an alternative arrangement may be emailed to [linda.kruger@treasury.gov.za](mailto:linda.kruger@treasury.gov.za).

No operation can be sustainable if it does not collect its revenue. A municipality is no different. There is a misconception that a municipality may not interrupt or restrict the supply of water services of a defaulting consumer. The National Treasury confirms that neither the



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Water Services Act, 1997 (Act No. 108 of 1997) or any other legislation prevents a municipality from cutting the supply of water to a defaulting consumer unless the consumer is an indigent in which case the water services to that household must be restricted to the national free basic water limit of 6 kilolitre water monthly (or 50 kilowatt hours in the case of free basic electricity monthly). This was confirmed by the Constitutional Court in the matter of Mazibuko and Others v City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009).

Municipalities are urged to use the restriction/ interruption of supply of both water and electricity services as a collection tool. Effective from the tabling and adoption of the 2023/24 MTREF, municipalities' By-laws and policies must facilitate this and clearly stipulate the order in which any partial payment of the consolidated municipal bill (including property rates) will be applied as well as the process before the supply of water and electricity services will be cut. The National Treasury recommended that any partial payment firstly be applied to property rates, wastewater, waste management, water and lastly to electricity. When interrupting or restricting the supply of water it is important that such is undertaken together with the municipal engineer(s) to ensure a continued minimum supply of waste water.

### 5.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (Financial and Fiscal Commission (FFC), 2011). Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost.

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98 (refer item 4.2) on 6 December 2019 and since 2019, encouraged municipalities to utilise the tool. **With effect, the 2023/24 MTREF, all municipalities (except metropolitan cities and district municipalities that do not provide any services) as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool (in excel format)** illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the municipality's initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality's strategy in this regard should be included as part of the budget narratives.

This tool will assist in setting tariffs that are cost-reflective and enable a municipality to recover costs to fulfil its mandate. Going forward it is also imperative that every municipality fully embrace the Municipal Standard Chart of Accounts (*mSCOA*): costing component. Considering, *mSCOA* implementation is entering its sixth year of implementation, all municipalities must fully embrace and report also utilising the costing segment correctly. The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

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<http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08>.

### 5.3 Tariffs – achieving a balance between cost-reflectiveness and affordability

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality.

When setting tariffs, it is therefore critical to understand the economic environment specific to the municipality and consideration should include at least –

- *The socio-economic profile undertaken for the municipality* available on the National Treasury GoMuni portal – municipalities are encouraged to annually update their own socio-economic profile using the template model available on GoMuni;
- *The most recent average monthly household income in the municipality* as per Statistics South Africa (Stats SA) available on [Statistics South Africa | Improving Lives Through Data Ecosystems \(statssa.gov.za\)](http://Statistics South Africa | Improving Lives Through Data Ecosystems (statssa.gov.za));
- *The average property value in the municipality* per its most recent approved general valuation roll and/ or supplementary general valuation roll;
- *The number of indigent households in the municipality*, including any variation in the number of indigent households included in the Equitable Share: free basic services component for the municipality vs the municipality's own indigency level discretion; and
- *The economic drivers and activities specific to the municipal area<sup>2</sup>; etc.*

The municipality's tariff-setting or other committee tasked with this role must understand and deliberately reflect on this context during the tariff-setting process. Considering the average monthly household income, the median affordable municipal bill would ideally not exceed proportionally the average monthly household income. This median affordable bill, in combination with the median average property value should inform the basis to determine any rebates to households with income below the median.

It is also important when setting particularly water and electricity tariffs that municipalities consider setting two-tier tariffs, that include a basic availability charge to recover the fixed (direct and indirect) cost associated with the service in conjunction with consumption-based tariff bands. For example, in a drought, such tariffs will facilitate the ability to pay for infrastructure and maintenance, treating chemicals and salaries, etc. while parallel facilitating water restriction based on inclining tariffs as consumption increase. Furthermore, it is important to link the municipality's water tariffs to dam levels, also approved as part of the budget process. For example, if the dam levels drop to 60 per cent the first tier of restriction tariffs should become applicable in terms of the municipality's approved tariff policy.

It is also noted that NERSA approves seasonal tariffs for Eskom but not necessarily for the municipality. It is important that the municipality clearly factor this in its tariff application to NERSA, illustrating the cashflow crunch if the municipality is not similarly allowed a seasonal tariff to recover the higher Eskom bulk cost during winter months.

Lastly, municipalities are cautioned against setting tariffs that include operating inefficiencies. This could lead to tariffs falling into the unaffordable range.

The Consumer Price Index (CPI) inflation is forecasted to be within the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2023/24** in their budget narratives and pay careful attention to

<sup>2</sup> The spatialised tax data is now available through National Treasury for all municipalities that provides an up to date information on economic activity within a municipal boundary.

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tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

### 5.4 Bulk Account Payments and Concessions

During 2018/19, intense work was undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom agreed to provide relieve in certain areas. Municipalities are reminded of the following concessions that remain in place:

- The interest rate charged on overdue municipal bulk accounts were reduced from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms were extended from 15 days to 30 days for municipal bulk accounts; and
- Eskom allocation of municipality payments to capital first and then to interest.

These concessions align to the MFMA and are meant to curb municipal growing debt levels by allowing a more conducive payment regime than what was previously employed. In addition, municipalities are urged to budget for and ring-fence their payment of bulk services. Bulk current account payments must be honoured religiously to avoid stringent application of the bulk suppliers' credit control policy.

Municipalities are also urged to enforce a culture of payment for services through their normal credit control processes. In this regard it should be noted that municipalities are only compensated for free basic services based on an indigent user component calculation through the equitable share. As such, a municipality's allocation of free basic services to all of the municipality's consumers is not funded in the equitable share. Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. **If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only.**

### 5.5 Critical Notice Affecting STS Meters

As highlighted in previous MFMA Circular No. 115 (dated 06 December 2022) municipalities are once again alerted that there is still a pending business risk to the prepayment metering industry that requires urgency of action. The token identifiers (TID) used to identify each credit token will run out of available numbers in November 2024, at which point all STS meters will stop accepting credit tokens.

The remedy is to visit each meter and enter a special set of key change tokens in order to reset the meter memory. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract for the provision of auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters that align to minimum and critical technical specifications for local government. In this respect the development of the transversal contract for smart prepaid meters as per NRS 049 (per latest approved version) is at an advanced stage and should be issued shortly by National Treasury.

If your municipality or municipality entity is currently in the process of procuring for a solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal contract for the provision of inter alia auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters Terms of Reference (ToR); and

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- That, with immediate effect, you must obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for this purpose or any related solution or similar. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any related solution or similar or component thereof, must be directed to the National Treasury for the attention of the Local Government Budget Analysis Unit (Mr. Sadesh Ramjathan) [Sadesh.Ramjathan@treasury.gov.za](mailto:Sadesh.Ramjathan@treasury.gov.za).

In this regard, municipalities will have two options to choose from:

- Firstly, to pursue the route of auditing, re-calibrating and re-configuring services for standard transfer specification compliant prepayment meters; and/ or
- Secondly, to replace the old meter with a new smart prepaid meter.

For both options, the municipality will have to budget accordingly as no additional funding will be available through the national fiscus.

Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

### **5.6 Completeness and credibility of revenue related information in the Budget**

The MBRR regulates the minimum level of information required from municipalities when compiling, implementing, monitoring, and evaluating the municipality's financial management situation. Failure to include the minimum required information hampers the municipal council, the public and stakeholders' ability to make informed decisions and engage on the matter. It also limits research, studies, and benchmarking undertaken for local, provincial, and national purposes.

The National Treasury would like to take this opportunity to caution municipalities that the MBRR prescribe the minimum level of information municipalities must include as part of their legal reporting obligations.

Going forward the Treasuries will place increased attention and focus on the adequacy of municipalities' submissions. The National Treasury regards this non-compliance to include the minimum level of information as serious and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution. In this context, National Treasury will particularly focus on the completeness of asset management related information as well as the statistical information required in the A, B and C schedules during the 2023/24 MTREF.

### **5.7 Eskom Bulk Tariff increases**

The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. In the municipal financial year 2022/23, bulk electricity costs increased moderately at 9.61 per cent, compared to 17.8 per cent in the 2021/22 municipal financial year. Due to Eskom's funding needs, they are seeking higher tariff increases and have applied to NERSA for a 32 per cent hike from 1 April 2023/24. NERSA will make a final decision on the tariff application by 24 December.

In addition, a High Court hearing is still pending on the Multi-Year Price Determination (MYPD 5) application. The urgent High Court review requires NERSA to urgently process the Eskom revenue application for at least one year, as required by law. The timeframes for the review allow for a decision to be made in time for implementation by 1 April 2023.

### **5.8 Updated Municipal Borrowing Policy Framework**

Cabinet approved the Update to the Policy Framework for Municipal Borrowing and Financial Emergencies on the 17th of August, 2022. The purpose of the Update is to re-examine the original Policy Framework, along with the legislation (i.e. Municipal Finance Management Act – MFMA) that was adopted to implement it, considering the experience with municipal borrowing that has accumulated since 2000.

The following key reforms have been introduced through the Update to the Policy Framework for Municipal Borrowing:

- The Policy Framework for Municipal Borrowing has been updated to introduce the necessary reforms that will expand the scope of responsible municipal borrowing and create an environment that attracts more players (e.g. insurers, pension funds, institutional investors and fund managers, and international Development Finance Institutions) in the municipal debt market space. The original core principles underlying municipal borrowing are maintained (i.e. creditworthy municipalities should borrow prudently to finance capital investment, and that there will be no bail-outs by the provincial or national government);
- The updated policy framework clarifies the role of Development Finance Institutions (DFIs), as it was not clearly articulated in the original policy. DFIs are required to pursue clear and agreed developmental goals, as outlined in the policy. The objective of this approach is to ensure that a DFI lending does not crowd out the private sector. Public-sector lenders, both domestic and foreign, should be guided by a social and developmental investment approach in which demonstrable social outcomes are considered alongside potential financial returns;
- The updated policy framework permits and clarifies innovative infrastructure financing mechanisms (such as pooled financing mechanisms, project finance, tax increment financing, revenue bonds, and pledging of conditional grants) that municipalities can use to leverage municipal borrowing. Municipalities are encouraged to explore these alternatives, and innovative infrastructure financing mechanisms permitted subject to the requirements contained in the Municipal Finance Management Act (MFMA) and
- The participation of both private and public sector market participants in the development of a liquid secondary market for municipal debt securities is also encouraged. The policy proposes options that can be explored to support the development and growth of an efficient and liquid market for municipal debt obligations.

The Updated Municipal Borrowing Policy Framework can be accessed at the MFMA website at the following link <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>.

### **5.9 Tariff Policies**

Municipalities must comply with the provisions of Section 74 of the Municipal Systems Act (MSA) which requires that a municipal council must adopt and implement tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation. Municipalities should also ensure that the tariff policies adhere to all the principles outlined in section 74(2) of the MSA. A municipality's tariff policies must also take into consideration variable factors such as water shortages and electricity feedback excess into the municipal system from new generation capacity. Municipalities must adopt by-laws to give effect to the implementation and enforcement of their tariff policies.

**5.10 Non-Revenue Electricity and Non-Revenue Water/ Revenue Losses:**

Water Service Authority municipalities and electricity licensed municipalities are urged to align both their non-revenue water and non-revenue electricity indicators and their set targets in the 2023/24 SDBIPs with identifiable infrastructure or operational projects and/ or programmes. Municipalities should improve on the baseline information included in the SDBIPs by indicating the volume of water losses (i.e., kilolitres/ mega-litres) and the amount of electricity losses (KwH or MWs) for the previous year. This approach will help to determine the progress of municipalities in curbing losses, which impact on municipal revenues, in both non-revenue water and non-revenue electricity.

**6. Burial of Councillors**

Salaries, allowances and benefits for political office-bearers and members is managed through Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils notice issued by the Minister of Cooperative Governance and Traditional Affairs.

Section 167 of the MFMA provides that a municipality may remunerate its Councillors within the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members. Any benefit which is not included in the above-mentioned notice will be deemed irregular expenditure and recovery thereof from the Councillor concerned is mandatory.

Municipalities may also refer to relevant Councillor Pension Scheme or personal funeral policies in existence for any funeral benefits relating to such Councillor

**7. Funding choices and management issues**

Municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2023/24 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates;
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

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### **7.1 Employee related costs**

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 and 2024. The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, in order to root out ghost employees.

According to the 2021 State of Local Government Finance Report, there are about 165 municipalities that are in financial distress. These municipalities need to ensure that they seek an early exemption from this dispensation of this salary agreement. Municipalities should also avoid paying out leave in cash while having major financial challenges.

### **7.2 Remuneration of Councillors**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councilor(s) concerned.

## **8. Transfers to municipalities**

### **8.1 Criteria for the release of the Equitable Share**

Section 216(2) of the Constitution of South Africa requires that the National Treasury must enforce compliance with the measures established to ensure both transparency and expenditure control in each sphere of government and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of those measures.

The criteria for the release of the Equitable Share Instalments for the 2023/24 municipal financial year are as follows:

- The 2023/24 adopted budget must be funded and adopted by Council as per the legal framework, as required in terms of section 18 of the MFMA and consistent with the Budget Council and Budget Forum resolutions;
  - a. The adopted budget must include budget allocations for bulk suppliers current account payments;
  - b. Should the adopted budget still be unfunded, then a credible funding plan will be required to show how the municipality intends moving progressively out of this position into a funded state, if this plan has been adopted in the past, then a progress report must be submitted on the framework previously shared to guide municipalities which is aligned to the rescue phase of the new approach to Municipal Financial Recovery Service (MFRS);

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- c. Those municipalities that adopted an unfunded budget must work with their respective Provincial Treasuries to rectify this position in the lead up to the main adjustments budget process in February 2023; and
- d. A council resolution showing commitment to address the unfunded position must be submitted by these municipalities to the National Treasury by 01 July 2023.
- Credible *m*SCOA data strings and source documents for the 2023/24 MTREF and 2022/23 audits must be generated directly from the core municipal financial system and successfully uploaded to the Local Government GoMuni Portal. Source documents must be submitted in PDF and no excel based spreadsheet/ templates will be accepted;
- The report submitted by bulk suppliers in terms of section 41 of the MFMA must indicate that the current account has been paid timeously in terms of section 65(2)(e) of the MFMA. In addition, where the municipality has a repayment plan with Eskom and/ or the water boards, proof that the current accounts have been paid and a copy of the agreed upon payment plan (or evidence of negotiations underway with creditors) must be submitted to the National and provincial treasuries;
- Municipalities must provide evidence that SARS, pension and other staff benefits deducted from municipal officials have been paid over the appropriate Funds and/ or institutions;
- The information requested in MFMA Circulars No. 93, 98 and 107 on the reconciliation of the valuation roll have been submitted to the National Treasury as per the required timeframes;
- The Competency Regulations reporting requirements have been complied with;
- Provide a copy of the Unauthorised, Irregular, Fruitless and Wasteful (UIF&W) expenditure register, the latest copy of the Municipal Public Accounts Committee (MPAC) recommendations, Council Resolution on UIFW as well as a copy of the council approved UIFW Reduction Strategy/ Plan, proof of establishment of the Disciplinary Board (or evidence of progress towards their establishment) including evidentiary evidence demonstrating functionality of the Disciplinary Board and updated audit action plan (where the audit has been completed);
- Those municipalities that received an adverse or disclaimed opinions for the 2020/21 financial year will not receive their funding allocation unless there is a council resolution committing to address these opinions with an implementable plan. The resolution must be signed by each member of the Council and submitted to National Treasury by 1 October 2023;
- The Municipal Financial Recovery Service progress reporting framework for financial recovery plans must be complied with by municipalities under intervention in terms of S139 of the Constitution;
- Additionally, those municipalities that have outstanding audits for both the 2020/21 and 2021/22 financial years as well as municipalities with outstanding 2021/22 audit opinions that also received an adverse or disclaimer opinion in 2020/21, will also not receive their allocation; and
- Any other outstanding documents as per the legal framework have been submitted including the AFS submission (municipality only and consolidated AFS).

Failure to comply with the above criteria will result in National Treasury invoking section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFMA.



## **9. The Municipal Budget and Reporting Regulations**

### **9.1 Schedule A – version to be used for the 2023/24 MTREF**

National Treasury has released Version 6.7 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.7 of the *m*SCOA classification framework and must be used when compiling the 2023/24 MTREF budget.

All municipalities must prepare their 2023/24 MTREF budgets in their financial systems and produce the Schedule A1 directly from their financial system.

Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module in the financial system and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on the A1 schedule version 6.7 is not allowed** in terms of the *m*SCOA Regulations.

National Treasury has protected the A1 schedule version 6.7 in order to ensure that the Schedule A1 generated directly from the financial system and not populated manually.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the *m*SCOA chart version 6.7. The revised MBRR Schedules for the 2023/24 MTREF and its linkages to the financial and non-financial data string are available on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx>

### **9.2 Assistance with the compilation of budgets**

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

<b>Province</b>	<b>Responsible NT officials</b>	<b>Tel. No.</b>	<b>Email</b>
Eastern Cape	Matjatji Mashoeshoe Pitso Zwane Oreal Tshidino	012-315 5553 012-315 5171	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a> <a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a> <a href="mailto:Ophulusa.Tshidino@Treasury.gov.za">Ophulusa.Tshidino@Treasury.gov.za</a>
Buffalo City	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Free State	Sifiso Mabaso Cethekile Moshane	012-315 5952 012-315 5079	<a href="mailto:Sifiso.mabaso@treasury.gov.za">Sifiso.mabaso@treasury.gov.za</a> <a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Matjatji Mashoeshoe Abigail Maila	012-315 5553 012-395 6737	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a> <a href="mailto:Abigail.Maila@Treasury.gov.za">Abigail.Maila@Treasury.gov.za</a>
City of Tshwane and City of Johannesburg Ekurhuleni	Willem Voigt Makgabo Mabotja Kgomotso Baloyi	012-315 5830 012-315 5156 012-315 5866	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a> <a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a> <a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
KwaZulu-Natal	Kgomotso Baloyi Kevin Bell	012-315 5866 012-315 5725	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a> <a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
eThekweni	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.mabaso@treasury.gov.za">Sifiso.mabaso@treasury.gov.za</a>
Limpopo	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Mpumalanga	Mandla Gilimani Lesego Leqasa	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a> <a href="mailto:Lesego.Leqasa@treasury.gov.za">Lesego.Leqasa@treasury.gov.za</a>

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Northern Cape	Mandla Gilimani Sibusisiwe Mchani	012-315 5807 012-315 5539	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a> <a href="mailto:Sibusisiwe.Mchani@treasury.gov.za">Sibusisiwe.Mchani@treasury.gov.za</a>
North West	Willem Voigt Makgabo Mabotja	012-315 5830 012-315 5156	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a> <a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
Western Cape	Willem Voigt Enock Ndlovu	012-315 5830 012-315 5385	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a> <a href="mailto:Enock.Ndlovu@treasury.gov.za">Enock.Ndlovu@treasury.gov.za</a>
Cape Town	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
George	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Technical issues with Excel formats	Sephiri Tihomeli	012-406 9064	<a href="mailto:lqdataqueries@treasury.gov.za">lqdataqueries@treasury.gov.za</a>

National and provincial treasuries will analyse the credibility of the data string submissions.

### 9.3 Assessing the 2023/24 MTREF budget

National and provincial treasuries will assess the 2023/24 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

Municipalities should note that the MFMA legislated timeframes for submission of the tabled and adopted budgets are outer timeframes. In this context, different to previous MTREF's, going forward, if the municipality's budget is unfunded, council in terms of MFMA section 74 is requested to table and/ or adopt a budget funding plan together with the budget at the same time.

The Treasuries' **assessment period** of municipal budgets will be from **01 April to 30 June 2023 for both the tabled and adopted budgets**. However, (in a context of some municipalities persisting with unfunded budgeting practices), **if the municipality tabled and/ or adopted an unfunded budget in the 2022/23 MTREF**, the municipality must adjust its schedule of key budget deadlines to facilitate an earlier Treasuries' assessment thereof between 1 April to 15 May 2023 for both tabled and adopted budgets. In this period the national and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that needs to be made must be done before the start of the municipal financial year on 30 June 2023.

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked immediately on the financial system at the start of the new municipal financial year on 1 July. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of *m*SCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated**.

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

The National Treasury would like to emphasise that ***where municipalities have adopted an unfunded budget together with a funding plan that lacks credibility, they will be required to correct the funding plan and ensure that it is credible. The credible funding plan must be immediately adopted by the Municipal Council, and the changes to the***

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***budget must be effected in the mid-year adjustments budget to ensure compliance with Section 18 of the MFMA.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D Schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.

### **10. Submitting budget documentation and A1 schedules for 2023/24 MTREF**

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2023**, the final date of submission of the electronic budget documents and corresponding mSCOA data strings is **Monday, 03 April 2023**; and
- Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. However, given that municipalities are generating the annual budgets directly from the financial system as required by the mSCOA Regulations and that the budgets must be verified before it is locked on the financial system and transacted against, municipalities must submit the approved budget to the National Treasury and the relevant provincial treasury in electronic formats ***immediately*** after approval by the municipal council. Therefore, if the annual budget is tabled to council on **31 May 2023**, the final date of submission of the electronic budget documents and corresponding mSCOA data strings is **Thursday, 01 June 2023**.

**Since the 2020/21 MTREF, municipalities are no longer required to submit hard copies of all required documents including budget related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Electronic copies must be submitted in PDF format to the GoMuni Upload portal.**

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### **10.1 Expected submissions for 2023/24 MTREF**

The following information should be submitted for the 2023/24 MTREF:

- The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 etc. and any other information not contained in the financial data string) in the A1 schedule must be submitted in the prescribed *mSCOA* data string in the format published with Version 6.7 of the A1 schedule;
- The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- The draft and final IDP;
- The council resolution for the tabled and adopted budgets;
- Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- D Schedules specific for the entities;
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July;
- The National or Provincial treasury input to the tabled budget must be included as an Annexure to the adopted budget together with the municipality's explanation of how such was addressed in the adopted budget. If not, the explanation should provide reasons; and
- The bulk water-and electricity invoices for the 3 months immediately preceding respectively the tabled and adopted budgets, must be included as an annexure to the tabled and adopted budgets as part of supporting the municipalities provision for and calculations of payments to bulk suppliers over the 2023/24 MTREF.

### **10.2 Portals for the submission of information**

Municipalities must ensure that the documents are submitted to the correct portals/ mailboxes. These portals/ mailboxes are:

[https://lg.treasury.gov.za/ibi\\_apps/signin](https://lg.treasury.gov.za/ibi_apps/signin) (GoMuni Upload Portal) – All documents required in terms of legislation, including:

- *mSCOA* Data Strings by approved registered users;
- Budget-related and in-year documents and schedules (A, B and C) by approved registered users; and
- Reconciliation of the valuation roll to the financial system (as per MFMA Circular No. 93).

Budget related documents and schedules must be uploaded by approved registered users using the GoMuni Upload Portal at: [https://lg.treasury.gov.za/ibi\\_apps/signin](https://lg.treasury.gov.za/ibi_apps/signin). The GoMuni Upload Portal does not have the same size restrictions encountered with [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za), but requires all documents to:

- Be in PDF format only; and
- Each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified clearly and uploaded separately.

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Municipalities may **only** send electronic versions of the above documents to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) when experiencing problems with the GoMuni Upload Portal.

[lgdataqueries@treasury.gov.za](mailto:lgdataqueries@treasury.gov.za) – Database related and submission queries and the grant rollover templates.

[lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) – Any additional information required by National Treasury that is not listed under the GoMuni Upload portal such as the documents meeting the criteria to release Equitable Share and the contact list information.

FMCMM and Audit Action plans – using the web-enabled systems and as articulated in MFMA Circulars No. 113 and 114.

Please do not submit the same document to ALL the platforms listed above as it means that our Database Team must register the same documents three times which slows down the process. ***Any document/ queries that are submitted to the incorrect portal/ mailbox will be deleted and not processed.***

### 10.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

### 10.4 Communication by municipal entities to National Treasury

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

## Contact



national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001  
**Phone** 012 315 5009  
**Fax** 012 395 6553  
**Website** <http://www.treasury.gov.za/default.aspx>

**JH Hattingh**  
**Chief Director: Local Government Budget Analysis**  
**09 December 2022**

## **Virtual *m*SCOA Training Programme 2023**

<b>Month</b>	<b>TOPIC</b>
<b>Jan</b>	<b>Getting a green submission</b> <ul style="list-style-type: none"> <li>• Overview of <i>m</i>SCOA chart structure</li> <li>• Submission deadlines</li> <li>• Uploading to the GoMuni Upload portal</li> <li>• Correction of validation errors</li> <li>• Using GoMuni to verify receipt and credibility of submission</li> </ul>
<b>Feb</b>	<b>Preparing the Budget in <i>m</i>SCOA (1)</b> <ul style="list-style-type: none"> <li>• Preparing the project file (PROR)</li> <li>• Projects Typical Workstreams</li> <li>• Budgeting for disaster/special projects</li> <li>• Infrastructure Management and asset life cycle</li> <li>• The funding matrix                             <ul style="list-style-type: none"> <li>◦ Allocation of correct funding sources and alignment to the correct segments</li> <li>◦ Funding capital expenditure</li> </ul> </li> </ul>
<b>March</b>	<b>Preparing the Budget in <i>m</i>SCOA (2)</b> <ul style="list-style-type: none"> <li>• Opening balances &amp; Balance sheet budgeting</li> <li>• Budgeting for cash flow</li> <li>• Budgeting for conditional grants</li> </ul>
<b>April</b>	<b>Common Errors in 2023/24 Tabled Budget Data Strings</b> <i>(to be corrected in adopted budget (ORGB submission))</i> <ul style="list-style-type: none"> <li>• Water Inventory</li> </ul>
<b>May</b>	<b>Common Budgeting Errors</b> <ul style="list-style-type: none"> <li>• Operating Expenditure – Deprecation</li> <li>• Bad debts written off</li> <li>• Impairment loss for consumer debtors</li> <li>• Travel and Subsistence</li> </ul>
<b>June</b>	<b>Last change to get the ORGB right</b> <ul style="list-style-type: none"> <li>• Functional allocation</li> <li>• Use of Regional segment</li> <li>• Alignment of A1 schedules</li> </ul>
<b>July</b>	<b>Common Transacting and Reporting Errors</b> <ul style="list-style-type: none"> <li>• Opening balances</li> <li>• Populating the cash flow</li> <li>• Reporting on conditional grants</li> <li>• Transacting without budget</li> </ul>
<b>Aug</b>	<b>Preparing the pre-audit AFS Data Strings (PAUD)</b>
<b>Sept</b>	<b>Common Transacting and Reporting Errors</b>
<b>Oct</b>	<b>Preparing the AFS Data Strings (AUDA)</b>
<b>Nov</b>	<b>Chart changes for version 6.8</b>
<b>Dec</b>	<b>Preparing for the Adjustment Budget</b>

## Municipal Budget Circular for the 2023/24 MTREF

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## Introduction

This budget circular is a follow-up to MFMA Circular No. 122 that was issued on 09 December 2022. It aims to provide further guidance to municipalities with the preparation of their 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) budgets and should be read together with the budget circulars that have been issued previously.

The grant allocations as per the 2023 Budget Review and the 2023 Division of Revenue Bill are also key focus areas in this circular. Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that is not covered in this circular.

## 1. The South African economy and inflation targets

GDP is expected to grow by 0.9 per cent in real terms in 2023, compared with an estimate of 1.4 per cent at the time of the medium-term budget policy statement (MTBPS), recovering slowly to 1.8 per cent in 2025.

The economic outlook faces a range of risks, including weaker-than-expected global growth, further disruptions to global supply chains and renewed inflationary pressures from the war in Ukraine, continued power cuts and a deterioration in port and rail infrastructure, widespread criminal activity, and any deterioration of the fiscal outlook.

Government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. Several reforms are under way to improve the performance of the transport sector, specifically freight rail and to improve the capability of the state.

The following macro-economic forecasts must be considered when preparing the 2023/24 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections, 2021 - 2026**

Fiscal year	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Forecast		
CPI Inflation	4.9%	6.9%	5.3%	4.9%	4.7%

Source: Budget Review 2023.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

## 2. Key focus areas for the 2023/24 budget process

### 2.1 Local government conditional and unconditional grants allocations

Over the 2023 MTEF period, local government allocations will increase by a total of R14.3 billion, made up of R8.1 billion in the local government equitable share and R6.2 billion in direct conditional grants. This takes the total direct allocation to R521.7 billion over the same period. These allocations alleviate some of the financial pressures, particularly in basic services, where the costs of providing services are rising.

The *local government equitable share* and related allocations increases at an annual average rate of 7.8 per cent and municipal conditional grants increase by 3.5 per cent over the 2023 MTEF period.



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The *local government equitable share* formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2023 MTEF period. It also includes allocations for the operational and maintenance costs associated with the provision of free basic services.

The 2023 Budget has ensured that sufficient provision has been made to ensure that all municipalities are fully subsidised to support indigent households. Following this, R1.35 billion has been left unallocated in the LGES formula for 2023/24 to serve as a precautionary measure should municipal electricity tariffs exceed the 20.7 per cent provided for in the formula (see section 5.7 on why this is above the 18.7 per cent approved by the Energy Regulator). If the actual increase in municipal bulk tariffs exceeds the provision made in the formula, it will be the first call on those unallocated funds. We will consider funding broader cost relief measures for municipalities if funds remain available after that.

The R6.2 billion in direct conditional grants is funded from the Budget Facility for Infrastructure (BFI) and is broken down as follows:

- **R2.2 billion** added to the Urban Settlements Development Grant to fund the implementation of projects in the eThekweni Metropolitan Municipality and the City of Johannesburg;
- **R461 million** added to the Public Transport Network Grant to align funding with the revised implementation plan and cash flow projections for the City of Cape Town's MyCiTi public transport network project; and
- **R3.4 billion** added to the Regional Bulk Infrastructure Grant to fund 3 water projects in Sol Plaatje Local Municipality, Drakenstein Local Municipality and Nelson Mandela Bay Metropolitan Municipality.

### ***Notable changes to the conditional grants system***

#### *Housing emergency grants*

Changes to conditional grants in the 2023 Budget include the discontinuation of the conditional emergency housing grants for provinces and municipalities. The baselines of these two grants are shifted to the Department of Human Settlements. This will allow the department to respond quickly in the event of an emergency housing need.

#### *Changes to the INEP conditional grant frameworks*

As part of government's efforts to accelerate access to electricity thereby addressing the energy crisis, Eskom and municipal INEP grants will begin funding alternative energy technologies such as rooftop solar and energy-saving devices. Due process must be followed to access funding for these new technologies. As a result, both Eskom and municipalities will need to conform to the set requirements by submitting business plans by 31 October 2023. These business plans, will need to be approved by the Department of Mineral Resources and Energy (DMRE) before they can be implemented. Priority should be given to new connections, i.e., non-grid technology should be targeted at households that do not have access to electricity.

The annual Division of Revenue Bill was published on 22 February 2023. The Bill specifies the grant allocations and municipalities must reconcile their budgets to the numbers published therein in compiling their 2023/24 MTREF.

The Division of Revenue Bill, 2023, which includes the annexures outlining allocations to each municipality is available at:

<http://www.treasury.gov.za/documents/national%20budget/2023/default.aspx>

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### **2.2 Re-enforcing improved intergovernmental relations in the 2023 Division of Revenue Bill, (DoRB)**

In order to strengthen the system of good intergovernmental relations as envisaged in the Chapter 3 of the Constitution and subsequent related legislation, municipalities are reminded of Section 31(3) of DoRA that provides for the facilitation of personal liability for unnecessary litigation. As required by subsection (1)(a) of this clause, read together with section 41(3) of the Constitution, a municipality may only institute litigation against any organ of state, state-owned enterprise, public- and/ or municipal entity after exhausting all dispute resolution mechanisms required and/ or available to the municipality in terms of existing intergovernmental relations processes, policy and/ or any related contract with the municipality, including in terms of the Municipal Finance Management Act, 2003, the Intergovernmental Relations Framework Act, 2005, and/ or the Electricity Regulation Act, 2006 (dispute processes administered by National Energy Regulator of South Africa (NERSA)).

Section 31 is amended to include a clause that requires that where an organ of state decides to institute judicial proceedings against another organ of state, it must, within 10 working days of its decision, notify the National Treasury, the relevant provincial treasury, the Department of Cooperative Governance and the Auditor-General, of the details of compliance with Chapter 4 of the Intergovernmental Relations Framework Act, 2005, including an explanation of the failure to resolve the dispute.

### **2.3 Conditional grants usage**

Conditional grant funds may only be used for the purposes, and subject to the conditions specified in the framework for each conditional grant. These conditions are binding in terms of sections 11 and 12 of the annual Division of Revenue Act. Any instruction by a municipal, provincial, or national official or politician that is inconsistent with the framework of a conditional grant is invalid. Municipalities are reminded that in terms of section 32 of DoRA, spending of a grant that is inconsistent with DoRA is considered irregular or unauthorised expenditure.

## **3. Pension and medical aid fund defaults**

There has been a growing trend where municipalities are deducting pension and/ or medical aid contributions from officials but are not paying it over to their pension- and/ or medical aid fund. This is inconsistent with the intent and spirit of the MFMA and constitutes an act of financial misconduct in terms of section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014 and also a financial offence in terms of section 173 of the MFMA read together with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings. Municipal Councils should refer these actions to the Disciplinary Boards for further investigation and should also lay criminal charges against the accounting officer or any other responsible or delegated official who has failed to perform the responsibility outlined in terms of section 65(2)(f) of the MFMA which states that “the accounting officer of a municipality must take all reasonable steps to ensure that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments”. Municipal Councils should also consider further measures and actions in terms of the Pension Funds Act, as may be applicable.

## **4. Municipal Standard Chart of Accounts (mSCOA)**

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### 4.1 Version 6.7 of the *m*SCOA Chart Go Live

Version 6.7 of the *m*SCOA chart will go live on 13 March 2023, whereafter tabled budget data strings can be uploaded on the GoMuni portal.

For new *m*SCOA chart changes to be considered for version 6.8 of the chart, a Frequently Asked Questions (FAQ) must be logged by 31 August 2023 on the *m*SCOA FAQ database on GoMuni. FAQ queries can be logged at:

[https://lg.treasury.gov.za/ibi\\_apps/portal/mSCOA\\_FAQ](https://lg.treasury.gov.za/ibi_apps/portal/mSCOA_FAQ)

It is important that the issue logged is described clearly and that sufficient supporting evidence is provided to ensure that all aspects of the issue are considered. After investigating the query logged, the following actions will be taken:

- If the query does not require a chart change, the FAQ will be closed, and feedback will be provided to the logger.
- If the query warrants a chart change, it will be submitted for consideration and approval by the relevant committees within the National Treasury.

Chart changes are communicated in October of each year to allow sufficient time for municipalities and vendors to effect such changes. Chart changes are officially published in the MFMA Budget Circular in December of each year.

### 4.2 Additional requirements to change municipal financial systems

The cost and risk associated with procuring and implementing a new Enterprise Resource Planning (ERP) financial system necessitate careful consideration and extensive planning to ensure a smooth operational transition. Such a transition takes at least 18 months to conclude and does not come without challenges and disruptions in operations.

The National Treasury will regulate the minimum business processes and system specifications for *m*SCOA by the end of 2024/25. A new transversal tender for the provision of ERP financial systems that complies with these regulations will be put in place once the regulations have been issued. Municipalities should therefore exercise extreme caution when changing their financial systems at this stage to eliminate fruitless and wasteful expenditure by procuring financial systems that might not comply with the said regulations.

Municipalities are reminded to follow the due diligence processes set out in MFMA Budget Circulars No. 93, 98 and *m*SCOA Circulars No 5 and 6 prior to procuring new financial systems to protect them from making incorrect decisions in this regard.

In addition, and **with immediate effect**, municipalities must inform the National and relevant Provincial Treasury of any intention to replace the financial system currently operating at the municipality prior to inviting proposals from system providers. This is a requirement in terms of section 74 of the MFMA. The submission should include:

- A comprehensive motivation with specific reasons for why it is deemed necessary to replace the existing financial system;
- A copy of the service level agreement with minutes of the meetings between the municipality and the current service provider (financial system vendor) during the previous twelve months;
- An assessment to determine which modules of the existing financial system are being utilised by the municipality. Reasons must be provided for modules not in operation. Details and reasons must be provided on the use of third-party systems to provide functionality required in terms of MFMA Circular No. 80;

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- An assessment to detail the proficiency of municipal users to utilise the current financial system properly. Reasons must be provided if users are not proficient in the use of the system and the details must be provided on how the system is being operated and transactions are being captured on the system in such cases;
- The date on which the existing financial system was implemented, the procurement and implementation costs and the current operational costs thereof must be disclosed;
- The organisational structure, specifically for the IT department/ function, clearly indicating management capacity and responsibility for operating the financial system;
- A technical assessment should be submitted indicating how the existing ICT infrastructure, server and network comply with the requirements of the current financial system; and
- Copies of all IT strategies, policies and procedural documents including the IT disaster recovery plan must be made available.

The above submissions and all enquiries must be forwarded to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za). A working committee comprising representatives from the National and Provincial Treasuries, the Office of the Auditor-General and other relevant stakeholders will assess the submissions and respond with its findings. These findings must be tabled in Council and a council resolution must be submitted to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) within 14 working days after the Council meeting has taken place.

It must be emphasized that the combination of both credible data inputs and an effective financial system is fundamental to ensure the quality and timeliness of financial reporting. If the data input into the financial system is incorrect then any management information generated by the system will lack credibility and reliability for decision making. Furthermore, a municipality with poorly designed business processes will not resolve the problem by implementing a new financial system. Processes must firstly be redesigned with the necessary data validation rules if the municipality is to improve its data integrity. This foundation is integral to ensuring that software applications generate credible information and can be used effectively by municipalities.

### 5. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, Water Boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. It is important to note that the municipal equitable share as a policy instrument is meant to subsidise services to the poorest of the poor and not to pay municipal creditors. This bad practice by municipalities will have to be addressed as a matter of urgency. Municipal creditors should be advised that municipalities cannot use funds allocated for basic service provision to pay creditors.

Municipalities must ensure that they render basic services, maintain their assets and a clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to strengthen awareness and participation and to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in increased employment.

Some municipalities are experiencing serious liquidity challenges. Therefore, the new leadership is advised to:

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- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection; and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

### **5.1 Maximising the revenue generation of the municipal revenue base**

Reference is made to MFMA Circulars No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

The purpose of the above mentioned MFMA Circulars is to ensure that the municipalities are using their entire revenue base as the basis for the revenue budget. It is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. The municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing.

One of the aims of the reconciliation process is to identify exceptions, i.e. records on the general valuation roll that are not on the billing system and records on the billing system and vice versa. In addition, the reconciliation must identify duplicated records, missing data, and data errors. These exceptions should then be investigated, and remedial action strategies developed for data cleansing and other corrective actions. The Debtors Ageing data should also form part of the reconciliation process so that “debtors” can be tracked and assessed at a property record level and prioritised for verification of rates liability measured against a MPRA property and owner.

To facilitate reconciliation of the separate databases (General Valuation Roll and Billing), a unique property identifier (common primary unique link code) must be created and populated for each rateable property on the general valuation roll system and on the rates billing system. This property identifier must be unique, without duplicates, and must remain constant for the life of the property. The standards adopted by the South African Council for the Property Valuers Profession (SACPVP), namely South African Standard: Municipal Valuations for Property Rating, specifies that the Surveyor General Code SG 21-digit Code, derived, and created from the property description, be applied for all registered full title properties defined in terms of part (a) of the definition of property.

For all other MPRA defined property, Part (a) Sectional Title, Part (b) Registered Rights, Part (c) Land Tenure Rights and Part (d) PSI and, apportioned multiple use property in terms of sections 8(2)(i) and 9(2), an added suffixed 5 digits to the SG 21-digit code must be assigned by the designated municipal valuer, thereby creating a unique 26-digit code. The municipality must ensure that the SG21 digit code and 26-digit coding system is applied in their valuation roll management system and billing system and engage with their designated municipal valuer and systems service providers to implement the unique property identifier.

Further it is important that municipalities who are performing a general valuation (GV) to implement a new valuation roll on 1 July 2023, must also as best practice compare the current consolidated roll to the new valuation roll. This will identify any anomalies and errors of category of property and market values for review and investigation and the option of lodging an objection by the municipality, where applicable. This process should also identify outliers and shifts in market values by category and area so that tariffs on the new roll can be modelled and determined in an equitable manner to avoid rates shocks.

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Municipalities should undertake this exercise as a routine practice during the budget process so that supplementary adjustments to the valuation roll are kept up to date. In order to ensure that the most updated information is used for the reconciliations, municipalities are reminded to adhere and comply with Section 23(1)(2) of the MPRA and therefore use the Part A register as the basis for performing the reconciliations going forward.

Furthermore, municipalities are also advised and expected to comply with Section 8(1) of the MPRA in terms of the billing methodology that should to be specified within their policies to ensure that the correct categories (based on the selection made by the municipality) are used in the reconciliation process.

The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates or whether the municipality is overstating its revenue budget.

A further test would be to reconcile this information with the Deeds Office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their reconciliation of the Valuation roll/ Part A register to the billing system to the National Treasury on a quarterly basis by no later than the 10<sup>th</sup> working day after the end of the quarter. A detailed action plan must accompany the reconciliation where variances are noted.

The above information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: [https://lq.treasury.gov.za/ibi\\_apps/signin](https://lq.treasury.gov.za/ibi_apps/signin). If the municipality experience any challenge uploading the information, a request for an alternative arrangement may be emailed to [linda.kruger@treasury.gov.za](mailto:linda.kruger@treasury.gov.za).

Municipalities are reminded of the need to clearly communicate the GV appeals and objection process to residents to ensure that any disputes are timeously resolved.

Revenue Collection – No operation can be sustainable if it does not collect its revenue. A municipality is no different. There is a misconception that a municipality may not interrupt or restrict the supply of water services of a defaulting consumer. The National Treasury confirms that neither the Water Services Act, 1997 (Act No. 108 of 1997) or any other legislation prevents a municipality from cutting the supply of water to a defaulting consumer unless the consumer is an indigent in which case the water services to that household must be restricted to the national free basic water limit of 6 kilolitre water monthly (or 50 kilowatt hours in the case of free basic electricity monthly). This was confirmed by the Constitutional Court in the matter of Mazibuko and Others v City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009).

Municipalities are urged to use the restriction/ interruption of supply of both water and electricity services as a collection tool. Effective from the tabling and adoption of the 2023/24 MTREF, municipalities' By-laws and policies must facilitate this and clearly stipulate the order in which any partial payment of the consolidated municipal bill (including property rates) will be applied as well as the process before the supply of water and electricity services will be cut. The National Treasury recommended that any partial payment firstly be applied to property rates, wastewater, waste management, water and lastly to electricity. When interrupting or restricting the supply of water it is important that such is undertaken together with the municipal engineer(s) to ensure a continued minimum supply of waste-water.

Municipalities should develop a Wheeling Framework to allow for the transmission of energy across their networks. These wheeling frameworks provide an opportunity for municipalities to generate revenue from their distribution networks. Provincial Treasuries or National Treasury can be approached for support to develop these frameworks.

## 5.2 Funding Depreciation

The information shared in Circular 115 regarding the funding of the depreciation refers. It is important to note that depreciation represents the cost of using assets in service delivery and forms part of the total cost of providing the municipal service. Accordingly, it should be included in the setting of cost reflective tariffs to recover the full cost of rendering the service, failing which the depreciation will not be cash backed on Table A7 and will remain a journal entry with no value as mentioned in MFMA Circular No. 115.

## 5.3 Tariff-setting – the impact of loadshedding

Loadshedding not only affects the electricity service but also some municipalities' ability to pump water, thereby negatively impacting the stability of water supplies and the related functioning of the wastewater reticulation network. The loadshedding crisis has been declared a state of disaster and will require tough budgeting choices for municipalities to make sure that basic municipal services are sustained. The regulations published in the Government Gazette No. 48152 on 27 February 2023 in terms of the Disaster Management Act, 2002 (Act 57 of 2002) require municipalities to "ensure continuous operation of water infrastructure and other specified essential infrastructure, including by installing alternative energy sources or other measures to provide an uninterrupted power supply." Municipalities are also required to "mobilise available resources" and "provide funds for this purpose, subject to affordability." As an immediate interim solution back-up electricity to pump water should be prioritised while being mindful of its affordability within the municipality's available funding sources and other critical priorities. The municipality need to adequately plan and prioritise funding in its 2023/24 MTREF for this purpose, including:

- When planning to pump water/ maintain the wastewater service by way of any alternative solution(s), it is important that the municipality properly plan and budget for the associated capital and operational costs to operate and maintain the solution(s) over the 2023/24 MTREF and longer-term;
- Any additional cost the municipality already incurred in this regard during the period of elevated loadshedding since December 2022 should be projected to continue in 2023/24 i.e. diesel to operate a generator;
- Although a state of emergency has been declared to deal with the continual loadshedding challenges in the country, it is likely that loadshedding will continue during the 2023/24 municipal financial year. It is proposed that municipalities factor in the impact of loadshedding on their electricity revenue projections, taking into account current experience in terms of loadshedding practices by Eskom;
- The additional costs of prolonged loadshedding should be considered;
- Municipalities are always asked to try to balance full cost recovery on services with affordability for their residents. In practice, this means that where the full increase in the cost of a service is not passed on to consumers, municipalities must offset the increased costs through savings identified elsewhere in their operations. Therefore, **reducing/ limiting overall expenditure** is a key part of budgeting for the response to loadshedding. The municipality should stick to its core mandate and functions and carefully review overall expenditure to manage the net effect. Measures should include aggressively cutting costs, frills, and vanity projects, dealing with bloated administrations and structures possibly duplicated across Municipal Manager and Mayoral offices, and applying for exemptions from the annual salary increases if these are not affordable;
- While municipalities are urged to maximise efficiency in their operations, tariff setting efforts should consider the need to make additional provision for repairs and maintenance associated with infrastructure breakdowns during loadshedding;
- **Reducing/ limiting overall expenditure** – the municipality should stick to its core mandate and functions – it is necessary to carefully look at the overall expenditure side to manage the net effect, including aggressively cutting costs, fancy, frills, vanity

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- projects, deal with bloated admin- and structures possibly duplicated across Municipal Manager and Mayoral offices, and apply for exemptions from the annual salary increases; and
- The cost should be considered and included when setting the tariffs of the service(s) to which it relates.

Municipalities should also budget for reduced bulk purchases and sales to municipal customers based on the same loadshedding assumptions cited above.

Municipalities should carefully monitor their Eskom accounts for any penalties that result from increased demand immediately after a period of loadshedding is ended. Eskom has indicated that they will reverse any penalties for exceeding notified maximum demand that results from the implementation of loadshedding. This should be factored into the tariff calculation to ensure that consumers are not overcharged.

Lastly, it is important to note that a municipality may only introduce a load-shedding levy or surcharge with the approval of the Minister of Finance and in terms of the legislated processes set-out in the MFMA and Municipal Fiscal Powers and Functions Act, 2007.

### 5.4 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (Financial and Fiscal Commission (FFC), 2011). Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost.

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98 (refer item 4.2) on 6 December 2019 and since 2019, has encouraged municipalities to utilise the tool. **With effect, from the 2023/24 MTREF, all municipalities (except metropolitan cities and district municipalities that do not provide any services) as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool (in excel format)** illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the municipality's initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality's strategy in this regard should be included as part of the budget narratives.

This tool will assist in setting tariffs that are cost-reflective and enable a municipality to recover costs to fulfil its mandate. Going forward it is also imperative that every municipality fully embrace the Municipal Standard Chart of Accounts (*mSCOA*): costing component. Considering, *mSCOA* implementation is entering its sixth year of implementation, all municipalities must fully embrace and report also utilising the costing segment correctly. The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.



<http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08>.

### **5.5 Tariffs – achieving a balance between cost-reflectiveness and affordability**

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality.

When setting tariffs, it is therefore critical to understand the economic environment specific to the municipality and consideration should include at least –

- *The socio-economic profile undertaken for the municipality* available on the National Treasury GoMuni portal – municipalities are encouraged to annually update their own socio-economic profile using the template model available on GoMuni;
- *The most recent average monthly household income in the municipality* as per Statistics South Africa (Stats SA) available on [Statistics South Africa | Improving Lives Through Data Ecosystems \(statssa.gov.za\)](http://Statistics South Africa | Improving Lives Through Data Ecosystems (statssa.gov.za));
- *The average property value in the municipality* per its most recent approved general valuation roll and/ or supplementary general valuation roll;
- *The number of indigent households in the municipality*, including any variation in the number of indigent households included in the Equitable Share: free basic services component for the municipality vs the municipality's own indigency level discretion; and
- *The economic drivers and activities specific to the municipal area<sup>1</sup>; etc.*

The municipality's tariff-setting or other committee tasked with this role must understand and deliberately reflect on this context during the tariff-setting process. Considering the average monthly household income, the median affordable municipal bill would ideally not exceed proportionally approximately 10 to 15 per cent the average monthly household income. This median affordable bill, in combination with the median average property value should inform the basis to determine any rebates to households with income below the median. Furthermore, municipalities contemplating to increase free basic electricity allocations as an indigent relief measure, should do so only after careful consideration of the long-term financial impact that such a decision might have.

It is also important when setting particularly water and electricity tariffs that municipalities are encouraged to set two-tier tariffs, that include a basic availability charge to recover the fixed (direct and indirect) cost associated with the service in conjunction with consumption-based tariff bands. For example, in a drought, such tariffs will facilitate the ability to pay for infrastructure and maintenance, treating chemicals and salaries, etc. while parallel facilitating water restriction based on inclining tariffs as consumption increase. Furthermore, it is important to link the municipality's water tariffs to dam levels, also approved as part of the budget process. For example, if the dam levels drop to 60 per cent the first tier of restriction tariffs should become applicable in terms of the municipality's approved tariff policy.

It is also noted that NERSA approves seasonal tariffs for Eskom but not necessarily for the municipality. It is important that the municipality clearly factors this in its tariff application to NERSA, illustrating the cash flow crunch if the municipality is not similarly allowed a seasonal tariff to recover the higher Eskom bulk cost during winter months.

Lastly, municipalities are cautioned against setting tariffs that include operating inefficiencies. This could lead to tariffs falling into the unaffordable range.

<sup>1</sup> The spatialised tax data is now available through National Treasury for all municipalities that provides an up to date information on economic activity within a municipal boundary.

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The Consumer Price Index (CPI) inflation is forecasted to be within the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2023/24** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detailed account of their revenue growth assumptions for the different service charges in the budget narrative.

Additional loadshedding considerations when calculating anticipated revenue collection rates include:

- Consumption patterns amongst pre-paid users who work more sparingly with electricity units. This can have a lagging effect on revenue estimations i.e. although units are paid for up front, it is not necessarily used in high-demand periods; and
- A decline in average consumption patterns for post-paid customers.

As part of its debtor management strategy municipalities should clearly communicate the impact of loadshedding on municipal tariff setting, including through education campaigns. Consumers will expect a decrease in their electricity bills as consumption drops due to loadshedding. Not understanding the impact of tariff structures (fixed and demand-driven components) can create distrust and reduce willingness to pay municipal accounts.

### 5.6 Municipal Debt Relief

An optimally designed debt solution for Eskom can leverage the structural reform of the electricity sector that is needed both on the Eskom side and the municipal side, however, the municipal debt owed to Eskom pose a material risk to any Eskom debt relief package. In parallel the challenge of defaulting municipalities cannot be separated from a consumer culture to not pay for services.

Municipal Debt Relief that is **conditional and application based**, has therefore been sanctioned. The relief is aimed to correct the underlying behaviour and operational practices in defaulting municipalities and Eskom while in parallel, progressively introducing a smart metering solution to change consumer behaviour by instilling a culture of payment for services consumed. The proposal consists of 4 elements:

- i. **Eskom will write-off all debt municipalities owe** as on 31 March 2023 (excluding the March 2023 current account). This will be done over three national financial years and require as a critical qualification that municipalities monthly honour their current (monthly consumption) Eskom and water accounts going forward and maintain a minimum average quarterly collection, etc;
- ii. Secondly, **new mechanisms are explored to resolve non-payment** – this to include a dispute ombud mechanism and re-assigning the license of persistent defaulters;
- iii. Thirdly, Eskom will continue to **implement a regime of installation of pre-paid meters** in Eskom supplied areas to improve Eskom collection. Municipalities are additionally encouraged to adopt a similar operating regime; and
- iv. Lastly, the National Treasury will continue to implement municipal revenue enhancement initiatives, including a transversal tender for a smart pre-paid meter solution to change to a forward looking culture of payment of the consolidated municipal bill.

More details on the application process and related conditions for municipalities will soon be outlined and published through a separate MFMA Circular.

### 5.7 Bulk Account Payments and Concessions

Since 2018/19, intense work was undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the

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escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom agreed to provide relieve in certain areas. Municipalities are reminded of the following concessions that remain in place:

- The interest rate charged on overdue municipal bulk accounts were reduced from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms were extended from 15 days to 30 days for municipal bulk accounts; and
- Eskom allocation of municipality payments to capital first and then to interest.

These concessions align to the MFMA and are meant to curb municipal growing debt levels by allowing a more conducive payment regime than what was previously employed. In addition, municipalities are urged to budget for and ring-fence their payment of bulk services. Bulk current account payments must be honoured religiously to avoid stringent application of the bulk suppliers' credit control policy.

Municipalities are also urged to enforce a culture of payment for services through their normal credit control processes. In this regard it should be noted that municipalities are only compensated for free basic services based on an indigent user component calculation through the equitable share. As such, a municipality's allocation of free basic services to all of the municipality's consumers is not funded in the equitable share. Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. **If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only.**

### 5.8 Critical Notice Affecting STS Meters

As highlighted in previous MFMA Circular No. 115 (dated 04 March 2022) municipalities are once again alerted that there is still a pending business risk to the prepayment metering industry that requires urgency of action. The token identifiers (TID) used to identify each credit token will run out of available numbers in November 2024, at which point all STS meters will stop accepting credit tokens.

The remedy is to visit each meter and enter a special set of key change tokens in order to reset the meter memory. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract for the provision of auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters that align to minimum and critical technical specifications for local government. In this respect the development of the transversal contract for smart prepaid meters as per NRS 049 (per latest approved version) is at an advanced stage and should be issued shortly by National Treasury.

If your municipality or municipality entity is currently in the process of procuring for a solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal contract for the provision of inter alia auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters Terms of Reference (ToR); and
- That, with immediate effect, you must inform and obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for this purpose or any related solution or similar. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any related solution or similar or component thereof, must be

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directed to the National Treasury for the attention of the Local Government Budget Analysis Unit (Mr. Sadesh Ramjathan) at [Sadesh.Ramjathan@treasury.gov.za](mailto:Sadesh.Ramjathan@treasury.gov.za).

In this regard, municipalities will have two options to choose from:

- Firstly, to pursue the route of auditing, re-calibrating and re-configuring services for standard transfer specification compliant prepayment meters; and/ or
- Secondly, to replace the old meter with a new smart prepaid meter.

For both options, the municipality will have to budget accordingly as no additional funding will be available through the national fiscus.

Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

### **5.9 Completeness and credibility of revenue related information in the Budget**

The MBRR regulates the minimum level of information required from municipalities when compiling, implementing, monitoring, and evaluating the municipality's financial management situation. Failure to include the minimum required information hampers the municipal council, the public and stakeholders' ability to make informed decisions and engage on the matter. It also limits research, studies, and benchmarking undertaken for local, provincial, and national purposes.

The National Treasury would like to take this opportunity to caution municipalities that the MBRR prescribe the minimum level of information municipalities must include as part of their legal reporting obligations.

Going forward the Treasuries will place increased attention and focus on the adequacy of municipalities' submissions. The National Treasury regards this non-compliance to include the minimum level of information as serious and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution. In this context, National Treasury will particularly focus on the completeness of asset management related information as well as the statistical information required in the A, B and C schedules during the 2023/24 MTREF.

### **5.10 Eskom Bulk Tariff increases**

The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. In January 2023, NERSA approved tariff increases of 18.7 per cent in 2023/24 and 12.7 per cent increase in 2024/25. For purposes of calculating the free basic energy subsidy in the local government equitable share formula, the National Treasury has added 2 per cent to these increases. This is in anticipation of higher increases than those published in January, for municipalities, due to the difference in the financial years of Eskom customers and municipalities meaning that Eskom only has nine months to collect the allowable revenue from municipalities. R1.1 billion is added to the free basic energy subcomponent of the free basic services component of the local government equitable share formula to fund these higher tariff increases. To this end, the free basic electricity subsidy in the local government equitable share is calculated based on a 20.7 per cent tariff increase in 2023/24 and a 14.7 per cent increase in 2024/25. In the absence of an approved tariff increase in the outer year of the MTEF period, the formula assumes an increase of 17.7 per cent in 2025/26. This is the average of the estimated increases for the first two years of the MTEF period.

### **5.11 Updated Municipal Borrowing Policy Framework**

Cabinet approved the Update to the Policy Framework for Municipal Borrowing and Financial Emergencies on the 17<sup>th</sup> of August, 2022. The purpose of the update was to re-examine the original Policy Framework, along with the legislation (i.e. Municipal Finance Management Act – MFMA) that was adopted to implement it, considering the experience with municipal borrowing that has accumulated since 2000.

The following key reforms have been introduced through the Update to the Policy Framework for Municipal Borrowing:

- The Policy Framework for Municipal Borrowing has been updated to introduce the necessary reforms that will expand the scope of responsible municipal borrowing and create an environment that attracts more players (e.g. insurers, pension funds, institutional investors and fund managers, and international Development Finance Institutions) in the municipal debt market space. The original core principles underlying municipal borrowing are maintained (i.e. creditworthy municipalities should borrow prudently to finance capital investment, and that there will be no bail-outs by the provincial or national government);
- The updated policy framework clarifies the role of Development Finance Institutions (DFIs), as it was not clearly articulated in the original policy. DFIs are required to pursue clear and agreed developmental goals, as outlined in the policy. The objective of this approach is to ensure that a DFI lending does not crowd out the private sector. Public-sector lenders, both domestic and foreign, should be guided by a social and developmental investment approach in which demonstrable social outcomes are considered alongside potential financial returns;
- The updated policy framework permits and clarifies innovative infrastructure financing mechanisms (such as pooled financing mechanisms, project finance, tax increment financing, revenue bonds, and pledging of conditional grants) that municipalities can use to leverage municipal borrowing. Municipalities are encouraged to explore these alternatives, and innovative infrastructure financing mechanisms permitted subject to the requirements contained in the Municipal Finance Management Act (MFMA); and
- The participation of both private and public sector market participants in the development of a liquid secondary market for municipal debt securities is also encouraged. The policy proposes options that can be explored to support the development and growth of an efficient and liquid market for municipal debt obligations.

The Updated Municipal Borrowing Policy Framework can be accessed at the MFMA website at the following link <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>.

### **5.12 Tariff Policies**

Municipalities must comply with the provisions of Section 74 of the Municipal Systems Act (MSA) which requires that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation. Municipalities should also ensure that the tariff policies adhere to all the principles outlined in section 74(2) of the MSA. A municipality's tariff policies must also take into consideration variable factors such as water shortages and electricity feedback excess into the municipal system from new generation capacity. Municipalities are urged to develop wheeling and Small-Scale Embedded Generation (SSEG) frameworks to guide the

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development of associated tariffs. Municipalities must adopt by-laws to give effect to the implementation and enforcement of their tariff policies.

### **5.13 Non-Revenue Electricity and Non-Revenue Water/ Revenue Losses**

Water Service Authority municipalities and electricity licensed municipalities are urged to align both their non-revenue water and non-revenue electricity indicators and their set targets in the 2023/24 SDBIPs with identifiable infrastructure or operational projects and/ or programmes. Municipalities should track improvements on the baseline information included in the SDBIPs by indicating the volume of water losses (i.e., kilolitres/ mega-litres) and the amount of electricity losses (KwH or MWs) for the previous year. This approach will help to determine the progress of municipalities in curbing losses, which impact on municipal revenues, in both non-revenue water and non-revenue electricity.

## **6. Burial of Councillors**

Salaries, allowances and benefits for political office-bearers and members is managed through Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils notice issued by the Minister of Cooperative Governance and Traditional Affairs.

Section 167 of the MFMA provides that a municipality may remunerate its Councillors within the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members. Any benefit which is not included in the above-mentioned notice constitutes irregular expenditure and recovery thereof from the Councillor concerned is mandatory.

Municipalities may also refer to relevant Councillor Pension Scheme or personal funeral policies in existence for any funeral benefits relating to such Councillor.

## **7. Funding choices and management issues**

Municipalities are under pressure to generate and collect revenue for service delivered. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2023/24 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates;
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Automate business services where possible to increase efficiencies and lower customer costs;
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

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Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

### **7.1 Employee related costs**

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023). The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

According to the 2021 State of Local Government Finance Report, there are about 165 municipalities that are in financial distress. These municipalities need to ensure that they seek an early exemption from this dispensation of this salary agreement. Municipalities should also avoid paying out leave in cash while having major financial challenges.

### **7.2 Remuneration of Councillors**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from councilor(s) concerned.

## **8. Conditional Grant Transfers to Municipalities**

### **8.1 Criteria for the release of the Equitable Share**

The equitable share release criteria for 2023/24 were set out in MFMA Circular No. 122. To assist with managing this process, a guiding checklist has been developed (attached hereto as Annexure A) which municipalities can follow throughout the course of the year to ensure that the required documents are timeously uploaded to the GoMuni platform in line with the prescribed deadlines.

Going forward, municipalities will be required to submit the completed checklist as part of the quarterly performance reporting process for quarter 1 of the municipal financial year. According to section 52(d) of the MFMA, the mayor of a municipality must within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial state of affairs of the municipality. The report must then be submitted to National

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and Provincial Treasury within 5 days of being tabled in council as per section 32 of the MBRR. The report for quarter 1 of 2023/24 must therefore be submitted to council by the end of October 2023 and submitted to National and Provincial Treasury by no later than 5 November 2023. By including the completed checklist in this report, municipalities confirm their adherence to the equitable share release criteria, including that all supplementary information (as defined in the checklist) was successfully uploaded to the GoMuni platform.

Please note that most of the information required for the release of the equitable share, is already uploaded/ submitted by municipalities as part of existing reporting requirements throughout the year. There are however a few items (clearly marked in the checklist) that does not have a dedicated storage location (for example, payments of employee benefits) on GoMuni. A dedicated Equitable Share Verification Folder will be created on GoMuni for this purpose.

### 8.2 Criteria for the rollover of conditional grant funds

In terms of Section 21 of the Division of Revenue Act, 2022 (Act No.5 of 2022) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2022 (Act No. 15 of 2022) (DoRAA), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2022/23 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of section 21(2) of the 2022 DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the 2022 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated, spent and the balance per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
  - a) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
  - b) Proof of project tender and tender submissions published and closed before 31 March or with the appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the financial year of the project;
  - c) Incorporation of the Appropriation Statement;
  - d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2024 (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached **legible implementation plan**);
5. The value of the committed project funding and the conditional allocation from the funding source;
6. Reasons why the grants were not fully spent during the year on the original allocation per the DoRA;
7. Rollover of rollovers will not be considered. Municipalities must therefore not include previous year's unspent conditional grants as rollover request;
8. An indication of the time period within which the funds are to be spent if the rollover is approved; and



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9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy; this also includes acting appointments because of suspensions of either MM or CFO that are more than 12 months.

**If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2023, the application will be declined.**

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2022 DoRA, **including the Municipal Manager and Chief Financial Officer signing-off on the information** sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2023;
3. Accurate disclosure of grant performance in the 2022/23 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Despite the fact that local government is required to comply with to different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relate to rollover processes and disclose conditional grant performance in the 2022/23 pre-audited Annual Financial Statements (i.e Cash coverage and unspent conditional grants in the Statement of Financial Position) in order to verify grant expenditure; and
5. Cash available reflected in the Statement of Financial Position and Cash Flow Statements and the bank (net position including short term investments) as at 30 June 2023 is equivalent to the unspent amount at the end of the financial year. If the amount that is requested for rollover **is not entirely cash-backed**, such a rollover will not be approved. National Treasury will also not approve portions of rollover requests.

It should be noted that under no circumstances will the National Treasury consider requests to rollover:

1. The entire 2022/23 allocation to the municipality, in cases whereby the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2022/23 allocation;
2. Rollover request of the same grant for the third consecutive time. In a case where a municipality is applying for rollover as a result of additional funding, the application will be given a careful consideration;
3. Funding for projects procured through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636) – Projects linked to additional funding and disasters are exempted; and
4. A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 May 2023.

### **8.3 Unspent conditional grant funds for 2022/23**

The process to ensure the return of unspent conditional grants for the 2022/23 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

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- Step 1: Municipalities must submit their June 2023 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconciles;
- Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2023. The unspent grant values must be determined based on the guidance that was provided in *mSCOA* Circular No. 13 in as far as VAT, retention and interest is concerned; and
- Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2020 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2023.

***National Treasury will not consider any rollover requests that are incomplete or received after this deadline.***

- Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 20 October 2023;
- Step 5: National Treasury will communicate the unspent conditional grants amount by 08 November 2023. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 17 November 2023; and
- Step 6: Any unspent conditional grant funds that should have but has not been repaid to the National Revenue Fund by 17 November 2023, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 06 December 2023 equitable share allocation.

*All other issues pertaining to Appropriation Statement and reporting on approved rollovers are addressed in the Annexure to MFMA Circular No. 86.*

## 9. The Municipal Budget and Reporting Regulations

### 9.1 Alignment of Municipal Budget and Reporting Regulations (MBRR) Schedules

The revised Regulated MBRR Schedules (A1, B, C, D, E and F), as aligned to the *mSCOA* chart and GRAP are published on the National Treasury web page and can be accessed using the following link.

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Documents/Forms/AllItems.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%20Regulations%2fDocuments%2f2023%2d24&FolderCTID=0x0120001860D4A2BD7AD042BF8427FC3BB59F67>

The alignment of the A1 Schedules required substantial changes to the reporting formats used for budgeting and reporting purposes which required the creation of new A1 Schedule codes to ensure that the data strings populate the new reporting formats. The relevant changes were also made in the reporting formats relating to versions 6.1 to 6.7 of the *mSCOA* chart to ensure that the historical data are populating when reports are drawn from GoMuni.

To ensure that ERP systems generate the A1 Schedule aligned to version 6.7 of the *mSCOA* chart, municipalities and system vendors should refer to the linkages provided on GoMuni. The following reports on GoMuni should be used for this purpose:

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- List *m*SCOA account linkages to A1 Schedule based on 6.7 under menu option *m*SCOA Reporting; and
- List *m*SCOA A1 schedule codes WIP (i.e. new A1 Schedule codes) under menu option *m*SCOA Administration.

Both reports can be located under:

[https://lg.treasury.gov.za/ibi\\_apps/portal/Local\\_Government\\_Database](https://lg.treasury.gov.za/ibi_apps/portal/Local_Government_Database)

The new format for the non-financial data strings A1D and A1F is available on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Documents/Forms/AllItems.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%20Regulations%2fDocuments%2f2023%2d24&FolderCTID=0x0120001860D4A2BD7AD042BF8427FC3BB59F67>

The A1D is the data string which populates information which we do not extract from the TABB while the A1F populates the budget information which we do not extract from the ORGB. Municipalities should ensure that they use the new format when submitting the non-financial data strings.

### 10. Submitting budget documentation and A1 schedules for 2023/24 MTREF

The MFMA and its Regulations require the submission of *m*SCOA data strings for budgets, in-year reporting, and annual financial statements in a specific format and by a required timeframe. The credibility and accuracy of the *m*SCOA data strings must be verified by municipalities prior to submission to the GoMuni Upload portal. Since the financial system must be locked at the end of the month in order to generate a *m*SCOA data string, municipalities may not open closed periods to correct errors. Errors must be corrected in the next open period. Providers of municipal financial systems must ensure that the necessary internal controls are built into the system to prevent the opening of closed periods on the financial system and the bypassing of such controls. This also applies to the correction of information in closed periods for 3<sup>rd</sup> party systems that should be integrating with the main financial system in terms of the requirements of the *m*SCOA Regulations.

From 1 July 2023, Municipal Managers and Chief Financial Officers will be required to sign off on the financial and non-financial data strings submitted to the GoMuni Upload portal when they submit their data strings. The schedules prescribed in terms of the Municipal Budget and Reporting Regulations (MBRR) populated from the *m*SCOA data strings on National Treasury's Local Government and Reporting System (LGDRS) must also be signed off monthly. These sign-offs are for audit purposes and serves as a confirmation by the municipality that the data strings submitted are accurate. Details on the submission of the signed-off figures will be communicated in due course.

**In terms of Section 171 of the MFMA, financial misconduct by municipal officials includes the provision of incorrect or misleading information in any document which must be submitted to the National Treasury.**

From 1 July 2023, the GoMuni Upload portal for the monthly in-year data strings will be closed at 16h00 on the 10<sup>th</sup> working day of each month. All publications by the National and Provincial Treasuries are now solely sourced from the *m*SCOA data strings submitted by

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municipalities and several stakeholders including Statistics South Africa (STATSSA), Auditor General South Africa (AGSA), the Reserve Bank, and NERSA are in the process of streamlining some of their reporting to the information contained on the National Treasury Local Government Database and Reporting System (LGDRS). The resubmission of data strings after the legislated timeframes is not only illegal but also causing challenges in data sets used by various stakeholders for analysis and reporting purposes. **No data string submissions will therefore be accepted by the National Treasury after the 10<sup>th</sup> working day of the respective month.**

### Contact



national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001

**Phone** 012 315 5009

**Fax** 012 395 6553

**Website** <http://www.treasury.gov.za/default.aspx>

**JH Hattingh**

**Chief Director: Local Government Budget Analysis**

**03 March 2023**

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

## ANNEXURE A: Equitable Share Verification Checklist:

### General Requirements

Criteria	Verification Requirement	Yes/No
<b>2023/24 Adopted Budget</b>	Council resolution, adopted mSCOA budget data strings (ORGB), PDF version of adopted MTREF budget uploaded to GoMuni Upload portal immediately after approval.	
<ul style="list-style-type: none"><li>Is the municipality's completed tariff tool (National Treasury format) included as part of its budget submission (MFMA Budget Circular No. 98 (refer item 4.2).</li></ul>	The completed National Treasury EXCEL tariff tool uploaded to GoMuni with the adopted budget by start of budget year i.e. <b>1 July 2023</b> .	
<ul style="list-style-type: none"><li>Are allocations made for bulk suppliers current account payments?</li></ul>	Allocations reflected in mSCOA budget data strings (ORGB) and budget schedules/ document.	
<i>If unfunded budget position--</i>	-	
<ul style="list-style-type: none"><li>Is a Budget Funding Plan (BFP) adopted with the budget?</li></ul>	Copy of the adopted Budget Funding Plan uploaded to GoMuni with the adopted budget by start of budget year i.e. <b>1 July 2023</b> .	
	PDF version of BFP/progress report uploaded to GoMuni Upload portal by start of budget year i.e. <b>1 July 2023</b> .	
	Is the BFP credible and show how the municipality intends moving progressively out of this position into a funded state?	
	In the case of the latest progress report being submitted, is it aligned to the rescue phase of the new approach to Municipal Financial Recovery Service (MFRS)?	
<ul style="list-style-type: none"><li>Council resolution reflecting commitment to address unfunded position.</li></ul>	PDF copy of resolution uploaded to GoMuni Upload portal by start of budget year i.e. <b>1 July 2023</b> .	
<b>mSCOA</b>		
<ul style="list-style-type: none"><li>Submission of Data Strings</li></ul>	Successful submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	
	Timeous submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	
	Data strings submitted are credible as per the analysis done by NT/PTs	
	Data strings are generated directly from the main municipal financial system	
	The regulated MBRR Schedules are generated directly from the core municipal financial system	
	Successful submission of all financial and non-financial mSCOA data strings to the GoMuni Upload portal	
<ul style="list-style-type: none"><li>Submission of documents</li></ul>	Municipal documents required in terms of legislation and MFMA Circulars have been submitted timeously and in the required format to the GoMuni Upload portal.	
<ul style="list-style-type: none"><li>Financial System Changes</li></ul>	Municipality has followed the processes in Circulars No. 93, 98, 123 and mSCOA Circulars No 5 and 6 to change their financial system.	
<b>UIF &amp; W</b>		
<ul style="list-style-type: none"><li>UIF&amp;W Register</li></ul>	Documents need to be uploaded to NTs eMonitoring Webpage	
<ul style="list-style-type: none"><li>MPAC recommendation on UIF&amp;W</li></ul>		
<ul style="list-style-type: none"><li>Council Resolution on UIF&amp;W</li></ul>		
<ul style="list-style-type: none"><li>UIF&amp;W Reduction Strategy</li></ul>		
<b>Disciplinary Board</b>		
<ul style="list-style-type: none"><li>Does the municipality have a functional disciplinary board?</li></ul>	Proof of establishment (or efforts to establish DC Board) uploaded to NTs eMonitoring Webpage NTs eMonitoring Website.	
<b>Competency Regulations</b>		
<ul style="list-style-type: none"><li>Has the minimum municipal competency regulations reporting requirements been adhered to?</li></ul>	In line with the Competency Regulations, consolidated reporting information must be uploaded to GoMuni by <b>30 January 2023</b> and <b>30 July 2023</b> .	
<b>Audit Process</b>		
<ul style="list-style-type: none"><li>Opinion Received</li></ul>	Did the municipality receive an adverse or disclaimed audit opinion or had outstanding audits for two consecutive financial years?	
<ul style="list-style-type: none"><li>Adverse or disclaimed audit opinion</li></ul>	Council resolution signed by each member of the Council was uploaded to NT's eMonitoring Webpage within 1 month after conclusion of the audit process reflecting council's commitment to address the opinion.	
<ul style="list-style-type: none"><li>Is a council approved audit action plan in place?</li></ul>	Audit action plan, together with council resolution, to be uploaded to NT's eMonitoring Webpage within 60 days from audit report issuance.	
<b>Interventions (where applicable)</b>		
<ul style="list-style-type: none"><li>In the event of a discretionary or mandatory intervention in terms of section 139 of the Constitution, is a Financial Recovery Plan (FRP) in place?</li></ul>	The FRP and monthly progress reports submitted in terms of sections 145 and 146 of the MFMA must be uploaded to GoMuni Upload portal for each month since the inception of the FRP.	

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### Quarterly Requirements

Criteria	Verification Requirement	Quarter 3 (Jan – March)	Quarter 4 (April – June)	Quarter 1 (July – Sept)	Quarter 2 (Oct – Dec)
<b>Bulk Supplier Payments</b>					
<ul style="list-style-type: none"> <li>Were current account payments to bulk suppliers (Eskom and Water Boards) timeously made?</li> </ul>	PT/NT to verify status according to MFMA S41 Report. No action required from municipality if account in good standing.	-	-	-	-
<ul style="list-style-type: none"> <li><u>If current account in arrears, are payment agreements in place?</u></li> </ul>	Copy of payment agreement or evidence of discussions are uploaded to on GoMuni Upload portal.				
<b>Staff benefit Deductions</b>					
<ul style="list-style-type: none"> <li>Were a) SARS, b) pension and c) other staff benefits timeously paid over to the relevant funds/institutions?</li> </ul>	Proof of payment for each category, for each month of the quarter uploaded to on GoMuni Upload portal.				
<b>Reconciliation of Valuation Roll</b>					
<ul style="list-style-type: none"> <li>Has the valuation role been reconciled to the financial system?</li> </ul>	In line with MFMA Circulars No. 93, 98 and 107, proof of the verification for each quarter should be uploaded on GoMuni Upload portal.				

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APPENDIX - BUDGET PER DIRECTORATE 2023/24

BUDGET PER VOTE (INTERNAL DEPARTMENT STRUCTURE)	BUDGET REVENUE	BUDGET OPEX	BUDGET CAPEX
Vote 1 - EXECUTIVE MAYOR	500 779 085	164 323 181	-
Vote 2 - MUNICIPAL MANAGER	297 248 000	86 327 134	16 260 000
Vote 3 - CORPORATE SUPPORT SERVICES	734 885	87 278 638	2 500 000
Vote 4 - BUDGET AND TREASURY	783 243 966	219 858 328	3 435 000
Vote 5 - PUBLIC SAFETY	116 205 073	377 312 775	1 250 000
Vote 6 - PLANNING AND HUMAN SETTLEMENT	14 762 745	81 758 428	2 724 000
Vote 7 - LOCAL ECONOMIC DEVELOPMENT	3 488 000	21 919 673	5 000 000
Vote 8 - COMMUNITY DEVELOPMENT	339 250 700	524 348 806	33 165 235
Vote 9 - TECHNICAL AND INFRASTRUCTURE	6 147 952 986	5 353 343 588	337 373 494
Vote 10 - ROADS AND TRANSPORT - Note 1	259 854 440	433 408 035	213 289 829
Vote 11 - MUNICIPAL ENTITY			
TOTAL	8 463 519 880	7 349 878 586	614 997 558

Budgeted Surplus

1 113 641 294

The organisational structure on the latest National Treasury A - Schedule template differs to the municipal organisational structure. This is because the organisational structure on the latest budget template is based on the function segment. This segment provides for the classification of the budget according to the function or service delivery objective. This schedule illustrates the budget per municipal directorate based on our internal department structure.

Note 1 - Vote 10 consists of RRT which is fully grant funded and Roads and Stormwater

	BUDGET REVENUE	BUDGET OPEX	BUDGET CAPEX
RRT	259 854 440	176 493 172	81 109 829
ROADS & STORMWATER	-	256 914 863	132 180 000
Vote 10 - ROADS AND TRANSPORT	259 854 440	433 408 035	213 289 829

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**Ref No: NW373/19**

Radinaledi Josiah Mosiane  
The acting Municipal Manager  
Rustenburg Local Municipality  
P. O Box 16  
**RUSTENBURG**  
0300

Dear Mr Mosiane

### **OBSERVATIONS AND RECOMMENDATIONS EMANATING FROM THE 2023 MTREF BUDGET AND BENCHMARK HELD ON 03 MAY 2023**

Thank you for a productive 2023 MTREF budget and benchmark engagement we had on the 3<sup>rd</sup> of May 2023. This is part of the National Treasury's annual programme to analyse the municipality's 2023/24 budget in terms of Section 18 of the MFMA before adoption in Council. The purpose was also to assess the alignment between planning, budgeting and reporting as well as to assess the level of intergovernmental planning; and to establish the impact of the 2023/24 SONA and 2023 Budget Speech on local government, that is, to establish how new or revised policy imperatives, directives and resource allocation has influenced the spatial planning, current programmes and budget formulation for the municipality's tabled 2023/24 MTREF.

The budget was assessed in terms of credibility (determines whether the budget assumptions are credible and whether the budget is funded in accordance with the provisions of section 18 of the MFMA); relevance (determines whether the budget responds to the objectives articulated in the municipalities plans and the alignment of national and provincial plans) and sustainability (determines whether the municipality is financially sustainable).

This letter intends to capture high-level issues and key recommendations which emanated from this engagement. Key observations are summarised in line with four pillars namely, financial health, service delivery, institutional arrangements and governance.



**Institutional arrangements - *Fragile***

- Growing debtors' books, the business sector's inability to provide enough jobs, the rapid expansion of informal settlements, and an increase in water and electricity losses are a few of the municipality's significant challenges.
- The municipality has a high vacancy rate in senior management positions, and delays filling these positions.
- All new appointments are to be done in line with the municipal staffing regulations.
- The municipality is still in the process of reviewing its organogram.
- There is a reviewed Fraud Prevention Strategy that served at the Risk Management Committee (RMC), currently being reviewed by Performance Audit Committee (PAC), the strategy will be tabled to Council.
- Internal controls have been strengthened to fight corruption.
- Budget related policies are in the process of review for implementation in 2023/24 MTREF.
- A combined Assurance Model is being developed to assist the municipality with accountability and ensuring that the internal controls are adhered to.
- Mayoral committee, MPAC and other committees are functional.
- Section 79, 80, Mayoral and Council convenes meetings as per the council approved central diary.
- The municipality takes part in the yearly business plan compilation and then indicates projects which need to be funded.
- The municipality has established a multi stakeholder forum where sector plan projects and community needs are discussed to solicit collaboration in planning and implementation with both government and mining companies.
- There are still challenges in the participation of the departments both at Local District level.
- mSCOA- the municipality used excel to prepare the 2023/24 budget and then imports into the municipality's planning and budgeting module (MPBM).
- The data strings are run from the Budgeting and Planning module which is ultimately uploaded to the National Treasury Portal.
- Cashflow reporting on monthly (IYM) data strings is still a challenge.
- Data Strings are now balancing with the C – Schedule (monthly S71 reporting) except in exceptional circumstances where period is re-opened for correction / processing of outstanding transactions.
- The system contract expired on 30 June 2021 it was extended for 12 months ending 30 June 2022 and for a further period up to 30 June 2023.

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- Revenue and billing management are not fully operational.

### **Service delivery - *Decline***

- The capital budget decreased by 4 per cent to R600 million, increases by 3.9 per cent in 2024/25 and a decrease by 3.5 per cent in 2025/26 financial year.
- The level of capital investment is below the acceptable norm of 10 per cent to 20 per cent.
- Technical and Infrastructure services, which is directly responsible for service delivery, has been allocated 72 per cent of the total budget.
- The capital budget is funded from 83 per cent capital grant allocations, whilst 17 per cent is funded from internal reserves.
- Repairs and maintenance as a percentage of property, plant and equipment at 1.6 per cent (below the norm of 8 per cent).
- Renewal/Upgrading of existing asset is 35.7 per cent of total CAPEX (NT's guideline is 40 per cent).
- The municipality has made a slow recovery in the tourism sector while mining and construction started resuming operations slowly in the first half of the financial year.
- No major infrastructure projects were implemented by the municipality to drive economic recovery.
- Water supply to Rustenburg Local Municipality has been under tremendous pressure due to over growing demand for water by both domestic and Residential.
- The demand for water of 150ML/day exceed the supply of 125 ML/day.
- The construction of Pilanesberg Scheme managed and operated by Magalies Water will provide an additional supply of 40 ML/day to the capacity.
- The instability in senior management positions, revision of PPPFA regulations and the non-responsiveness of bids are factors that impede infrastructure delivery through Supply Chain Management.
- The municipality has no registered professional engineers in water and sanitation.
- Non-revenue water will reduce as a result of changing/replacement of AC to UPVC pipes.
- Management is fully committed and has engaged INCA Portfolio Managers to assist with the drafting of a long-term financial plan with a 10-year outlook.

### **Governance - *Sound***

**Financial Health – *Decline***

- The Municipality has budgeted for an operational surplus for 2023/24 and over the MTREF and cash and cash equivalents after commitments of R1.3 billion for 2023/24.
- Operating revenue increase by 10.7 per cent and operating expenditure by 4.7 per cent in 2023/24.
- The liquidity ratio of the municipality deteriorated over the years and remained below the norm of 1.5 - 2.1.
- The debt to revenue ratio is within the norm of 45 per cent.
- The municipality's cash and investments are inadequate to cover creditors.
- The municipality is facing deterioration in financial position over the medium term.
- The collection rate declined from 88 per cent to 85 per cent.
- Free basic services of 6kl water, 50kwh electricity, refuse and sanitation will be provided to registered indigents.
- Budget assumptions are not credible and revenue estimates are not realistic – tariffs are not cost reflective, no growth factored into the budgeting.
- The overall budget is not reflective of multi-year budgeting.
- Credit Control and Debt Collection processes and actions are expected to start bearing fruit as a service provider has been appointed to provide capacity for these functions.
- The budget is unfunded, unreliable, and unsustainable over the MTREF.

**Recommendations:**

The municipality must focus on getting the basics right and be much more efficient and effective at core municipal services (especially revenue management, cash flow management, infrastructure development). Significant improvements are needed, including:

- Stable management over a period of time.
- Adequate spending on maintenance.
- Augment the capital budget, with a much greater prioritisation of asset rehabilitation and renewal, rather than asset expansion.
- The municipality should investigate and correct any discrepancies in the data strings prior to the information being submitted to Council.
- Review the percentage provision made for repair and maintenance.
- The municipality is advised to consider the budget facility infrastructure funding to augment the capital budget.

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### Resolutions

- National Treasury will facilitate an engagement between the municipality and system vendor to discuss the system related challenges.
- National Treasury's OCPO will facilitate training to capacitate the municipality on consequence management for non-performing suppliers or suppliers that abuse the supply chain management processes of the municipality.
- The municipality to engage OCPO on any challenges that might be experiencing relating to implementation of new PPR Regulations.
- The municipality should submit a letter to the National Treasury requesting assistance with the voluntary financial recovery plan.
- The municipality to provide progress on the implementation of the funding plan.
- The municipality to share a progress on Boosport treatment works project.
- National Treasury will share the TABB segment analysis to the municipality.
- The municipality requested National Treasury's support on the following:
  - Training on project management of professional engineers;
  - Addressing un/underfunded mandates; and
  - Guidance on renewable energy source.

Yours sincerely,



**WILLEM VOIGT**

**DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS**

**DATE:** 5 May 2023

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**PUBLIC COMMENTS – DRAFT IDP AND TABLED MTREF 2023/24**

ORGANISATION	INPUTS / COMMENTS	RECOMMENDATION	RLM RESPONSE
AfriForum	<p><b>Poor conditions of roads:</b></p> <ul style="list-style-type: none"> <li>Roads in shockingly bad condition due to potholes</li> <li>Fixing and upgrading of roads to be done as soon as possible</li> <li>Roads needing urgent attention “Eskom Street, R104- NWPA, D573 – Palistine dr – NWPA, Vanadium Street, Cobalt street and President Mbeki Between Zand and Boven”</li> </ul>	<ul style="list-style-type: none"> <li>In addressing the issue of potholes in Rustenburg, it is important to identify the scope of the problem.</li> <li>Develop a Comprehensive Pothole Repair Plan</li> <li>Increase Funding for Pothole Repairs</li> <li>Implement a Proactive Pothole Maintenance Program</li> <li>Increase Public Awareness of the Importance of Reporting Potholes</li> <li>Enhance Collaboration Between the municipality and Other Stakeholders in Addressing Potholes</li> <li>To ensure that the objectives are met and monitoring and evaluation is adhered to</li> </ul>	<p><b>ROADS</b></p> <p>Budget allocation of R14 500 000 has been made for road maintenance in the 2023/24 MTREF</p>
	Road Signs		<p><b>ROADS</b></p> <p>Budget allocation of</p>

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	<ul style="list-style-type: none"> <li>There are a lot of stop signs that have been removed / stolen / damaged, and it needs to be replaced, if not accidents will follow.</li> </ul>		R986 000 has been made for road signage in the 2023/24 MTREF.
	<p><b>Parks</b></p> <ul style="list-style-type: none"> <li>The parks that require urgent attention are as follows: <ul style="list-style-type: none"> <li>- Geelhoutpark Park</li> <li>- Bodenstein Park</li> <li>- Burger Park</li> <li>- Kerkstraat Park</li> </ul> </li> </ul> <p>Problems in these parks includes:</p> <ul style="list-style-type: none"> <li>Grass never gets cut.</li> <li>Lots of papers, plastic and bottles are scattered around the park.</li> <li>No bins in the park</li> </ul>	<p><b>Parks</b></p> <ul style="list-style-type: none"> <li>Draft a proper schedule for regular cleaning of the parks.</li> <li>Allocate the necessary funds to place bins the parks.</li> <li>Put up streetlight near the parks to improve visibility.</li> <li>Plant short wooden poles to prevent people from driving into the parks.</li> <li>Fix the fence at Bodenstein</li> </ul>	<p><b>COMMUNITY DEVELOPMENT</b></p> <ol style="list-style-type: none"> <li>Budget allocation R 642 530 has been made for maintenance and cleaning of Parks in the 2023/24 MTREF.</li> <li>The budget for parks maintenance is for all the 45 wards.</li> <li>There is a grass cutting and tree pruning monthly maintenance plan in place.</li> <li>Parks and Garden team visits all the surrounding parks for litter picking. Due to lack of transport, the team is only able to visit each park once a week.</li> <li>All the Parks with bins have been targeted by criminals for scrap metal.</li> <li>Bollards poles have been placed at both Bodenstein and Burgers Park, but most have been vandalized by criminals.</li> </ol>

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		<p>6. Grass cutting is not consistent at all Parks due to lack of proper resources, eg. Tractors, brush cutting machinery etc.</p> <p>7. Council has approved item regarding maintenance of public and open spaces through partnership with both Public and Private sectors.</p> <p>8. As part of service delivery measures and controls, the municipality is encouraging people to adopt various parks and open spaces.</p> <p>10. The municipality to advertise Request for Proposal to enable prospective bidders to apply for the maintenance and management of Parks and all other municipal open spaces.</p> <p>11. Guidelines stipulating rules pertaining to the maintenance and management of the open spaces and parks have been developed.</p> <p>11. Currently there is no budget for streetlights inside or near our Parks for the next MTREF.</p> <p>12. There is no fence at Bodenstein park.</p> <p>13. Illegal dumping is rife at our parks, cemeteries, and open spaces and this negatively affects grass</p>
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			cutting as some areas are difficult to access.
	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>• The municipality takes weeks to months to fix water leakages.</li> <li>• Upgrading the water system in Zinniaville and East End</li> <li>• Old water pipes burst easily due to the pipes not being designed to handle the new high-water pressure.</li> <li>• Zinniaville still has asbestos pipeline that needs to be replaced.</li> <li>• The poorly maintained waterlines in East end and Zinniaville</li> <li>• Bospoort reservoir is too small to serve the area.</li> <li>• Water quality from Magalies water is not up to par 2</li> </ul>	<ul style="list-style-type: none"> <li>• The Municipality must ensure that they have all the necessary measures in place to be able to provide water to the residents of the East End</li> <li>• To address the issue of water management in Rustenburg, it is important to conduct a needs assessment to identify the scope of the problem</li> </ul>	<p><b>WATER</b></p> <p>Budget allocation of R28 091 687 has been made for water maintenance in the 2023/24 MTRF. Furthermore water Infrastructure projects are budgeted at R12 332 750.</p>
	<p><b>Sewarage</b></p> <ul style="list-style-type: none"> <li>• Sewage leaks on the streets. The raw sewerage starts overflowing into the streets / water streams / river / dam / wetland area / parks.</li> </ul>	<ul style="list-style-type: none"> <li>• We therefore request that the infrastructure of the sewerage lines gets maintained, as well as the pump stations.</li> <li>• The municipality should also ensure that the</li> </ul>	<p><b>SEWERAGE</b></p> <p>Budget allocation of R20 110 390 has been made for sewerage maintenance in the 2023/24 MTRF. Furthermore, sewerage Infrastructure projects are budgeted at R167 850 848.</p>



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	<ul style="list-style-type: none"> <li>• Pollution of natural resources is a criminal offence and because of this, we strongly advise that this problem gets resolved gets resolved.</li> <li>• The places that require urgent attention: <ul style="list-style-type: none"> <li>- Cnr Arends rd &amp; Loerie rd</li> <li>- Vanadiumstreet (overflow is at Cemblock and has been overflowing for more than 1 year)</li> </ul> </li> </ul>	<p>pumpstation is up and always running</p>	
	<p><b>Cemeteries</b></p> <ul style="list-style-type: none"> <li>• <b>Problems regarding the Donkerhoek cemetery:</b> <ul style="list-style-type: none"> <li>- The fence around the cemetery is damaged.</li> <li>- Donkerhoek cemetery is unsafe for people visiting their loved ones' graves due to the homeless people living in the cemetery and the fact that there isn't any access control at the cemetery.</li> <li>- The grass and gardens at the cemetery</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We request that the municipality set monies aside during this budget process to put up a proper fence, ensure that the grass and gardens are maintained regularly, implement better safety measures at the cemetery and relocate the homeless people living at the cemetery</li> </ul>	<p><b>COMMUNITY DEVELOPMENT</b></p> <ol style="list-style-type: none"> <li>1. Budget allocation of R 337 369 has been made for maintenance of cemeteries in the 2023/24 MTREF.</li> <li>2. The budget allocated caters for all the Municipal cemeteries.</li> <li>3. New razor wire fence has been installed at Donkerhoek cemetery. Unfortunately, Y-standard poles balancing the razor wire fence are being stolen by the criminals before the handover by the contractor. The Unit has advised Project management unit to consider treated poles instead of y-standard poles.</li> </ol>

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		<p>4. There is no proper access control at the cemetery due to non-availability of physical security or the gates.</p> <p>5. DPS has advertised a tender for new security company. A request has been made with Public Safety to post security guards at all the municipal cemeteries as soon as the service provider is appointed.</p> <p>6. Posting of Security guards will not only make visitors feeling safe but can also eradicate criminal activities within the cemetery.</p> <p>7. Maintenance regarding grass cutting, garden and tree pruning is not sufficient mainly due to lack of resources.</p> <p>8. Since that the Unit is over-stretched regarding grass cutting, the municipality aim to advertise a 36-month grass cutting contract to be managed by Cooperatives. The tender will be on as and when basis.</p> <p>9. The Unit Community Facilities has no knowledge of having homeless people staying at the Donkerhoek cemetery.</p>
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04 May 2023

Municipal Manager (Acting)  
Mr. R.J. Mosiane  
P.O. Box 16  
Missionary Mpheni House  
RUSTENBURG  
0300

**By email:** [munman@rustenburg.gov.za](mailto:munman@rustenburg.gov.za)

Dear Mr. Mosiane

**WRITTEN COMMENTS FOR IDP OF 2023/2024**

1. We address this letter to you in our capacity as a registered community organisation, acting as such through our local AfriForum Branches.
2. As community organisation, we feel obliged to assist you in identifying key areas of improvement in order to continually promote the standards of living, as well as the safety of our members and the general community.
3. Section 152 of the Constitution stipulates the different objectives of the local government. More specifically, section 152(d) stipulates that a municipality must encourage the involvement of communities and community organisations in the matters of local government. The municipality's IDP is a very important matter for all residence in the Rustenburg area because it has a direct effect on their area.
4. As the time for drafting the IDP for 2022/2023 is coming closer, we would like to form part of the public participation process for the drafting of the municipality's IDP. We want to do this by submitting, in writing, a few pressing issues that we, as an organisation, feel needs to be resolved and therefor needs to be included in the IDP. Thus, please find attached a list of all the issues the we've identified.
5. Because involving community in matters of local government is one of your objectives, we trust that you will take this submission into consideration when drafting the IDP. For this purpose, your attention is directed to Regulation 15 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (published under GN R796 in GG 22605 of 24 August 2001) which provides as follows:

***15 Community participation in respect of integrated development planning and performance management***

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

*(1)(a) In the absence of an appropriate municipal wide structure for community participation, a municipality must establish a forum that will enhance community participation in-*

- (i) the drafting and implementation of the municipality's integrated development plan; and*
- (ii) (ii) the monitoring, measurement and review of the municipality's performance in relation to the key performance indicators and performance targets set by the municipality.*

*(b) Before establishing a forum in terms of paragraph (a), a municipality must, through appropriate mechanisms, invite the local community to identify persons to serve on the forum, including representatives from ward committees, if any.*

*(c) A forum established in terms of paragraph (a) must be representative of the composition. of the local community of the municipality concerned.*

*(2) A municipality must-*

*(a) convene regular meetings of the forum referred to in sub-regulation (1) to-*

- (i) discuss the process to be followed in drafting the integrated development plan;*
- (ii) consult on the content of the integrated development plan;*
- (iii) monitor the implementation of the integrated development plan;*
- (iv) discuss the development, implementation and review of the municipality's performance management system; and*
- (v) monitor the municipality's performance in relation to the key performance indicators and performance targets set by the municipality; and*

*(b) allow members of the forum at least 14 days before any meeting of the forum to consult their respective constituencies on the matters that will be discussed at such a meeting.*

*(3) A municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to the council for adoption.*

6. We would like to thank you in advance for taking our submission into consideration and resolving these issues for the community.

Kind Regards,

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

**Armand Viljoen**

**Marico District Coordinator**

**AfriForum**

**Cell: 081 217 6568**

**Email: Armand.viljoen@gmail.com**

**Rustenburg:**

**1. Roads**

**a. Poor conditions of roads**

Many roads in Rustenburg are in a shockingly bad condition. Due to all the potholes, the roads are unsafe for motorists that incur serious damage to their cars (mainly tyres and rims).

This issue needs to be addressed as soon as possible by the municipality and they need to start fixing and upgrading the roads.

It is of utmost importance that the municipality budget accordingly in the new financial year and allocate sufficient funds to fix potholes and upgrade the roads.

Some of the main roads that need urgent attention are as follows:

- Eskom street
- R104 (NWPA)
- D573 (Palinstine dr – NWPA)
- Vanadium street
- Cobalt street
- President Mbeki Between Zand and Boven

**Needs Assessment:**

To address the issue of potholes in Rustenburg, it is important to conduct a needs assessment to identify the scope of the problem. The following data was collected and ESTIMATIONS was made:

- The number of reported potholes in Rustenburg: 2,500 (Estimation)
- The estimated cost to repair each pothole: R1,000 (Estimation Depends on size)
- The estimated annual cost to repair all potholes: R2.5 million (as stated the repair of a pothole depends on its size)

**Goals and Objectives:**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

The goal of these suggestions are to reduce the number of potholes in Rustenburg by 50% within the next release of the IDP from RLM. To achieve this goal, the following objectives have been identified:

1. Develop a comprehensive pothole repair plan
2. Increase funding for pothole repairs
3. Implement a proactive pothole maintenance program
4. Increase public awareness of the importance of reporting potholes
5. Enhance collaboration between the municipality and other stakeholders in addressing potholes

### **Strategies and Activities:**

1. **Develop a Comprehensive Pothole Repair Plan:**
  - Conduct a detailed assessment of all roads in Rustenburg to identify areas with high pothole density
  - Prioritize pothole repairs based on traffic volume and severity of damage
  - Develop a plan for routine maintenance of roads to prevent future potholes
  - Establish a database of all potholes and their repair status to enable effective monitoring
2. **Increase Funding for Pothole Repairs:**
  - Allocate a higher proportion of the municipal budget to road maintenance and pothole repairs
  - Seek partnerships with private sector organizations to fund pothole repairs
  - Apply for funding from national and provincial government agencies
3. **Implement a Proactive Pothole Maintenance Program:**
  - Use innovative technologies such as thermal imaging to detect potholes before they become a safety hazard
  - Establish a regular maintenance schedule for high-traffic areas to minimize the occurrence of potholes
  - Provide training to municipal staff on the latest pothole repair techniques
4. **Increase Public Awareness of the Importance of Reporting Potholes:**

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Develop a public education campaign on the dangers of potholes and the importance of reporting them
  - Use social media to encourage the public to report potholes and to provide regular updates on pothole repair progress
  - Establish a dedicated hotline or create a app for reporting pothole
5. **Enhance Collaboration Between the Municipality and Other Stakeholders in Addressing Potholes:**
- Develop partnerships with local business organizations to fund pothole repairs in their respective areas
  - Partner with civil society organizations to promote public awareness campaigns and pothole reporting initiatives
  - Collaborate with the Department of Transport and Public Works to develop a joint pothole repair program thus the load will be reduced.

### **Monitoring and Evaluation:**

To ensure that the objectives are met, the following monitoring and evaluation mechanisms will be put in place:

- Regular reporting to the Rustenburg Local Municipality Council on pothole repair progress and any challenges encountered
- Annual review of the pothole repair plan to assess its effectiveness and to make any necessary adjustments
- Conduct regular surveys of the public to assess their satisfaction with pothole repairs and the overall state of roads in Rustenburg

### **b. Road signs**

There are a lot of stop signs that have been removed/ stolen/ damaged and it needs to be replaced. If not, accidents will follow.

Some of the roads that need urgent attention are as follows:

- Attached



## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

The municipality should budget for road sign maintenance to ensure that at least the main roads receive attention.

### **2. Parks**

We have received the following complaints in relation to parks. The parks that require urgent attention are as follows:

- Geelhoutpark Park
- Bodenstein Park
- Burgers Park
- Kerkstraat Park

The problems in these parks include the following:

- The grass never gets cut
- Lots of papers, plastic and bottles are scattered around the park
- No bins in the park

We request that the municipality use the IDP process to:

- Draft a proper schedule for regular cleaning of the parks
- Allocate the necessary funds to place bins in the parks
- Put up streetlights near the parks to improve visibility
- Plant short wooden poles to prevent people from driving into the parks.
- Fix the fence at Bodenstein park

**3. Water**

Access to water is a human right and daily necessity. The municipality must ensure that they have all the necessary measures in place to always be able to provide water to the residents of East End.

The problems include the following:

- The municipality takes weeks to months to fix water leakages reported by residents.
- The municipality has not done any large upgrade to the water system in Zinniaville and East End. Old water pipes burst easily due to the pipes not being designed to handle the new high water pressure. Zinniaville still has asbestos pipelines that needs to be replaced.
- The poorly maintained waterlines in East end and Zinniaville.
- Bospoort reservoir is too small to serve the area.
- Water quality from Magalies water is not up to par

**Needs Assessment:**

To address the issue of water management in Rustenburg, it is important to conduct a needs assessment to identify the scope of the problem. The following data was collected and ESTIMATIONS was made:

- Population of Rustenburg: 626,522 (Estimation got from <https://municipalities.co.za/demographic/1191/rustenburg-local-municipality> the consensus done in 2016)
- Average water consumption per person per day: 233 liters (Estimation is for South Africa <https://edctanks.co.za/household-water-usage.html> )
- Total daily water demand in Rustenburg: 104 mega liters (Estimation got from <https://www.rustenburg.gov.za/2021/03/20/report-on-rustenburg-bulk-water-supply-crisis/> )
- Water supply sources: Rustenburg gets its water supply from Rand Water and Magalies Water. Rand Water supplies water through two systems, and approximately 140 mega litres are pumped, although only about 40 mega litres reaches the city for domestic consumption. Approximately 100 mega litres of this water are used by the mines. Magalies Water supplies approximately 70 mega litres to Rustenburg through

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

the Boosport reservoir, of which about 55 mega litres is part of the existing agreement. The Rustenburg Water Services Trust runs the Bospoort Water treatment plant, which has the capacity to produce 12 mega litres, and the water produced is supplied to Rustenburg through the Industry reservoirs.

- Percentage of Rustenburg's population with access to clean water: 93.7%  
(Estimation got from <https://www.statssa.gov.za/publications/P0318/P03182020.pdf>  
)

### **Goals and Objectives:**

The goal of this suggested plan is to ensure that all residents of Rustenburg have access to clean and safe water, and to improve the efficiency and sustainability of the water management system. To achieve this goal, the following objectives have been identified:

- Ensure that all residents of Rustenburg have access to clean and safe water
- Improve the efficiency and sustainability of the water management system
- Enhance the capacity and infrastructure of water supply sources
- Increase public awareness and participation in water conservation efforts
- Promote public-private partnerships and stakeholder collaboration to support water management efforts

### **Strategies and Activities:**

Ensure that all Residents of Rustenburg have Access to Clean and Safe Water:

- Conduct a comprehensive assessment of the quality and availability of water sources
- Implement measures to ensure the quality and safety of water supply, including regular testing and treatment
- Develop a plan to provide access to clean and safe water for all residents of Rustenburg, including those in informal settlements

### **Improve the Efficiency and Sustainability of the Water Management System:**

- Implement measures to reduce water loss through leak detection and repair
- Develop a plan to promote water conservation and efficiency, including public education campaigns and incentives for water-saving practices

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Invest in renewable energy sources to power water treatment plants and supply systems

### **Enhance the Capacity and Infrastructure of Water Supply Sources:**

- Conduct a comprehensive assessment of the capacity and infrastructure of water supply sources
- Upgrade and expand existing water supply sources, including dams, boreholes, and treatment plants
- Develop new water supply sources as needed to meet demand

### **Increase Public Awareness and Participation in Water Conservation Efforts:**

- Develop a public education campaign on the importance of water conservation and sustainable water management practices
- Use social media to encourage the public to practice water conservation and to provide regular updates on water management progress
- Establish a dedicated hotline or create a app for reporting water management issues

### **Promote Public-Private Partnerships and Stakeholder Collaboration to Support Water Management Efforts:**

- Partner with civil society organizations and local businesses to promote public awareness campaigns and water conservation initiatives
- Collaborate with the Department of Water and Sanitation to develop a joint water management program
- Create incentives for private sector investment in water infrastructure and conservation initiatives

### **Monitoring and Evaluation:**

**To ensure that the objectives are met, the following monitoring and evaluation mechanisms will be put in place:**

- Regular reporting to the Rustenburg Local Municipality Council on water management progress and any challenges encountered
- Annual review of the water management plan to assess its effectiveness and to make any necessary adjustments

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Conduct regular surveys of the public to assess their satisfaction with water management plan implementation and to identify any areas for improvement

### **Budget and Resource Allocation:**

To implement this suggested plan, the following budget and resource allocation has been proposed:

- R150 million to upgrade and expand the capacity of the water supply sources
- R50 million for regular maintenance and repair of water infrastructure
- R30 million for the development and implementation of a water loss reduction program.

The proposed budget takes into account the cost of infrastructure upgrades, regular maintenance and repair of water infrastructure, public education campaigns and awareness programs, partnerships and stakeholder collaborations, and water loss reduction programs. The exact cost of implementing this suggested plan will depend on the specific details of each activity and may be subject to change based on the availability of resources and the success of individual initiatives.

### **4. Sewerage problems**

We have received complaints regarding sewage leaks in the streets. This means that the raw sewerage starts overflowing into the streets/ waterstreams/river/dam/wetland area/parks.

Pollution of natural resources is a criminal offence and because of this, we strongly advise that this problem gets resolved before it becomes serious.

We therefore request that the infrastructure of the sewerage lines gets maintained, as well as the pump stations. The municipality should also ensure that the pumpstation is up and running at all times.

The places that require urgent attention:

- Cnr Arends rd & Loerie rd
- Vanadiumstreet (overflow is at Cemblock and has been overflowing for more than 1 year)

**5. Cemeteries**

We have received the following complaints regarding the Donkerhoek cemetery:

- The fence around the cemetery is damaged
- Donkerhoek cemetery is unsafe for people visiting their loved ones' graves due to the homeless people living in the cemetery and the fact that there isn't any access control at the cemetery.
- The grass and gardens at the cemetery are not sufficiently maintained.

We request that the municipality set monies aside during this budget process to put up a proper fence, ensure that the grass and gardens are maintained regularly, implement better safety measures at the cemetery and relocate the homeless people living at the cemetery.

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

### NATIONAL TREASURY BUDGET ASSESSMENT

ISSUES RAISED		MUNICIPAL RESPONSES
<b>Credibility</b>	Budget assumptions are not credible and revenue estimates are not realistic – tariffs are not cost reflective, no growth factored into the budgeting.	After careful review of our budget assumptions and tariffs, the electricity and refuse tariffs have been adjusted upwards to 15.10% and 5.3% in line with CPI and National Treasury assessment. Furthermore, additional revenue provision of 1% over and above tariffs to cater for growth in revenue base.
	The budget is not reflective of long-term planning as the variation exceeds the acceptable range of 5% and 10%.	Variances is excess of the acceptable range were highlighted on service charges and bulk purchases. This occurred due to the NERSA approved Eskom tariff of 18.65% and proposed tariffs by water boards of 9.2%, which will be funded through our service charges.
	There was political oversight on the IDP and budget process as the budget process was adopted by Council.	Agreed. No further action required.
<b>Relevance</b>	IDP strategic objectives aligns to the NDP and provincial strategic plan.	Agreed. No further action required.
	The municipality's capital budget is inadequate to address asset management, infrastructure backlogs and promote economic growth – <b>Note 1</b>	<p>The municipality currently relies on capital grant allocations to fund more than 80% of the capital budget. Loan funding and increased funding through internal reserves will be considered once cash reserves, liquidity and working capital improves. The municipality has engaged INCA PM to assist with drafting of a financial plan with a 10-year outlook, which will assist with assessing affordability of changing our funding strategies.</p> <p>Our service delivery directorate, Technical and Infrastructural Services has been allocated more than 70% of the total budget in an effort to address service delivery needs. Furthermore, additional provision was made for</p>

**AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

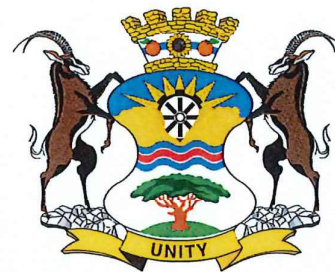
		capital expenditure and repairs and maintenance on the final budget to address infrastructure backlogs.
	The municipality considered the guidance provided in the MFMA budget circulars	Agreed. No further action required.
<b>Sustainability</b>	Positive cash flow projections over the MTREF	Agreed. No further action required.
	Unfunded in year one – 2023/24 while the outer years shows a surplus	In line with the National Treasury assessment, the municipality effected changes on the draft to final budget on sale of electricity, waste collection, debt impairment, repairs and maintenance, bulk purchases, operational expenditure and capital expenditure. The above changes results in an increase in 2023/24 budgeted surplus of more than R200 million in order to achieve a more credible and sustainable budget.
	Deteriorating financial position over the medium term	Refer to response under <b>Note 1</b>
	Insufficient liquid assets to repay creditors	Refer to response under <b>Note 1</b>
	Depleted cash backed reserves; insignificant surpluses does not support the municipality's strategy to accumulate cash reserves	Refer to response under <b>Note 1</b>



# RUSTENBURG LOCAL MUNICIPALITY

## OFFICE OF THE MUNICIPAL MANAGER

P O Box 16, Rustenburg, 0300, North West Province, South Africa  
Tel: (014) 590 3106 Fax: (014) 590 3552 Email: [cmosiane@rustenburg.gov.za](mailto:cmosiane@rustenburg.gov.za)



### NOTICE 14/2023

#### DRAFT IDP REVIEW 2023/2024 AND TABLED MTREF BUDGET 2023/2024

The Municipal Council of the Rustenburg Local Municipality adopted the Draft IDP Review for 2023/24 per item 95 in accordance with requirements of Section 34 (a) (i) of the Municipal Systems Act 32 of 2000 as amended and the tabled 2023/24 MTREF (with the Tariffs and Budget Related Policies) as per Item 96 on the 31<sup>st</sup> March 2023.

Notice is hereby given in terms of Section 21 of the Local Government: Municipal Systems Act, no 32 of 2000 (MSA) read with Sections 22 and 23 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) of the tabled Draft IDP Review 2023/24 and 2023/24 MTREF as per above quoted item numbers.

Sections 21 and 21 (a) of the Municipal Systems Act; requires that the Municipality should publicize the said documents inviting the local community to submit representations in connection with the IDP and avail the document for public comments whilst the MFMA states the same with the tabled budget.

The draft IDP Review 2023/24 and draft MTREF 2023/24 (with the Tariffs and Budget Related Policies) will be open for comments and inputs for a period of 21 days effective from 07<sup>th</sup> April 2023. The closing date for comments is set for 28<sup>th</sup> April 2023 at 10h00.

In terms of the provisions for public participation on the above Acts, the National Treasury, Provincial Treasury and the Local Community are hereby invited to peruse and submit written representations in connection with the IDP Review and the tabled 2023/24 MTREF to the Municipal Manager through email. **Comments should be in MS Word format and not exceed 5MB in size.**

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

Emails are to be directed to the following addresses:

[gmoopelwa@rustenburg.gov.za](mailto:gmoopelwa@rustenburg.gov.za), [budget1@rustenburg.gov.za](mailto:budget1@rustenburg.gov.za) and [tjugmohan@rustenburg.gov.za](mailto:tjugmohan@rustenburg.gov.za)

The draft IDP review 2023/24 and Tabled draft MTREF 2023/24 (with the Tariffs and Budget Related Policies) will be available for perusal from Friday 07<sup>th</sup> April 2023 at the following venues:

- Municipal Building: Missionary Mpheni House, Corner Nelson Mandela and Beyers Naude Drive;
- Municipal Offices and RCC's: Marikana, Hartebeesfontein/ Lethabong, Phatsima, Monnakato, Boitekong, Ikageng, Rankelenyane, Freedom Park, Phokeng Civic Centre;
- Tribal Offices: Rankelenyane, Bethanie;
- Rustenburg Main Library; Community Libraries: Phatsima, Boitekong, Monnakato, Mamerotse Info Hub, Lethabong, Rankelenyane, Barseba, Tlhabane, Marikana, Mathopestad, Charora Info Hub, Karlien Park and Zinniaville; or

This may also be viewed on the Municipal website ([www.rustenburg.gov.za](http://www.rustenburg.gov.za))

A summary of the Operating Budget, Capital Budget as well as the proposed tariffs for 2023/24 is provided below:

- Operating Revenue and Expenditure by Standard Classification: Table A4 (version 6.7 2023/24 MTREF) – See Annexure A
- Budgeted Capital Expenditure by vote Standard Classification: Table A5 (version 6.7 2023/24 MTREF) – See Annexure B
- Proposed Tariffs 2023/24 – See Annexure C

For more information on the budget please contact Mr. Terence Jugmohan, Mr. Mmileng Dikoko, Mr. Kgomotso Motsugi, Mrs. Julia Kwatlhai or Mr. Lloyd Mokalake on 014 590 3649 / 3372 / 3325 / 3468 / 3626 / 3754 / 3280 and for IDP Ms. Gloria Moopelwa or Ms. Cindi Mosiane at 014 590 3251 / 3106 respectively.



**Mr. R.J. Mosiane**

Acting Municipal Manager

03 April 2023



# RUSTENBURG LOCAL MUNICIPALITY OFFICE OF THE MUNICIPAL MANAGER

P O Box 16, Rustenburg, 0300, North West  
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Emails are to be directed to the following addresses:  
gmoepelwa@rustenburg.gov.za,  
budget1@rustenburg.gov.za and  
tjgmohan@rustenburg.gov.za

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- Tribal Offices: Rankelenyane, Bethanie;
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Mr. R.J. Mosiane  
Acting Municipal Manager 03 April 2023

## ANNEXURE A

Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
Revenue												
Contracted services												
	Service charges - Electricity	2	2 223 168	2 306 221	2 566 167	3 691 715	3 671 715	3 671 715	3 671 715	4 173 259	4 342 230	3 809 849
	Service charges - Water	2	509 817	498 957	519 392	553 596	553 596	553 596	553 596	595 954	622 540	650 349
	Service charges - Waste Water Management	2	304 764	377 954	386 771	405 800	405 800	405 800	405 800	432 405	451 928	472 348
	Service charges - Waste Management	2	168 232	149 867	155 999	154 931	164 931	164 931	164 931	163 148	170 956	179 123
	Sale of Goods and Rendering of Services		10 000	8 000	8 000	8 189	9 834	9 834	9 834	9 809	10 520	11 233
	Agency services		101 249	100 849	104 983	110 424	90 424	90 424	90 424	94 282	99 584	105 130
	Interest		-	-	-	-	-	-	-	-	-	-
	Interest earned from Receivables		261 054	395 409	411 621	428 086	458 086	458 086	458 086	477 919	498 477	254 681
	Interest earned from Current and Non Current		-	-	-	-	-	-	-	-	-	-
	Assets		20 774	27 312	25 149	26 217	26 217	26 217	26 217	27 383	28 643	29 961
	Dividends		-	-	-	-	-	-	-	-	-	-
	Rent on Land		-	-	-	-	-	-	-	-	-	-
	Rental from Fixed Assets		11 604	10 498	11 078	14 080	12 580	12 580	12 580	15 859	16 589	17 352
	Licence and permits		6 533	2 745	154	11 288	11 288	11 288	11 288	12 130	12 681	13 265
	Operational Revenue		55 763	7 001	8 656	10 448	9 431	9 431	9 431	10 793	11 258	11 743
Non-Exchange Revenue												
	Property rates	2	362 089	398 240	496 067	516 902	526 902	526 902	526 902	549 646	574 351	600 311
	Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-
	Fines, penalties and forfeits		10 708	9 000	9 369	9 399	9 399	9 399	9 399	9 587	10 028	10 490
	Licences or permits		3 680	9 168	12 247	-	-	-	-	-	-	-
	Transfer and subsidies - Operational		503 873	689 047	947 882	1 127 277	1 166 737	1 166 737	1 166 737	1 268 370	1 401 257	1 392 605
	Interest		-	-	-	-	-	-	-	-	-	-
	Fuel Levy		-	-	-	-	-	-	-	-	-	-
	Operational Revenue		-	-	-	-	-	-	-	-	-	-
	Gains on disposal of Assets		10 477	14 035	6 200	6 448	6 448	6 448	6 448	7 088	7 414	7 755
	Other Gains		-	-	-	-	-	-	-	-	-	-
Discontinued Operations												
Total Revenue (excluding capital transfers and contributions)			4 561 786	5 004 304	5 669 738	7 074 800	7 123 388	7 123 388	7 123 388	7 847 633	8 258 456	7 566 194
Expenditure												
	Employee related costs	2	739 404	792 398	875 664	905 598	905 598	905 598	905 598	927 083	969 122	1 012 793
	Remuneration of councillors		60 893	64 306	68 229	70 958	70 958	70 958	70 958	71 890	74 855	77 954
	Bulk purchases - electricity	2	1 664 517	1 818 125	1 627 750	2 617 167	2 617 167	2 617 167	2 617 167	3 281 723	3 408 375	3 478 031
	Inventory consumed	8	433 464	427 952	504 518	547 166	546 645	546 645	546 645	589 354	616 463	644 820
	Debt impairment	3	635 638	898 087	793 908	826 738	826 738	826 738	826 738	861 129	900 741	942 175
	Depreciation and amortisation		448 982	507 223	492 913	480 045	480 045	480 045	480 045	497 859	520 766	544 721
	Interest		50 877	43 444	84 328	85 409	59 409	59 409	59 409	62 123	65 119	68 252
	Contracted services		251 400	394 970	612 110	708 127	674 264	674 264	674 264	833 603	866 807	883 832
	Transfers and subsidies		19 990	742	19 502	20 292	60 092	60 092	60 092	21 164	22 186	531
	Irrecoverable debts written off		-	-	-	-	-	-	-	-	-	-
	Operational costs		237 158	227 479	236 888	250 573	273 301	273 301	273 301	289 170	299 331	313 032
	Losses on disposal of Assets		-	-	-	-	-	-	-	-	-	-
	Other Losses		-	-	-	-	-	-	-	-	-	-
Total Expenditure			4 542 321	5 174 726	5 315 810	6 512 073	6 514 217	6 514 217	6 514 217	7 435 098	7 743 765	7 966 141
Surplus/(Deficit)			19 464	(170 423)	353 929	562 727	609 170	609 170	609 170	412 535	514 691	(399 947)
	Transfers and subsidies - capital (monetary allocations)	6	537 759	436 368	214 223	431 688	431 950	431 950	431 950	496 064	528 205	512 007
	Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions			557 223	265 945	568 151	994 415	1 041 120	1 041 120	1 041 120	908 600	1 042 896	112 060
Income Tax			-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax			557 223	265 945	568 151	994 415	1 041 120	1 041 120	1 041 120	908 600	1 042 896	112 060
	Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
	Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality			557 223	265 945	568 151	994 415	1 041 120	1 041 120	1 041 120	908 600	1 042 896	112 060
	Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
	Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year			557 223	265 945	568 151	994 415	1 041 120	1 041 120	1 041 120	908 600	1 042 896	112 060

## ANNEXURE B

Table A5 Budgeted Capital Expenditure

Vote Description		Ref	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
R thousand	1		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
<b>Capital expenditure - Vote</b>												
			64 811	130 520	150 078	150 318	115 981	115 981	115 981	111 051	102 242	101 476
			45 881	7 565	12 663	31 003	41 026	41 026	41 026	15 110	10 141	5 276
								100		200		
			34 122	7 893	9 853	27 770	25 041	25 041	25 041	16 010	7 700	2 800
			4 005	2 542	3 000	20 149	13 929	13 929	13 929	20 800	12 450	9 000
			274 916	261 246	209 839	167 987	217 357	217 357	217 357	205 290	132 933	186 591
			14 150	4 250	23 077	32 115	26 754	26 754	26 754	6 724	1 568	1 638
			5 000	1 950	9 777	17 903	15 553	15 553	15 553	1 250	1 950	1 600
					9 725	22 042	13 442	13 442	13 442	11 855	2 890	1 610
					1 500	1 563	1 563	1 563	1 563	1 000	850	700
			161 527	101 500	54 325	28 000	37 400	37 400	37 400	20 333	52 000	85 000
			5 200	1 000	3 425	6 880	4 880	4 880	4 880	4 000	11 000	20 000
			61 725	60 340	32 184	119 298	111 308	111 308	111 308	186 125	287 511	185 983
						280	280	280	280	250		
			671 337	578 806	519 447	625 308	624 613	624 613	624 613	599 998	623 235	601 674
			671 337	578 806	519 447	625 308	624 613	624 613	624 613	599 998	623 235	601 674
<b>Capital Expenditure - Functional</b>												
			111 756	17 435	21 869	48 199	39 249	39 249	39 249	37 060	20 150	11 800
			34 114	8 630	10 143	27 770	25 041	25 041	25 041	16 010	7 700	2 800
			77 635	8 542	11 569	20 149	13 929	13 929	13 929	20 800	12 450	9 000
			8	264	157	280	280	280	280	250		
			11 070	4 015	47 593	72 511	71 584	71 584	71 584	29 215	15 831	9 186
			2 749	465	12 663	31 003	41 026	41 026	41 026	15 110	10 141	5 276
			822	976	9 725	22 042	13 442	13 442	13 442	11 855	2 890	1 610
			5 000	1 950	23 705	17 903	15 553	15 553	15 553	1 250	1 950	1 600
			2 500	1 500	1 500	1 563	1 563	1 563	1 563	1 000	850	700
			286 556	263 996	199 233	200 101	244 211	244 211	244 211	212 214	134 501	188 229
			11 650	2 750	23 077	32 115	26 754	26 754	26 754	6 724	1 568	1 638
			274 916	261 246	176 156	167 987	217 357	217 357	217 357	205 290	132 933	186 591
							100	100	100	200		
			261 945	293 360	250 752	304 496	269 569	269 569	269 569	321 509	452 753	392 459
			33 492	130 520	150 078	150 318	115 981	115 981	115 981	111 051	102 242	101 476
			161 527	101 500	54 059	28 000	37 400	37 400	37 400	20 333	52 000	85 000
			61 725	60 340	32 184	119 298	111 308	111 308	111 308	186 125	287 511	185 983
			5 200	1 000	4 430	6 880	4 880	4 880	4 880	4 000	11 000	20 000
			671 337	578 806	519 447	625 308	624 613	624 613	624 613	599 998	623 235	601 674
<b>Total Capital Expenditure - Functional</b>												
<b>Funded by:</b>												
			534 079	426 206	371 724	431 069	431 221	431 221	431 221	495 464	527 855	511 707
			4 249	615	511	619	892	892	892	600	350	300
			538 328	426 821	372 235	431 688	432 113	432 113	432 113	496 064	528 205	512 007
				125 000								
			133 009	26 995	147 212	193 620	192 500	192 500	192 500	103 933	95 031	89 667
			671 337	578 806	519 447	625 308	624 613	624 613	624 613	599 998	623 235	601 674
			671 337	578 806	519 447	625 308	624 613	624 613	624 613	599 998	623 235	601 674

ANNEXURE C

NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



ELECTRICITY TARIFFS APPLICATION OPTIONS FOR 2023/2024

	Provide description of tariff structure where appropriate	Approved Tariff 2016/17	Approved Tariff 2017/18	Approved Tariff 2018/19	Approved Tariff 2019/20	Percentage Increase 2020/21	Approved Tariff 2020/21	Percentage Increase MTREF Application - CPI November 2020	Draft Tariff 2021/22 AS ADVERTISED	Percentage Increase NERSA Consultation paper After participation on 9 April 2021 Bengoni	Draft Tariff 2 2021/2022	Billing Method	APPROVED BASELINE	NERSA APPROVED TARIFF	NO APPROVED GUIDELINE YET	NO APPROVED GUIDELINE YET AVAILABLE	Billing Method
DOMESTIC TARIFFS																	
Residential 1 Vacant Property	Basic Charge (R/month)						244,47	6,20%	259,62	14,59	280,13	R/Month	7,47%	301,06	14,50%	344,71	R/Month
Residential High Density Vacant Property	Basic Charge (R/month)						3 145,11	6,20%	3 340,11	14,59	3 603,98	R/Month	7,47%	3 873,20	14,50%	4 434,81	R/Month
Residential Life-line	Block 1 (1-50 KWH)	84,00	85,58	89,34	100,06	6,22	106,28	6,20%	112,87	14,59	121,79	cent per kWh	7,48%	130,89	14,50%	149,87	cent per kWh
	Block 2 (51-350 KWH)	105,00	106,98	111,67	125,07	6,22	132,85	6,20%	141,09	14,59	152,23	cent per kWh	7,47%	163,60	14,50%	187,33	cent per kWh
	Block 3 (351-600 KWH)	128,00	134,40	146,40	166,80	6,22	177,28	6,20%	188,27	14,59	203,15	cent per kWh	7,48%	218,33	14,50%	249,99	cent per kWh
	Block 4 (601+ KWH)	154,00	161,70	176,14	200,80	6,22	213,29	6,20%	226,51	14,59	244,41	cent per kWh	7,47%	262,67	14,50%	300,75	cent per kWh
	Basic Charge (R/month)	183,00	192,15	203,99	230,15	6,22	244,47	6,20%	259,62	14,59	280,13	R/Month	7,47%	301,07	14,50%	344,73	R/Month
Residential Town Prepaid	Block 1 (1-50 KWH)	84,00	85,58	96,24	107,79	6,22	114,49	6,20%	121,59	14,59	131,20	cent per kWh	7,47%	140,99	14,50%	161,44	cent per kWh
	Block 2 (51-350 KWH)	105,00	106,98	114,29	128,00	6,22	135,96	6,20%	144,39	14,59	155,80	cent per kWh	7,47%	167,44	14,50%	191,71	cent per kWh
	Block 3 (351-600 KWH)	128,00	133,12	142,22	162,13	6,22	172,21	6,20%	182,89	14,59	197,34	cent per kWh	7,47%	212,08	14,50%	242,83	cent per kWh
	Block 4 (601+ KWH)	154,00	161,70	172,76	196,95	6,22	209,20	6,20%	222,17	14,59	239,72	cent per kWh	7,47%	257,63	14,50%	294,99	cent per kWh
	Basic Charge (R/month)	255,50	269,37	285,35	322,55	6,22	342,72	6,20%	363,97	14,59	392,72	R/Month	7,47%	422,06	14,50%	483,26	R/Month
Residential (Domestic) Town Conventional	Block 1 (1-50 KWH)	84,00	85,58	88,50	99,12	6,22	105,29	6,20%	111,81	14,59	120,63	cent per kWh	7,47%	129,66	14,50%	148,46	cent per kWh
	Block 2 (51-350 KWH)	105,00	106,98	110,64	123,92	6,22	131,63	6,20%	139,79	14,59	150,83	cent per kWh	7,47%	162,10	14,50%	185,60	cent per kWh
	Block 3 (351-600 KWH)	128,00	133,12	144,75	165,02	6,22	175,28	6,20%	186,15	14,59	200,86	cent per kWh	7,47%	215,85	14,50%	247,15	cent per kWh
	Block 4 (601+ KWH)	154,00	161,70	175,83	200,45	6,22	212,92	6,20%	226,12	14,59	243,98	cent per kWh	7,47%	262,21	14,50%	300,23	cent per kWh
	Basic Charge (R/month)	288,50	293,91	311,34	352,03	6,22	373,93	6,20%	397,11	14,59	428,48	R/Month	7,47%	450,50	14,50%	527,27	R/Month
Residential Rural Prepaid	Block 1 (1-50 KWH)	84,00	85,58	90,71	101,60	6,22	107,92	6,20%	114,61	14,59	123,66	cent per kWh	7,47%	132,91	14,50%	152,18	cent per kWh
	Block 2 (51-350 KWH)	105,00	106,98	113,39	127,00	6,22	134,50	6,20%	143,25	14,59	154,58	cent per kWh	7,48%	166,14	14,50%	190,23	cent per kWh
	Block 3 (351-600 KWH)	128,00	133,12	143,10	163,13	6,22	173,28	6,20%	184,02	14,59	198,56	cent per kWh	7,47%	213,39	14,50%	244,33	cent per kWh
	Block 4 (601+ KWH)	154,00	161,70	173,82	198,15	6,22	210,47	6,20%	223,52	14,59	241,18	cent per kWh	7,47%	259,20	14,50%	296,78	cent per kWh
	Basic Charge (R/month)	288,50	293,91	311,34	352,03	6,22	373,93	6,20%	397,11	14,59	428,48	R/Month	7,47%	450,50	14,50%	527,27	R/Month
Residential Rural Conventional	Block 1 (1-50 KWH)	84,00	85,58	90,08	101,60	6,22	107,92	6,20%	114,61	14,59	123,66	cent per kWh	7,47%	132,91	14,50%	152,18	cent per kWh
	Block 2 (51-350 KWH)	105,00	106,98	110,64	127,00	6,22	134,50	6,20%	143,25	14,59	154,58	cent per kWh	7,48%	166,14	14,50%	190,23	cent per kWh
	Block 3 (351-600 KWH)	128,00	133,12	144,74	163,13	6,22	173,28	6,20%	184,02	14,59	198,56	cent per kWh	7,47%	213,39	14,50%	244,33	cent per kWh
	Block 4 (601+ KWH)	154,00	161,70	175,83	198,15	6,22	210,47	6,20%	223,52	14,59	241,18	cent per kWh	7,47%	259,20	14,50%	296,78	cent per kWh
	Basic Charge (R/month)	288,50	293,91	311,34	352,03	6,22	373,93	6,20%	397,11	14,59	428,48	R/Month	7,47%	450,50	14,50%	527,27	R/Month
NON-DOMESTIC SMALL TO LARGE CONSUMER TARIFFS (Including Residential Bulk)																	
Business Zoned Vacant property	Basic Charge (R/month)						1 044,65	6,20%	1 109,42	14,59	1 197,07	R/Month	7,47%	1 286,49	14,50%	1 473,03	R/Month
Non-domestic (Conventional) - Town + Rural	Basic Charge (R/month)	800,00	815,00	869,80	983,48	6,22	1 044,65	6,20%	1 109,42	14,59	1 197,07	R/Month	7,47%	1 286,49	14,50%	1 473,02	R/Month
	Energy Rate (c/kWh) Winter	200,00	203,75	217,45	245,87	6,22	261,16	6,20%	277,36	14,59	299,27	cent per kWh	7,47%	321,63	14,50%	368,26	cent per kWh
	Energy Rate (c/kWh) Summer	150,00	152,82	163,10	184,42	6,22	195,89	6,20%	206,04	14,59	224,47	cent per kWh	7,47%	241,24	14,50%	276,22	cent per kWh
Non-domestic (Prepaid) - Town + Rural	Basic Charge (R/month)	800,00	815,00	869,80	983,48	6,22	1 044,65	6,20%	1 109,42	14,59	1 197,07	R/Month	7,47%	1 286,48	14,50%	1 473,02	R/Month
	Energy Rate (c/kWh) Winter	200,00	203,75	217,45	245,87	6,22	261,16	6,20%	277,36	14,59	299,27	cent per kWh	7,47%	321,63	14,50%	368,26	cent per kWh
	Energy Rate (c/kWh) Summer	150,00	152,82	163,10	184,42	6,22	195,89	6,20%	206,04	14,59	224,47	cent per kWh	7,47%	241,24	14,50%	276,22	cent per kWh
BULK CONSUMER TARIFFS																	
Industrial Zoned Vacant property	Basic Charge (R/month)						3 145,11	6,20%	3 340,11	14,59	3 603,98	R/Month	7,47%	3 873,20	14,50%	4 434,81	R/Month
	Basic Charge (R/month)	2 663,20	2 716,46	2 716,46	2 960,94	6,22	3 145,11	6,20%	3 340,11	14,59	3 603,98	R/Month	7,47%	3 873,20	14,50%	4 434,81	R/Month
	Energy Rate (c/kWh) Summer	100,00	101,90	101,90	111,07	6,22	117,98	6,20%	125,29	14,59	135,19	cent per kWh	7,47%	145,29	14,50%	166,36	cent per kWh
	Energy Rate (c/kWh) Winter	167,91	171,07	171,07	186,47	6,22	198,07	6,20%	210,35	14,59	226,97	cent per kWh	7,47%	243,92	14,50%	279,29	cent per kWh
	All season Network Demand Charge (R/kVA)	40,62	41,39	41,39	45,12	6,22	47,93	6,20%	50,90	14,59	54,92	R/kVA	7,47%	59,02	14,50%	67,58	R/kVA
	All season Network Access Charge (R/kVA)	162,48	165,54	165,54	180,44	6,22	191,06	6,20%	203,55	14,59	219,63	R/kVA max of NMD or last 12 months MD	7,47%	236,03	14,50%	270,26	R/kVA max of NMD or highest last 12 months MD
Bulk Supply Town and Rural 400 V	Basic Charge (R/month)	2 300,00	2 346,00	2 346,00	2 652,62	6,22	2 817,61	6,20%	2 992,30	14,59	3 226,70	R/Month	7,47%	3 469,88	14,50%	3 973,02	R/Month
	Energy Rate (c/kWh) Summer	98,00	100,50	100,50	113,64	6,22	120,71	6,20%	128,19	14,59	138,32	cent per kWh	7,47%	148,65	14,50%	170,21	cent per kWh
	Energy Rate (c/kWh) Winter	154,00	158,00	158,00	178,65	6,22	189,76	6,20%	201,53	14,59	217,45	cent per kWh	7,47%	233,69	14,50%	267,58	cent per kWh
	Network Demand Charge (R/kVA)	39,18	40,00	40,00	45,23	6,22	48,04	6,20%	51,02	14,59	55,05	R/kVA	7,46%	59,16	14,50%	67,74	R/kVA
	Network Access Charge (R/kVA)	156,75	161,00	161,00	182,04	6,22	193,36	6,20%	205,35	14,59	221,57	R/kVA max of NMD or last 12 months MD	7,47%	238,12	14,50%	272,64	R/kVA max of NMD or highest last 12 months MD
TIME-OF-USE																	
	Basic Charge (R/month)	7 272,00	8 800,00	9 593,43	10 802,06	6,22	11 473,95	6,20%	12 185,33	14,59	13 148,00	R/Month	7,47%	14 130,16	14,50%	16 179,03	R/Month
	All season Network Demand Charge (R/kVA)	34,00	41,50	45,05	50,94	6,22	54,11	6,20%	57,46	14,59	62,00	R/kVA	7,47%	66,63	14,50%	76,30	R/kVA
	All season Network Access Charge (R/kVA)	26,00	32,00	34,74	39,28	6,22	41,72	6,20%	44,31	14,59	47,81	R/kVA max of NMD or last 12 months MD	7,47%	51,37	14,50%	58,82	R/kVA max of NMD or highest last 12 months MD
11 kV Bulk supply Time-of-use	SUMMER Peak Energy (c/kWh)	112,00	136,00	147,64	166,94	6,22	177,32	6,20%	188,32	14,59	203,20	cent per kWh	7,47%	218,37	14,50%	250,04	cent per kWh
	Standard Energy (c/kWh)	76,00	92,00	99,88	112,93	6,22	119,95	6,20%	127,39	14,59	137,46	cent per kWh	7,47%	147,72	14,50%	169,14	cent per kWh
	Off-peak Energy (c/kWh)	54,00	67,00	72,74	82,25	6,22	87,37	6,20%	92,78	14,59	100,11	cent per kWh	7,47%	107,80	14,50%	123,20	cent per kWh
	WINTER Peak Energy (c/kWh)	351,00	425,00	461,39	521,69	6,22	554,14	6,20%	588,50	14,59	634,99	cent per kWh	7,47%	682,42	14,50%	781,37	cent per kWh
	Standard Energy (c/kWh)	102,00	124,00	134,62	152,21	6,22	161,68	6,20%	171,70	14,59	185,27	cent per kWh	7,48%	199,12	14,50%	227,99	cent per kWh
	Off-peak Energy (c/kWh)	60,00	74,00	80,34	90,84	6,22	96,49	6,20%	102,47	14,59	110,57	cent per kWh	7,47%	118,83	14,50%	136,06	cent per kWh
	Reactive Energy (c/kVAh), winter only	17,06	20,50	22,26	25,17	6,22	26,74	6,20%	28,39	14,59	30,64	cent per kVAh	7,47%	32,93	14,50%	37,70	cent per kVAh
	Basic Charge (R/month)	7 166,00	8 600,00	9 224,02	10 328,85	6,22	10 969,24	6,20%	11 635,83	14,59	12 335,83	R/month	7,47%	12 719,91	14,50%	14 564,30	R/month
	Network Demand Charge (R/kVA)	33,00	39,50	39,50	44,66	6,22	47,44	6,20%	50,38	14,59	54,36	R/kVA	7,47%	58,42	14,50%	66,89	R/kVA
	Network Access Charge (R/kVA)	25,00	30,00	30,00	33,92	6,22	36,03	6,20%	38,26	14,59	41,29	R/kVA max of NMD or highest last 12 months MD	7,47%	44,37	14,50%	50,80	R/kVA max of NMD or highest last 12 months MD
33 kV Bulk supply Time-of-use	SUMMER Peak Energy (c/kWh)	1															



## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



## ELECTRICAL ENGINEERING CONTRIBUTIONS RATES

Item	Description	Rate End VAT 2019/2020	Percentage Increase 2020/2021	Rate End VAT 2020/2021	Percentage Increase 2021/2022	Rate End VAT 2021/2022	Percentage Increase 2022/2023	Rate End VAT 2022/2023	4.4% CPI Estimated Increase 2023	Rate End VAT 2023/2024	Unit													
AFTER DIVERSITY MAXIMUM DEMAND (ADMD) VALUES																								
ADMD is applicable for the calculation of engineering contribution rates will be as follows:																								
	<table><tr><th>Description</th><th>ADMD</th></tr><tr><td>Residential</td><td>As per NRS 039 and NRS 034 for the applicable consumption class</td></tr><tr><td>Hotel, Guest House or equivalent</td><td>80 VA/m<sup>2</sup></td></tr><tr><td>Business, Office or equivalent</td><td>80 VA/m<sup>2</sup></td></tr><tr><td>Light Industrial, Garage or equivalent</td><td>40 VA/m<sup>2</sup></td></tr><tr><td>Educational or equivalent</td><td>20 VA/m<sup>2</sup></td></tr><tr><td>Devotional, agricultural, nursery, scrap yard or equivalent</td><td>20 VA/m<sup>2</sup></td></tr></table>	Description	ADMD	Residential	As per NRS 039 and NRS 034 for the applicable consumption class	Hotel, Guest House or equivalent	80 VA/m <sup>2</sup>	Business, Office or equivalent	80 VA/m <sup>2</sup>	Light Industrial, Garage or equivalent	40 VA/m <sup>2</sup>	Educational or equivalent	20 VA/m <sup>2</sup>	Devotional, agricultural, nursery, scrap yard or equivalent	20 VA/m <sup>2</sup>									
Description	ADMD																							
Residential	As per NRS 039 and NRS 034 for the applicable consumption class																							
Hotel, Guest House or equivalent	80 VA/m <sup>2</sup>																							
Business, Office or equivalent	80 VA/m <sup>2</sup>																							
Light Industrial, Garage or equivalent	40 VA/m <sup>2</sup>																							
Educational or equivalent	20 VA/m <sup>2</sup>																							
Devotional, agricultural, nursery, scrap yard or equivalent	20 VA/m <sup>2</sup>																							
2.	<b>MAXIMUM DEMAND (IN KVA) CALCULATION</b>																							
2.1	<b>General note:</b> The higher of the value calculated at secondary transformation level by: 1) The Developer's appointed Professional Electrical Engineer, or 2) The value as determined by the applicable formula below according to the development's zoning. The RLM may advise the customer where it is deemed necessary for the customer to increase its notified maximum demand.																							
2.1.1	Maximum demand may only be lowered by lowering town planning rights																							
2.1.2	Where town planning rights cannot be lowered and a developer insists on a maximum demand lower than figures calculated according to 2.1, then the developer shall register a servitude of constraint in the title deed of the property concerned.																							
2.1.3	A maximum demand shall be calculated for each legal property, or notationally tied property. In the case of new township or a mixed-use development a consolidated maximum demand may be calculated in terms of item 2.07 for the entire development.																							
2.1.4	<b>Residential development</b> As determined according to Formula in par 4.2.2 of NRS 034-1:2001, as amended from time to time to time, Parameters a, b and c are determined as per table 3a of NRS 034-1:2001 as amended from time to time, for standard ADMD values. Parameters for a and b for a given circuit breaker size c shall be otherwise determined in terms of the formulae set out in NRS 034-1:2001, as amended from time to time.																							
2.2	<b>Commercial, Governmental and other non-domestic loads, excluding industrial loads:</b> Maximum demand (in kVA) = ADMD (in kVA/m <sup>2</sup> from Table 1) x FAR x Stand area (in m <sup>2</sup> ) Where: FAR is the Floor to Area Ratio, i.e. the area of total building floor area divided by total stand area. The total building floor area shall be deemed to include all lettable areas, including common building areas.																							
2.4	<b>Light Industrial:</b> Maximum demand (in kVA) = ADMD (in kVA/m <sup>2</sup> from Table 1) x FAR x Stand area (in m <sup>2</sup> )																							
2.5	<b>Heavy Industrial:</b> As determined by the developer's consulting engineer (Professional Electrical Engineer)																							
2.6	<b>Special loads:</b> Special loads are deemed to be loads associated with special zoning such as storage garages, cemeteries, churches. The higher of the value calculated at secondary transformation level by: 1. 13,8 kVA (equivalent to 50 A single phase) 2. the developer's appointed Professional Electrical Engineer																							
2.7	<b>Mixed-use loads:</b> Any combination of the above, with diversity factors applied or composite load curves summated to determine the annual coincident maximum demand of the saturated development (i.e. for the full development when all properties have been developed). Diversification factors shall be applied at secondary transformation level.																							
2.8	<b>Phased developments</b> For phased developments, any combination of the above, subject thereto that Council has approved such phased development and the payment of contributions in respect of each phase.																							
3.	<b>ENGINEERING CONTRIBUTIONS</b> Increase with ESTIMATED forecast of 4.4% CPI as per MFMA old Circular 108 from National Treasury Engineering contributions shall be calculated by multiplying the determined demand in kVA by the rate per kVA stated for the appropriate point of connection below:																							
3.1	<b>For high voltage connections 88 kV</b> For a connection directly to the 88 kV busbars of a primary intake-substation. In addition, the developer pays for the dedicated infrastructure, being a full 88 kV feeder bay inclusive of busbar isolator, circuit breaker, C7s and V7s, line isolator, metering requirements, jumpers, clamps, protection relays and the 88 kV line.	164,00	4,60	171,54	3,00	178,23	4,50	186,25	4,40%	194,46	per kVA													
3.2	<b>For medium voltage connections (11 &amp; 33 kV) from the urban network</b> For a connection directly to the 33 kV busbars of a substation. In addition, the developer pays for the dedicated infrastructure, being a 33 kV feeder bay inclusive of circuit breaker, C7s and V7s, metering requirements, protection relays and 33 kV cable.	424,00	4,60	516,72	3,00	538,88	4,50	561,04	4,40%	585,72	per kVA													
3.2.2	For a connection directly to the 11 kV busbars of a substation. In addition, the developer pays for the dedicated infrastructure, being an 11 kV feeder bay inclusive of circuit breaker, C7s and V7s, metering requirements, protection relays and 11 kV cable.	2168,00	4,60	2288,48	3,00	3062,16	4,50	3220,84	4,40%	3362,56	per kVA													
3.2.3	For a connection directly to a 11 kV ring: RLM pays for the ring main unit and upstream 11 kV infrastructure. In addition, the developer pays for the dedicated infrastructure, being the bulk 11 kV meter and shall provide his own customer circuit breaker.	3 189,00	4,60	3 335,69	3,00	3 465,79	4,50	3 621,75	4,40%	3 781,10	per kVA													
3.3	<b>For low voltage connections from the urban network</b> For a connection directly to the LV busbars of a Minibus: RLM will provide the minibus and upstream 11 kV cable. In addition, the developer pays for the dedicated infrastructure, being a LV feeder breaker and the meter to be installed in the Minibus.	4 061,00	4,60	4 247,81	3,00	4 413,47	4,50	4 612,08	4,40%	4 815,00	per kVA													
3.3.2	For a connection directly to the LV busbars of a distribution kiosk located along an LV feeder on the boundary of a property: RLM will provide the upstream LV feeder, the LV distribution kiosk, the minibus and upstream 11 kV cable. In addition, the developer pays for the dedicated infrastructure, being a LV feeder breaker and the meter to be installed in the contribution kiosk.	4 568,00	4,60	4 757,21	3,00	4 942,74	4,50	5 105,16	4,40%	5 362,43	per kVA													
3.4	<b>For medium voltage connections (11 &amp; 33 kV) from the rural network</b> For a connection directly to an 11 kV overhead line: RLM pays for the ring main unit and upstream 11 kV infrastructure. In addition, the developer pays for the dedicated infrastructure, being the bulk 11 kV meter and shall provide his own customer circuit breaker.	3 208,00	4,60	3 355,57	3,00	3 486,44	4,50	3 643,32	4,40%	3 803,63	per kVA													
3.5	<b>For low voltage connections from the rural network</b> For a connection directly to the LV busbars of a Pole transformer: RLM will provide the pole transformer and upstream 11 kV line. In addition, the developer pays for the dedicated infrastructure, being a LV feeder breaker and the meter to be installed in the Minibus.	3 761,00	4,60	3 934,01	3,00	4 087,43	4,50	4 271,37	4,40%	4 459,31	per kVA													
3.5.2	For a connection directly to the LV busbars of a distribution kiosk located along an LV overhead feeder on the boundary of a property: RLM will provide the upstream LV overhead line feeder, the LV distribution kiosk, the pole transformer and upstream 11 kV lines. In addition, the developer pays for the dedicated infrastructure, being a LV feeder breaker and the meter to be installed in the distribution kiosk.	4 021,00	4,60	4 205,97	3,00	4 370,00	4,50	4 566,05	4,40%	4 767,58	per kVA													

## DIRECTORATE - TECHNICAL AND INFRASTRUCTURE SERVICES

## CIVIL BULK SERVICES CONTRIBUTIONS: NEW DEVELOPMENTS

## 1. CONTRIBUTIONS NORTH OF THE N4 (COUNCIL RES. 610 OF 25 SEPTEMBER 2001)

Date	Pipeline	Storage	Pipeline	Treatment	Stormwater	Roads
01 January 2023	R 1 091/Eq.Erf	R 1 091/Eq.Erf	R 2 458/Eq.Erf	R 2 192/m <sup>3</sup>	R 1210/Eq.Erf	R 3 350/trips

## 2. CONTRIBUTIONS SOUTH OF THE N4 (COUNCIL RES. 69 OF 28 MAY 2002)

Date	Water all inclusive	Pipeline	Treatment	Stormwater	Roads
01 January 2023	R 7 170/Eq Erf	R 2 241/Eq.Erf	R 1 997/m <sup>3</sup>	R 1 090/Eq.Erf	R 3 186/trips

## 3. CONTRIBUTIONS FOR THE DELTA AREA (COUNCIL RES. 25 - SEPTEMBER 2002)

Date	Water all inclusive	Pipeline	Treatment	Stormwater	Roads
01 January 2023	R 7 170/Eq Erf	R 2 148/Eq.Erf	R 1 997/m <sup>3</sup>	R 1 089/Eq.Erf	R 6 300/trips

## 4. CONTRIBUTIONS FOR AREAS INCLUDING CUCKOO AVE (COUNCIL RES. 93 - 30 JULY 2002)

Date	Water all inclusive	Pipeline	Treatment	Stormwater	Roads
01 January 2023	R 7 170/Eq Erf	R 2 240/Eq.Erf	R 1 995/m <sup>3</sup>	R 1 086/Eq.Erf	R 7 685/trips

## NOTES:

Trips are calculated as follows:

a. Normal residential stand:	(Res 1)	1.5 trips per normal household.
b. Cluster housing:	(Res 2)	1.1 trips per normal household

## WATER BASIC

CONSUMER	Approved Tariffs 2022/2023 monthly	Approved Tariffs 2022/2023 annually	2023/2024 Increase %	Proposed Tariffs 2023/2024 monthly	Proposed Tariffs 2023/2024 annually	2023/2024 Increase %	Proposed Tariffs 2024/2025 monthly	Proposed Tariffs 2024/2025 annually	Billing Method	Proposed Tariffs 2025/2026 monthly	Proposed Tariffs 2025/2026 annually	2025/2026 Increase %
Residential	99,93	1 197,91	4,70%	104,52	1 254,26	4,70%	109,43	1 313,21	Per Unit	114,58	1 374,94	4,70%
Residential Vacant	105,52	1 266,22	4,70%	110,48	1 325,75	4,70%	115,67	1 388,06	Per Unit	121,11	1 453,30	4,70%
INDUSTRIAL	107,95	1 295,41	4,70%	113,02	1 356,28	4,70%	118,34	1 420,03	Per Unit	123,90	1 486,77	4,70%
INDUSTRIAL - Vacant	109,16	1 309,89	4,70%	114,29	1 371,49	4,70%	119,66	1 435,95	Per Unit	125,29	1 503,44	4,70%
Agricultural	102,67	1 232,06	4,70%	107,50	1 289,95	4,70%	112,55	1 360,57	Per Unit	117,84	1 414,05	4,70%
BUSINESS	107,95	1 295,41	4,70%	113,02	1 356,28	4,70%	118,34	1 420,03	Per Unit	123,90	1 486,77	4,70%
BUSINESS - Vacant	107,95	1 295,41	4,70%	113,02	1 356,28	4,70%	118,34	1 420,03	Per Unit	123,90	1 486,77	4,70%
CHURCH	97,58	1 170,99	4,70%	102,17	1 226,00	4,70%	106,97	1 283,62	Per Unit	112,00	1 343,95	4,70%
Educational	97,58	1 170,99	4,70%	102,17	1 226,00	4,70%	106,97	1 283,62	Per Unit	112,00	1 343,95	4,70%
STATE OWNED	102,02	1 224,29	4,70%	106,81	1 281,78	4,70%	111,84	1 342,02	Per Unit	117,09	1 406,10	4,70%
MUNICIPALITY	102,02	1 224,29	4,70%	106,81	1 281,78	4,70%	111,84	1 342,02	Per Unit	117,09	1 406,10	4,70%

## WATER TARIFFS

CONSUMER	Approved Tariff 2022/2023	2023/2024 Increase	Proposed Tariff 2023/2024	2024/2025 Increase	Proposed Tariff 2024/2025	2025/2026 Increase	Proposed Tariff 2025/2026
DOMESTIC (Prepaid and Conventional meters) TOTAL							
Consumption 0KL to 12KL	16 084,6	9,2%	17 564,4	9,2%	19 180,3	9,2%	20 944,9
Consumption 13KL to 25KL	17 012,1	9,2%	18 577,3	9,2%	20 286,4	9,2%	22 152,7
Consumption 26KL to 40KL	20 417,1	9,2%	22 255,9	9,2%	24 546,6	9,2%	26 586,5
Consumption 41KL to 60KL	25 791,4	9,2%	28 164,2	9,2%	30 755,3	9,2%	33 584,8
Consumption above 60KL	29 259,9	9,2%	31 951,9	9,2%	34 891,4	9,2%	38 101,4
Domestic consumers with no meter							
Minimum charge per household per month	98 477,4	9,2%	107 537,3	9,2%	117 430,7	9,2%	128 234,3
AGRICULTURAL DOMESTIC TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 12KL	21 891,0	9,2%	23 904,9	9,2%	26 104,2	9,2%	28 505,8
Consumption 13KL to 25KL	24 025,4	9,2%	26 237,7	9,2%	28 649,4	9,2%	31 285,1
Consumption 26KL to 40KL	26 655,3	9,2%	29 107,6	9,2%	31 785,5	9,2%	34 708,6
Consumption 41KL to 60KL	26 236,1	9,2%	28 649,8	9,2%	31 285,6	9,2%	34 163,8
Consumption above 60KL	28 548,4	9,2%	31 174,9	9,2%	34 043,0	9,2%	37 174,9
INDUSTRIAL TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	25 613,6	9,2%	27 970,0	9,2%	30 543,3	9,2%	33 353,3
Consumption 61KL to 100KL	28 484,9	9,2%	31 105,5	9,2%	33 967,3	9,2%	37 092,2
Consumption 101KL to 150KL	29 968,8	9,2%	32 755,5	9,2%	35 770,1	9,2%	39 050,9
Consumption 151KL+	33 960,8	9,2%	37 085,2	9,2%	40 497,0	9,2%	44 222,8
INDUSTRIAL BOSPOORT TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	27 087,3	9,2%	29 579,4	9,2%	32 300,7	9,2%	35 272,3
Consumption 61KL to 100KL	29 272,6	9,2%	31 965,7	9,2%	34 906,5	9,2%	38 117,9
Consumption 101KL to 150KL	28 565,5	9,2%	31 216,5	9,2%	34 088,4	9,2%	37 245,5
Consumption 151KL+	31 076,7	9,2%	33 957,9	9,2%	37 075,8	9,2%	40 467,1
COMMERCIAL TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	25 956,6	9,2%	28 344,6	9,2%	30 952,3	9,2%	33 799,9
Consumption 61KL to 100KL	27 836,9	9,2%	30 397,9	9,2%	33 194,5	9,2%	36 248,4
Consumption 101KL to 150KL	28 406,9	9,2%	31 493,9	9,2%	34 391,3	9,2%	37 555,4
Consumption 151KL+	31 318,1	9,2%	34 194,9	9,2%	37 345,7	9,2%	40 781,5
INSTITUTIONAL - Church TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	24 571,7	9,2%	26 832,3	9,2%	29 300,9	9,2%	31 996,6
Consumption 61KL to 100KL	26 223,4	9,2%	28 636,0	9,2%	31 270,5	9,2%	34 147,4
Consumption 101KL to 150KL	25 067,2	9,2%	27 374,3	9,2%	29 891,8	9,2%	32 641,8
Consumption 151KL+	27 125,4	9,2%	29 628,9	9,2%	32 346,1	9,2%	35 321,9
INSTITUTIONAL TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	24 088,9	9,2%	26 305,0	9,2%	28 725,1	9,2%	31 367,8
Consumption 61KL to 100KL	25 702,5	9,2%	28 057,1	9,2%	30 649,3	9,2%	33 469,0
Consumption 101KL to 150KL	24 889,3	9,2%	27 179,1	9,2%	29 673,6	9,2%	32 410,1
Consumption 151KL+	27 265,1	9,2%	29 773,5	9,2%	32 512,7	9,2%	35 503,9
INSTITUTIONAL - GOVERNMENT TOTAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	25 651,6	9,2%	28 011,6	9,2%	30 588,7	9,2%	33 402,8
Consumption 61KL to 100KL	29 971,3	9,2%	32 728,7	9,2%	35 739,7	9,2%	39 027,8
Consumption 101KL to 150KL	28 891,4	9,2%	31 549,4	9,2%	34 402,8	9,2%	37 621,6
Consumption 151KL+	31 750,1	9,2%	34 671,1	9,2%	37 850,9	9,2%	41 344,1
PUBLIC AND PRIVATE SCHOOLS	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	25 207,0	9,2%	27 526,0	9,2%	30 058,4	9,2%	32 823,8
Consumption 61KL to 100KL	29 450,5	9,2%	32 160,0	9,2%	35 118,7	9,2%	38 349,6
Consumption 101KL to 150KL	28 046,8	9,2%	30 589,2	9,2%	33 406,7	9,2%	36 801,6
Consumption 151KL+	30 360,0	9,2%	33 214,3	9,2%	36 270,0	9,2%	39 050,9
SPECIAL	-	9,2%	0,0000	9,2%	0,0000	9,2%	0,0000
Consumption 0KL to 60KL	27 176,2	9,2%	29 674,9	9,2%	32 406,7	9,2%	35 388,1
Consumption 61KL to 100KL	28 915,3	9,2%	31 465,2	9,2%	34 361,2	9,2%	37 522,4
Consumption 101KL to 150KL	27 734,4	9,2%	30 326,6	9,2%	33 118,9	9,2%	35 657,1
Consumption 151KL+	30 289,0	9,2%	33 075,6	9,2%	36 118,6	9,2%	39 441,5

ANNEXURE C

NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



SUNDRY WATER TARIFFS

Approved Tariff 2022/2023					Increase 2022/2023	Proposed Tariff 2023/2024				Increase 2023/2024	Proposed Tariff 2024/2025				Increase 2024/2025
Description	Short	Long	Short (Prepaid)	Long (Prepaid)		Short	Long	Short (Prepaid)	Long (Prepaid)		Short	Long	Short (Prepaid)	Long (Prepaid)	
SUMMARY OF WATER CONNECTION															
15 mm Connection	5 714.28	60 512.59	9 256.65	64 009.48	6.50%	6 085.71	64 445.91	9 858.33	68 170.09	6.50%	6 481.28	68 634.90	10 499.12	72 601.15	6.50%
20 mm Connection	5 714.75	44 222.15	9 646.87	64 062.83	6.50%	6 086.21	47 096.59	10 273.91	68 226.92	6.50%	6 481.81	50 157.87	10 941.72	72 661.66	6.50%
25 mm Connection	6 649.92	61 794.95	9 695.22	64 162.89	6.50%	7 082.16	65 811.62	10 325.41	68 333.48	6.50%	7 542.50	70 089.38	10 995.56	72 775.16	6.50%
					6.50%					6.50%					6.50%
	Short	Long	Short (AMR)	Long (AMR)	6.50%	Short	Long	Short (AMR)	Long (AMR)	6.50%	Short	Long	Short (AMR)	Long (AMR)	6.50%
50 mm Connection	24 059.62	96 311.77	32 567.54	104 641.35	6.50%	25 623.50	102 380.34	34 684.43	111 443.04	6.50%	27 289.03	109 035.06	36 938.91	118 686.84	6.50%
80 mm Connection	33 151.19	105 815.32	41 660.76	114 323.23	6.50%	35 306.01	112 693.32	44 388.71	121 754.24	6.50%	37 600.90	120 018.38	47 252.68	129 688.27	6.50%
100 mm Connection	39 631.34	142 231.59	48 139.25	121 025.18	6.50%	42 207.38	151 476.64	51 268.31	128 891.81	6.50%	44 950.86	161 322.62	54 600.75	137 269.78	6.50%
150 mm Connection	59 990.65	142 231.59	68 500.23	148 171.47	6.50%	63 890.04	151 476.64	72 952.74	157 802.61	6.50%	68 042.89	161 322.62	77 694.67	168 059.78	6.50%
					6.50%					6.50%					6.50%
					6.50%					6.50%					6.50%
SUMMARY OF SEWER CONNECTION															
	Short	Long			6.50%		Long			6.50%	Short	Long			6.50%
100 mm Sewer Connection	4 755.90	77 081.51	-	-	6.50%	5 065.03	82 091.81	-	-	6.50%	5 394.26	87 427.78	-	-	6.50%
160 mm Sewer Connection	5 171.11	87 297.01	-	-	6.50%	5 507.24	92 971.32	-	-	6.50%	5 865.21	99 014.45	-	-	6.50%
					6.50%					6.50%					6.50%
					6.50%					6.50%					6.50%
SUMMARY OF METER TEST															
	Cost				6.50%	Cost				6.50%	Cost				6.50%
					6.50%					6.50%					6.50%
15mm Meter Test	1 182.30	-	-	-	6.50%	1 259.15	-	-	-	6.50%	1 341.00	-	-	-	6.50%
20mm Meter Test	1 223.99	-	-	-	6.50%	1 303.55	-	-	-	6.50%	1 388.28	-	-	-	6.50%
25mm Meter Test	1 819.31	-	-	-	6.50%	1 937.56	-	-	-	6.50%	2 063.50	-	-	-	6.50%
50mm Meter Test	2 457.99	-	-	-	6.50%	2 617.76	-	-	-	6.50%	2 787.91	-	-	-	6.50%
50mm Meter Test (connection)	4 894.31	-	-	-	6.50%	5 212.44	-	-	-	6.50%	5 551.24	-	-	-	6.50%
80mm Meter Test	3 371.81	-	-	-	6.50%	3 590.88	-	-	-	6.50%	3 824.39	-	-	-	6.50%
80mm Meter Test (connection)	6 416.79	-	-	-	6.50%	6 833.88	-	-	-	6.50%	7 278.08	-	-	-	6.50%
100mm Meter Test	4 285.65	-	-	-	6.50%	4 564.21	-	-	-	6.50%	4 860.89	-	-	-	6.50%
100mm Meter Test (connection)	7 328.94	-	-	-	6.50%	7 805.32	-	-	-	6.50%	8 312.67	-	-	-	6.50%
150 mm Meter Test	6 263.37	-	-	-	6.50%	6 670.49	-	-	-	6.50%	7 104.07	-	-	-	6.50%
150mm Meter Test (connection)	7 328.94	-	-	-	6.50%	7 805.32	-	-	-	6.50%	8 312.67	-	-	-	6.50%
200mm Meter Test	6 263.37	-	-	-	6.50%	6 670.49	-	-	-	6.50%	7 104.07	-	-	-	6.50%
200mm Meter Test (connection)	7 328.94	-	-	-	6.50%	7 805.32	-	-	-	6.50%	8 312.67	-	-	-	6.50%
15mm water meter KSM	585.32	-	-	-	6.50%	623.36	-	-	-	6.50%	663.88	-	-	-	6.50%
15mm water metered box	830.45	-	-	-	6.50%	884.42	-	-	-	6.50%	941.91	-	-	-	6.50%
20mm water meter KSM	606.66	-	-	-	6.50%	648.22	-	-	-	6.50%	690.36	-	-	-	6.50%
20mm water metered box	1 093.93	-	-	-	6.50%	1 165.03	-	-	-	6.50%	1 240.76	-	-	-	6.50%
25mm water meter KSM	1 389.09	-	-	-	6.50%	1 479.38	-	-	-	6.50%	1 575.54	-	-	-	6.50%
25mm water metered box	1 730.93	-	-	-	6.50%	1 843.44	-	-	-	6.50%	1 963.26	-	-	-	6.50%
50mm water meter	3 852.08	-	-	-	6.50%	4 102.46	-	-	-	6.50%	4 369.12	-	-	-	6.50%
50mm combination meter	12 423.36	-	-	-	6.50%	13 230.88	-	-	-	6.50%	14 090.88	-	-	-	6.50%
80mm water meter	4 902.64	-	-	-	6.50%	5 221.31	-	-	-	6.50%	5 560.70	-	-	-	6.50%
80mm combination meter	13 957.30	-	-	-	6.50%	14 438.63	-	-	-	6.50%	15 377.03	-	-	-	6.50%
100mm water meter	8 398.23	-	-	-	6.50%	8 936.34	-	-	-	6.50%	9 480.20	-	-	-	6.50%
100mm combination meter	15 008.09	-	-	-	6.50%	15 983.61	-	-	-	6.50%	17 022.55	-	-	-	6.50%
150mm water meter	8 754.72	-	-	-	6.50%	9 323.78	-	-	-	6.50%	9 929.82	-	-	-	6.50%
150mm combination meter	29 682.66	-	-	-	6.50%	31 612.03	-	-	-	6.50%	33 666.81	-	-	-	6.50%
Prepaid / smart meter 15 - 25 mm	4 168.91	-	-	-	6.50%	4 439.89	-	-	-	6.50%	4 728.48	-	-	-	6.50%
					6.50%					6.50%					6.50%
OTHER SERVICES															
Description					6.50%					6.50%					6.50%
					6.50%					6.50%					6.50%
WSPD Copy	386.87	-	-	-	6.50%	412.02	-	-	-	6.50%	438.80	-	-	-	6.50%
Water services bylaw copy	96.72	-	-	-	6.50%	103.00	-	-	-	6.50%	109.70	-	-	-	6.50%
Delivery of water by tankers	913.82	-	-	-	6.50%	973.22	-	-	-	6.50%	1 036.48	-	-	-	6.50%
Septic and sewer tank discharging per Litre	0.39	-	-	-	6.50%	0.41	-	-	-	6.50%	0.44	-	-	-	6.50%
Treated Water per m	14.70	-	-	-	6.50%	15.66	-	-	-	6.50%	16.67	-	-	-	6.50%
Portable toilets hire	445.24	-	-	-	6.50%	474.18	-	-	-	6.50%	505.00	-	-	-	6.50%
					6.50%					6.50%					6.50%
					6.50%					6.50%					6.50%
Water quality check per parameter	Based on current rates of appointed service provider				6.50%	Based on current rates of appointed service provider				6.50%	Based on current rates of appointed service provider				6.50%
Night soil disposal per 5kl or part	533.39	-	-	-	6.50%	568.06	-	-	-	6.50%	604.99	-	-	-	6.50%
Prepaid meter tag	191.80	-	-	-	6.50%	204.26	-	-	-	6.50%	217.54	-	-	-	6.50%
Relocation of services	Quote on request				6.50%	Quote on request				6.50%	Quote on request				6.50%
Damage recovery	As per extent based on losses				6.50%	As per extent based on losses				6.50%	As per extent based on losses				6.50%
Adjustment of manhole	Quote on request				6.50%	Quote on request				6.50%	Quote on request				6.50%

SANITATION SERVICES

CONSUMER	Approved Tariff 2020/2021	2020/2021 Increase %	Approved Tariff 2021/2022	2021/2022 Increase %	Proposed Tariff 2022/2023	2022/2023 Increase %	Proposed Tariff 2023/2024	2023/2024 Increase %	Proposed Tariff 2024/2025	2024/2025 Increase %	Proposed Tariff 2025/2026	2025/2026 Increase %	Proposed Tariff 2026/2027	2026/2027 Increase %	Billing Method
Residential 1 TOTAL															
Up to and including 300m2	163,7792	6,50%	174,4248	6,50%	186,7620	9,20%	202,8636	9,20%	221,5160	9,20%	241,8944	9,20%	263,7355	9,20%	Sewer points
301m2 to 1000m2	173,6101	6,50%	184,8848	6,50%	196,9120	9,20%	215,0288	9,20%	234,8116	9,20%	256,4142	9,20%	280,1576	9,20%	
1001m2 to 2000m2	187,6000	6,50%	199,6376	6,50%	212,6744	9,20%	232,4020	9,20%	253,6901	9,20%	276,3329	9,20%	303,9713	9,20%	
2001m2 and Above	206,2401	6,50%	219,9457	6,50%	233,9227	9,20%	255,4436	9,20%	278,9444	9,20%	304,9073	9,20%	334,0073	9,20%	
Residential 2-4 TOTAL															
Up to and including 300m2	165,2704	6,50%	176,0130	6,50%	187,4536	9,20%	204,8560	9,20%	223,5319	9,20%	244,0969	9,20%	266,7310	9,20%	Sewer points
301m2 to 1000m2	175,1787	6,50%	186,9633	6,50%	199,6921	9,20%	218,9717	9,20%	239,0331	9,20%	260,7310	9,20%	283,4142	9,20%	
1001m2 to 2000m2	189,1561	6,50%	201,4936	6,50%	214,5593	9,20%	234,3333	9,20%	255,8620	9,20%	279,4340	9,20%	305,7468	9,20%	
2001m2 and Above	206,2401	6,50%	219,9457	6,50%	233,9227	9,20%	255,4436	9,20%	278,9444	9,20%	304,9073	9,20%	334,0073	9,20%	
Business/Commercial TOTAL															
Up to and including 300m2	178,6566	6,50%	190,1768	6,50%	202,5383	9,20%	221,1710	9,20%	241,5197	9,20%	263,7355	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	188,2645	6,50%	201,1620	6,50%	214,8769	9,20%	235,6656	9,20%	258,1576	9,20%	282,8021	9,20%	308,8021	9,20%	
1001m2 to 2000m2	224,0004	6,50%	238,6553	6,50%	254,1889	9,20%	277,5625	9,20%	303,0673	9,20%	330,9713	9,20%	360,9713	9,20%	
2001m2 and Above	257,7918	6,50%	274,5483	6,50%	292,3639	9,20%	319,2941	9,20%	346,6692	9,20%	380,7468	9,20%	416,7468	9,20%	
Industrial TOTAL															
Up to and including 300m2	186,3962	6,50%	197,4470	6,50%	210,2810	9,20%	229,6288	9,20%	250,7526	9,20%	273,8210	9,20%	300,7468	9,20%	Sewer points
301m2 to 1000m2	205,6083	6,50%	218,9693	6,50%	233,4341	9,20%	254,9569	9,20%	278,8017	9,20%	304,9073	9,20%	334,0073	9,20%	
1001m2 to 2000m2	231,4083	6,50%	247,4756	6,50%	263,8411	9,20%	281,1144	9,20%	304,9073	9,20%	334,0073	9,20%	360,9713	9,20%	
2001m2 and Above	267,9003	6,50%	284,5946	6,50%	303,5163	9,20%	331,4431	9,20%	361,9596	9,20%	395,2339	9,20%	433,9596	9,20%	
Government TOTAL															
Up to and including 300m2	186,3962	6,50%	197,4470	6,50%	210,2810	9,20%	229,6288	9,20%	250,7526	9,20%	273,8210	9,20%	300,7468	9,20%	Sewer points
301m2 to 1000m2	205,6083	6,50%	218,9693	6,50%	233,4341	9,20%	254,9569	9,20%	278,8017	9,20%	304,9073	9,20%	334,0073	9,20%	
1001m2 to 2000m2	231,4083	6,50%	247,4756	6,50%	263,8411	9,20%	281,1144	9,20%	304,9073	9,20%	334,0073	9,20%	360,9713	9,20%	
2001m2 and Above	267,9003	6,50%	284,5946	6,50%	303,5163	9,20%	331,4431	9,20%	361,9596	9,20%	395,2339	9,20%	433,9596	9,20%	
Church TOTAL															
Up to and including 300m2	178,6566	6,50%	190,1768	6,50%	202,4882	9,20%	221,1171	9,20%	241,4599	9,20%	263,6742	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	197,2228	6,50%	210,1168	6,50%	222,7744	9,20%	244,3017	9,20%	266,8429	9,20%	291,8565	9,20%	318,8565	9,20%	
1001m2 to 2000m2	222,4083	6,50%	236,4756	6,50%	251,8511	9,20%	273,0219	9,20%	294,1576	9,20%	314,6596	9,20%	338,6596	9,20%	
2001m2 and Above	257,7918	6,50%	274,5483	6,50%	292,3639	9,20%	319,2941	9,20%	346,6692	9,20%	380,7468	9,20%	416,7468	9,20%	
Educational TOTAL															
Up to and including 300m2	178,6566	6,50%	190,1768	6,50%	202,4882	9,20%	221,1171	9,20%	241,4599	9,20%	263,6742	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	197,2228	6,50%	210,1168	6,50%	222,7744	9,20%	244,3017	9,20%	266,8429	9,20%	291,8565	9,20%	318,8565	9,20%	
1001m2 to 2000m2	222,4083	6,50%	236,4756	6,50%	251,8511	9,20%	273,0219	9,20%	294,1576	9,20%	314,6596	9,20%	338,6596	9,20%	
2001m2 and Above	257,7918	6,50%	274,5483	6,50%	292,3639	9,20%	319,2941	9,20%	346,6692	9,20%	380,7468	9,20%	416,7468	9,20%	
Agr. Residential TOTAL															
Up to and including 300m2	163,7932	6,50%	174,4366	6,50%	186,7749	9,20%	202,8662	9,20%	221,5299	9,20%	241,9107	9,20%	263,7355	9,20%	Sewer points
301m2 to 1000m2	173,6101	6,50%	184,8848	6,50%	196,9120	9,20%	215,0288	9,20%	234,8116	9,20%	256,4142	9,20%	280,1576	9,20%	
1001m2 to 2000m2	187,6000	6,50%	199,6376	6,50%	212,6744	9,20%	232,4020	9,20%	253,6901	9,20%	276,3329	9,20%	303,9713	9,20%	
2001m2 and Above	206,2511	6,50%	219,9574	6,50%	233,9352	9,20%	255,4562	9,20%	278,9562	9,20%	304,9296	9,20%	334,9296	9,20%	
Agr. Business TOTAL															
Up to and including 300m2	178,5919	6,50%	190,2004	6,50%	202,5634	9,20%	221,1999	9,20%	241,5496	9,20%	263,7721	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	195,2549	6,50%	211,1520	6,50%	224,8769	9,20%	246,9556	9,20%	268,1576	9,20%	292,8581	9,20%	318,8565	9,20%	
1001m2 to 2000m2	224,0004	6,50%	238,6756	6,50%	254,1889	9,20%	277,5625	9,20%	303,0673	9,20%	330,9713	9,20%	360,9713	9,20%	
2001m2 and Above	257,7918	6,50%	274,5483	6,50%	292,3639	9,20%	319,2941	9,20%	346,6692	9,20%	380,7468	9,20%	416,7468	9,20%	
Municipal TOTAL															
Up to and including 300m2	178,5919	6,50%	190,2004	6,50%	202,5634	9,20%	221,1999	9,20%	241,5496	9,20%	263,7721	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	195,2549	6,50%	211,1520	6,50%	224,8769	9,20%	246,9556	9,20%	268,1576	9,20%	292,8581	9,20%	318,8565	9,20%	
1001m2 to 2000m2	224,0004	6,50%	238,6756	6,50%	254,1889	9,20%	277,5625	9,20%	303,0673	9,20%	330,9713	9,20%	360,9713	9,20%	
2001m2 and Above	257,7918	6,50%	274,5483	6,50%	292,3639	9,20%	319,2941	9,20%	346,6692	9,20%	380,7468	9,20%	416,7468	9,20%	
Special TOTAL															
Up to and including 300m2	178,5919	6,50%	190,2004	6,50%	202,5634	9,20%	221,1999	9,20%	241,5496	9,20%	263,7721	9,20%	288,8021	9,20%	Sewer points
301m2 to 1000m2	200,0874	6,50%	213,9131	6,50%	226,9441	9,20%	247,9220	9,20%	270,0227	9,20%	295,5200	9,20%	321,2500	9,20%	
1001m2 to 2000m2	225,0000	6,50%	240,2500	6,50%	255,0000	9,20%	270,2500	9,20%	285,0000	9,20%	300,0000	9,20%	315,0000	9,20%	
2001m2 and Above	254,7518	6,50%	271,2073	6,50%	300,2995	9,20%	327,9220	9,20%	359,0963	9,20%	391,0411	9,20%	422,0863	9,20%	
Vacant property TOTAL															
Up to and including 300m2	166,9393	6,50%	177,7893	6,50%	189,3456	9,20%	205,7654	9,20%	225,7878	9,20%	246,5933	9,20%	268,2500	9,20%	Sewer points
301m2 to 1000m2	183,6296	6,50%	195,5848	6,50%	208,2765	9,20%	226,4793	9,20%	246,9822	9,20%	270,2125	9,20%	291,2125	9,20%	
1001m2 to 2000m2	205,6500	6,50%	219,0340	6,50%	233,3712	9,20%	250,6000	9,20%	270,1500	9,20%	291,1500	9,20%	312,1500	9,20%	
2001m2 and Above	234,4526	6,50%	248,7022	6,50%	265,5333	9,20%	282,9300	9,20%	311,1150	9,20%	336,2936	9,20%	362,2936	9,20%	

## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



WASTE MANAGEMENT SERVICES UNIT									
Description	Tariff Code	Unit	Current Tariff 2022/2023	4.4 % Increase 2023/2024	Proposed Tariff 2024/2025	Proposed Tariff 4.5 % Increase 2025/2026	Billing method	4.40% Increase 2023/2024	
<b>1. DOMESTIC</b>									
Collection of 4 refuse bags/or 240L bin 1x per week -res 1 - Including Basic Charge	AA	R/month	166,69	174,02	181,86	190,04	Per unit	4,4	
ADDITIONAL REFUSE BAGS REMOVAL (PER BAG)	NEW		41,68	43,51	45,47	47,52		4,4	
Collection of 4 refuse bags/or 240L bin 1x per week res 2-4	BA	R/month	166,69	174,02	181,86	190,04		4,4	
BASIC CHARGE WITHOUT COLLECTION (Applicable to vacant stands for street cleaning)	NEW		83,34	87,01	90,92	95,01		4,4	
<b>2. COMMERCIAL/INDUSTRIAL</b>									
BASIC CHARGE (Without Collection)		R/month	638,29	666,37	696,36	727,70	Per unit	4,4	
BAG COLLECTION 2 X PER WEEK		R/month	638,29	666,37	696,36	727,70		4,4	
240L BULK CONTAINER 1 X WEEK	CF	R/month	638,29	666,37	696,36	727,70		4,4	
240L BULK CONTAINER (ADDITIONAL)	CG	R/month	543,42	567,33	592,85	619,54		4,4	
770L BULK CONTAINER 1 X WEEK		R/month	1897,64	1981,14	2070,29	2163,45		4,4	
770L BULK CONTAINER (ADDITIONAL)		R/month	1804,35	1874,94	1959,31	2038,98		4,4	
1100L BULK CONTAINER 1 X WEEK		R/month	2726,69	2845,61	2973,66	3107,49		4,4	
1100L BULK CONTAINER (ADDITIONAL)		R/month	2311,66	2413,37	2521,97	2635,46		4,4	
1,5 m³ BULK CONTAINER 1 X WEEK	CB	R/month	3105,21	3241,84	3387,72	3540,17		4,4	
1,5 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CC	R/month	2656,68	2773,57	2898,38	3028,81		4,4	
4,0 m³ BULK CONTAINER 1 X WEEK		R/month	7072,99	7384,20	7716,49	8063,73		4,4	
4,0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)		R/month	5968,91	6231,54	6511,96	6805,00		4,4	
6,0 m³ BULK CONTAINER 1 X WEEK	CD	R/month	10480,51	10941,65	11434,03	11948,56		4,4	
6,0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CE	R/month	8884,36	9275,27	9692,66	10128,83		4,4	
<b>3. INSTITUTIONAL</b>									
<b>MUNICIPAL</b>	EA	R/month	175,09	182,79	191,02	199,62	Per unit	4,4	
<b>GOVERNMENT</b>	FA	R/month	175,09	182,79	191,02	199,62	Per unit	4,4	
<b>CHURCH</b>	GA	R/month	175,09	182,79	191,02	199,62	Per stand	4,4	
<b>EDUCATIONAL</b>	JA	R/month	175,09	182,79	191,02	199,62	Per stand	4,4	
<b>4. RENTAL SERVICES</b>									
240L BIN RENTAL (Including disposal costs)	CJ	R/week	301,4	314,66	328,82	343,62		4,4	
770L CONTAINER RENTAL (Including disposal costs)		R/week	604,37	630,96	659,36	689,03		4,4	
1100L CONTAINER RENTAL (Including disposal costs)		R/week	690,7	721,09	753,54	787,45		4,4	
4 m³ SKIP CONTAINER RENTAL (Per Load/ Removal)	CK	R/week	800	835,20	872,78	912,06		4,4	
6 m³ SKIP CONTAINER RENTAL (Per Load/ Removal)		R/week	1000	1044,00	1090,98	1140,07		4,4	
8 m³ SKIP CONTAINER RENTAL (Per Load/ Removal)		R/week	1500	1566,00	1636,47	1710,11		4,4	
12 m³ SKIP CONTAINER RENTAL (Per Load/ Removal)		R/week	1800	1879,20	1963,76	2052,13		4,4	
36/38 m³ RORO CONTAINER RENTAL (Per Load/Removal)		R/week	3000	3132,00	3272,94	3420,22		4,4	
<b>5. OTHER SERVICES</b>									
ANNUAL REGISTRATION AND LICENSING OF COMMERCIAL/ PRIVATE WASTE COLLECTORS FROM THE JURISDICTION OF RLM (ONCE OFF PAYMENT THAT MUST BE PAID ONCE IN A FINANCIAL YEAR) Less than 4 ton vehicle	NEW		2297,58	2398,67352	2506,61	2619,41	NEW	4,4	
ANNUAL REGISTRATION AND LICENSING OF COMMERCIAL/ PRIVATE WASTE COLLECTORS FROM OUTSIDE THE JURISDICTION OF RLM (ONCE OFF PAYMENT THAT MUST BE PAID ONCE IN A FINANCIAL YEAR) More than 4 ton vehicle			3446,36	3598,00	3759,91	3929,11	NEW	4,4	
ANNUAL REGISTRATION AND LICENSING OF COMMERCIAL/ PRIVATE WASTE COLLECTORS FROM OUTSIDE THE JURISDICTION OF RLM (ONCE OFF PAYMENT THAT MUST BE PAID ONCE IN A FINANCIAL YEAR) Less than 4 ton vehicle	NEW		1723,18	1799,00	1879,95	1964,55	NEW	4,4	
RENTAL OF WASTE MANAGEMENT HALL		R/day	1382,41	1443,24	1508,18	1576,05		4,4	
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1-1000 SQUARE METRES		R/stand	14050,13	14668,34	15328,41	16018,19		4,4	
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1001 SQUARE METRES AND ABOVE		R/stand	17388,8	18153,91	18970,83	19824,52		4,4	
SPECIAL WASTE REMOVAL	KA	R/cit	1453,44	1517,39	1585,67	1657,03		4,4	
CARCASS REMOVAL	KD	R/carcass	401,63	419,30	438,17	457,89		4,4	
CONDAMNED FOODSTUFF		R/t	137,115	1431,48	1495,90	1563,21		4,4	
CONDAMNED FOODSTUFF < 1 ton	NEW	<ton	600	628,40	658,59	684,04		4,4	
STREET SWEEPER OR COLLECTION WORKER		R/h	188,83	197,14	206,01	215,28		4,4	
DRIVER		R/h	279,14	291,42	304,54	318,24		4,4	
240 LITRE BIN ONCE OFF PURCHASE	R		886,83	925,85	967,51	1006,51		4,4	
770 LITRE BIN ONCE OFF PURCHASE	R		8346,61	8713,86	9105,98	9515,75		4,4	
1100 LITRE BIN ONCE OFF PURCHASE	R		8694,39	9076,94	9485,41	9912,25		4,4	
<b>6. DISPOSAL CHARGES AT THE DROP-OFF CENTRES AND TRANSFER STATIONS</b>									
Garden Waste Disposal by non-commercial residents	NEW		0		0	0			
<b>7. DISPOSAL CHARGES AT THE WATERVAL LANDFILL</b>									
Non Municipal Resident									
General waste (household waste and similar commercial, industrial and institutional waste)	R/t		517,22	539,9768	564,28	589,67		4,4	
Construction and demolition waste (uncontaminated soil and rubble up to a length of 80 cm from edge to edge)	R/t		8,21	8,57	8,96	9,36		4,4	
Rubble (stone, concrete or asphalt) with a length of larger than 80 cm from edge to edge	R/t		16,43	17,15	17,92	18,73		4,4	
Mixed construction and demolition waste (including glass, packaging, gypsum, wood, plastics, metals, etc.)	R/t		1378,55	1439,21	1503,97	1571,65		4,4	
Special waste (includes solid, liquid, sludge waste or waste requiring special handling, e.g. condemned foodstuff, animal carcasses, de-listed sanitary waste, rags and grit from sewerage works, incinerator ash, sludge etc.)	R/t		328,4	342,85	358,28	374,40		4,4	
All special wastes will require prior approval and laboratory testing)			0	0	0	0			
Mixed industrial and commercial waste	R/t		246,3	257,14	268,71	280,80		4,4	
Waste tyres up to a diameter of 0,8 m (normal passenger vehicle tyre) - without wheel rim	R/tyre		229,76	239,87	250,66	261,94		4,4	
Waste tyres up to a diameter of 0,8 m (normal passenger vehicle tyre) - with wheel rim	R/tyre		344,64	359,80	376,00	392,92		4,4	
Waste tyres with a diameter of larger than 0,8 m - without wheel rim	R/tyre		574,38	599,66	626,65	654,85		4,4	
Waste tyres with a diameter of larger than 0,8 m - with wheel rim	R/tyre		919,03	959,47	1002,64	1047,76		4,4	
Tires cut or shredded	R/t		2297,58	2398,67	2506,61	2619,41		4,4	
Bulky waste (Furniture, sofas, beds, mattresses, shelves, carpets, bicycles, and other bulky household items)	R/t		82,1	85,71	89,57	93,60		4,4	
Garden Waste Disposal	R/t		16,43	17,15	17,92	18,73		4,4	

SWIMMING POOLS					
Name of Facility	Description	Current Tariff 2023	Proposed Tariff 2024	Proposed Tariff 2025	Proposed Tariff 2026
Maras Street Swimming Pool	Adult (18 years and older)	R20,00	R21,00	R22,00	R23,00
	Child (between 3 and 17 years)	R6,00 (during weekends, School holidays and Public holidays)	R7,00 (during weekends, School holidays and Public holidays)	R8,00 (during weekends, School holidays and Public holidays)	R9,00 (during weekends, School holidays and Public holidays)
	Pensioner (63 years and over / Pensioner with pension cards)	R10,00 (during the week Monday to Friday)	R11,00 (during the week Monday to Friday)	R12,00 (during the week Monday to Friday)	R13,00 (during the week Monday to Friday)
	School Group Booking (0 to 600 kids) no group bookings on weekends, school holidays and public holidays	R5,00 per ticket one entry	R6,00 per ticket one entry	R7,00 per ticket one entry	R8,00 per ticket one entry
	Private Event (terms and conditions apply)	R2 000,00	R2 100,00	R2 200,00	R2 300,00
	Gala (Provincial National)	R3 000 (RLM collect gate takings) or R10 400 (Swimming Club collect gate takings) Access to the Clubhouse included (terms and conditions apply)	R3 150 (RLM collect gate takings) or R10 400 (Swimming Club collect gate takings) Access to the Clubhouse included (terms and conditions apply)	R3 250 (RLM collect gate takings) or R10 400 (Swimming Club collect gate takings) Access to the Clubhouse included (terms and conditions apply)	R3 350 (RLM collect gate takings) or R10 400 (Swimming Club collect gate takings) Access to the Clubhouse included (terms and conditions apply)
	Gala (School Inter-house/Inter-high)	R1 000 (Spectators pay normal entry fee at municipal cashier, Access to the Clubhouse included (terms and conditions apply)	R1 050 (Spectators pay normal entry fee at municipal cashier, Access to the Clubhouse included (terms and conditions apply)	R1 100 (Spectators pay normal entry fee at municipal cashier, Access to the Clubhouse included (terms and conditions apply)	R1 150 (Spectators pay normal entry fee at municipal cashier, Access to the Clubhouse included (terms and conditions apply)
	Coaching or Teaching Swimming Lessons per month	R650,00	R600,00	R550,00	R1 000,00
	Harry Wulfes Hall	n/a	Deposit R620 Rental R1240 Total R1860	Deposit R620 Rental R1300 Total R1920	Deposit R620 Rental R1360 Total R1970
Middle Street Swimming Pool	Adult (18 years and older)	R20,00	R21,00	R22,00	R23,00
	Child (between 3 and 17 years)	R6,00 (during weekends, School holidays and Public holidays)	R7,00 (during weekends, School holidays and Public holidays)	R8,00 (during weekends, School holidays and Public holidays)	R9,00 (during weekends, School holidays and Public holidays)
	Pensioner (63 years and over / Pensioner with pension cards)	R10,00 (during the week Monday to Friday)	R11,00 (during the week Monday to Friday)	R12,00 (during the week Monday to Friday)	R13,00 (during the week Monday to Friday)
	School Group Booking (0 to 600 kids) no group bookings on weekends, school holidays and public holidays	R5,00 per ticket	R6,00 per ticket	R7,00 per ticket one entry	R8,00 per ticket one entry
	Coaching or Teaching Swimming Lessons per month	R650,00	R600,00	R550,00	R1 000,00
	Private Event (terms and conditions apply)	R2 000,00	R2 100,00	R2 200,00	R2 300,00
Zinnvale Swimming Pool	Adult (18 years and older)	R20,00	R21,00	R22,00	R23,00
	Child (between 3 and 17 years)	R6,00 (during weekends, School holidays and Public holidays)	R7,00 (during weekends, School holidays and Public holidays)	R8,00 (during weekends, School holidays and Public holidays)	R9,00 (during weekends, School holidays and Public holidays)
	Pensioner (63 years and over / Pensioner with pension cards)	R10,00 (during the week Monday to Friday)	R11,00 (during the week Monday to Friday)	R12,00 (during the week Monday to Friday)	R13,00 (during the week Monday to Friday)
	School Group Booking (0 to 600 kids) no group bookings on weekends, school holidays and public holidays	R5,00 per ticket	R6,00 per ticket	R7,00 per ticket one entry	R8,00 per ticket one entry
	Coaching or Teaching Swimming Lessons per month	R650,00	R600,00	R550,00	R1 000,00
Kallerspark Swimming Pool	Adult (18 years and older)	R20,00	R21,00	R22,00	R23,00
	Child (between 3 and 17 years)	R6,00 (during weekends, School holidays and Public holidays)	R7,00 (during weekends, School holidays and Public holidays)	R8,00 (during weekends, School holidays and Public holidays)	R9,00 (during weekends, School holidays and Public holidays)
	Pensioner (63 years and over / Pensioner with pension cards)	R10,00 (during the week Monday to Friday)	R11,00 (during the week Monday to Friday)	R12,00 (during the week Monday to Friday)	R13,00 (during the week Monday to Friday)
	School Group Booking (0 to 600 kids) no group bookings on weekends, school holidays and public holidays	R5,00 per ticket	R6,00 per ticket	R7,00 per ticket one entry	R8,00 per ticket one entry
	Coaching or Teaching Swimming Lessons per month	R650,00	R600,00	R550,00	R1 000,00
Monakato Swimming Pool	Adult (18 years and older)	R20,00	R21,00	R22,00	R23,00
	Child (between 3 and 17 years)	R6,00 (during weekends, School holidays and Public holidays)	R7,00 (during weekends, School holidays and Public holidays)	R8,00 (during weekends, School holidays and Public holidays)	R9,00 (during weekends, School holidays and Public holidays)
	Pensioner (63 years and over / Pensioner with pension cards)	R10,00 (during the week Monday to Friday)	R11,00 (during the week Monday to Friday)	R12,00 (during the week Monday to Friday)	R13,00 (during the week Monday to Friday)
	School Group Booking (0 to 600 kids) no group bookings on weekends, school holidays and public holidays	R5,00 per ticket	R6,00 per ticket	R7,00 per ticket one entry	R8,00 per ticket one entry
	Coaching or Teaching Swimming Lessons per month	R650,00	R600,00	R550,00	R1 000,00



ANNEXURE C

NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



LIBRARY & INFORMATION SERVICES

Description	Old Tariff R/C	Current 2022/23 R/C	Proposed 2023/24 R/C	Proposed 2024/25 R/C	Proposed 2025/26 R/C	2023/24 INCREASE R/C	% INCREASE
<b>FEES FOR OVERDUE LIBRARY MATERIAL</b>							
Fine per week or part thereof (three days grace during first week)	R5,00 per item	R5,50 per item	R5,50 per item	R5,75 per item	R 6,00 per item	R 0,00	
Maximum fine	R86,00 per item	R88,00 per item	R91,80 per item	R91,80 per item	R 95,80 per item	R 3,80	4,40%
<b>FEES FOR DAMAGED OR LOST LIBRARY MATERIAL AND MEMBERSHIP CARD</b>							
Loss or serious damage to any library material	Purchase price plus a 10% administration charge	Purchase price plus a 10% administration charge	Purchase price plus a 10% administration charge	Purchase price plus a 10% administration charge	Purchase price plus a 10% administration charge		
Any material mutilated, defaced, marked, creased or damaged by water, heat, fire, animals, or any other thing, but can still be circulated:							
Purchase price lower than R50,00	R14,00 fine per item	R14,00 fine per item	R 14,60 per item	R 14,60 per item	R 15,20 per item	R 0,00	
Purchase price higher than R50,00	R22,00 fine per item	R22,00 fine per item	R 23,00 fine per item	R 23,00 fine per item	R 24,00 per item	R 0,00	
Protective coverings of library material removed or damaged	R14,00 fine per item	R14,00 fine per item	R14,00 fine per item	R14,60 fine per item	R 15,20 per item	R 0,00	
Membership card lost or damaged -							
Issuing of duplicate card to adults	R30,00 per card	R45,00 per card	R45,00 per card	R47,00 per card	R 47,00 per card	R 0,00	
Issuing of duplicate card to children	R10,00 per card	R25,00 per card	R25,00 per card	R26,00 per card	R 26,00 per card	R 0,00	
<b>MEMBERSHIP AND USER FEES</b>							
<b>Membership fees for loan services</b>							
<b>Books</b>							
Persons residing and/or employed within the area of jurisdiction of the Rustenburg Local Municipality	Free of charge	R45,00 per card	47,00 per card	R49,00 per card	R 51,00 per card	R 2,00	4,40%
Persons residing and/or employed outside the area of jurisdiction of the Rustenburg Local Municipality							
(a) Adults (non refundable fee)	R64,10 per person per year	R83,00 per person per year	R87,00 per person per year	R91,00 per person per year	R95,00 per person per year	R4,00	4,40%
(b) Children (non refundable fee)	R27,60 per person per year	R43,00 per person per year	R45,00 per person per year	R47,00 per person per year	R 49,00 per person	R2,00	4,40%
<b>Audio-visual material</b>							
<b>Records, compact discs and cassettes -</b>							
(a) Persons residing and/or employed within the area of jurisdiction of the Rustenburg Local Municipality	R60,00 per person per year	R63,00 per person per year	R63,00 per person per year	R65,50 per person per year	R 65,50 per person	R 0,00	0,00%
(b) Persons residing and/or employed outside the area of jurisdiction of the Rustenburg Local Municipality	R100,00 per person per year	R103,00 per person per year	R103,00 per person per year	R107,50 per person per year	R 107,50 per person	R 0,00	0,00%
<b>Books on tape, videos and art prints</b>							
(a) Persons residing and/or employed within the area of jurisdiction of the Rustenburg Local Municipality	R41,00 per person per year	R43,00 per person per year	R43,00 per person per year	R45,00 per person per year	R 45,00 per person	R 0,00	0,00%
(b) Persons residing and/or employed outside the area of jurisdiction of the Rustenburg Local Municipality	R65,00 per person per year	R67,00 per person per year	R67,00 per person per year	R70,00 per person per year	R 70,00 per person	R 0,00	0,00%
<b>Reservation and external request</b>							
Reservation of library material out on loan	R5,00 per item	R6,50 per item	R6,50 per item	R7,00 per item	R 7,00 per person	R 0,00	0,00%
Provincial library loans: Service resides with the Provincial Library Services,	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00	4,40%
Inter-library loans (on national level)	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00	4,40%
(1) Books: The service resides with the Provincial Library Services, Requests and costs are handled by the Provincial Library Services,	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00	4,40%
(2) Non-book material (periodicals, music scores, etc): NB The service resides with the Provincial Library Services, Requests and costs are handled by the Provincial Library Services,	R0,00	R0,00	R0,00	R0,00	R0,00	R0,00	4,40%
<b>SABINET (Computerised national information network)</b>							
Information searches	R2,90 per enquiry unit	R0,00	R0,00	R0,00	0	0	4,40%
Inter-library loans via SABINET: Service discontinued and is now offered free of charge by the Provincial Library Service	R0,00 per request, R2,00 per enquiry unit plus costs of lending library/institution	R 0,00	R0,00	R0,00	R 0,00	R 0,00	4,40%
<b>Internet</b>							
Internet search/access	Free of charge: Province will be supplying access (PIA)	Free of charge: Province is supplying access to internet for free (PIA)	Free of charge: Province is supplying access to internet for free (PIA)	Free of charge: Province is supplying access to internet for free (PIA)			4,40%
<b>Printouts</b>							
§ A4 paper (black & white) Tariff revised to bring it to par with photocopy charges,	R1,00 per A4 page	R2,00 per copy	R 2,00 per copy	R 2,50 per copy	R 2,50 per copy	R 0,00	0,00%
§ A4 paper (colour) Tariff revised to bring it to par with photocopy charges, The Main Library does not have colour printing functions, only black and white function,	R2,00 per A4 page	R4,00 per copy	R4,00 per copy	R 5,00 per copy	R 5,00 per copy	R 0,00	0,00%
<b>Computer printouts</b>							
Black ink printouts	R3,40 per A4 page	R2,00 per A4 page	R 2,00 per copy	R 2,50 per copy	R 2,50 per copy	R 0,00	0,00%
Colour ink printouts	R2,00 per A4 page	R4,00 per A4 page	R 4,00 per copy	R 5,00 per copy	R 5,00 per copy	R 0,00	0,00%
<b>Photocopies</b>							
A4 paper (black & white)	R1,00 per copy	R2,00 per copy	R2,00 per copy	R3,00 per copy	R 3,00 per copy	R 0,00	0,00%
A3 paper (black & white)	R2,00 per copy	R4,00 per copy	R4,00 per copy	R6,00 per copy	R 6,00 per copy	R 0,00	0,00%
A4 paper (colour)	R2,00 per copy	R3,00 per copy	R3,00 per copy	R4,00 per copy	R 4,00 per copy	R 0,00	0,00%
A3 paper (colour)	R3,00 per copy	R5,00 per copy	R5,00 per copy	R6,00 per copy	R 6,00 per copy	R 0,00	0,00%
<b>Typing</b>							
New		R2,50 per page	R2,50 per page	R3,00 per page	R3,00 per page	R 0,00	0,00%
<b>Facsimiles</b>							
Facsimiles received	R5,50 per page	R5,50 per page	R5,50 per page	R6,00 per page	R 6,00 per page	R 0,00	0,00%
Facsimiles sent	R6,00 per page	R6,00 per page	R6,50 per page	R6,50 per page	R 6,50 per page	R 0,00	0,00%
<b>Other services</b>							
Services such as the provision of reference, study and reading facilities, information and reference enquiries, reader guidance services, etc	Free of charge	Free of charge	Free of charge	Free of charge	Free of charge		4,40%
<b>RENTING OF AUDITORIUMS AND EQUIPMENT</b>							
The full amount payable must be paid when making the reservation							4,40%
The breakage deposit indicated below will only be refunded if there were no losses or damages							4,40%
<b>Library auditoriums and activity rooms</b>							
Cultural associations and clubs, educational institutions, community development agents and welfare organisations: <b>Regular use</b>	R350,00 deposit and R400,00 rent per occasion	R350,00 deposit and R400 rent per occasion	R350,00 deposit and R400,00 rent per occasion	R400,00 deposit and R500,00 rent per occasion	R 400,00 deposit and R 500,00 rent per occasion	R 0,00	0,00%
Cultural associations and clubs, educational institutions, community development agents and welfare organisations: <b>Ad hoc use</b>	R400,00 deposit and R550,00 rent per occasion	R400,00 deposit and R550,00 rent per occasion	R400,00 deposit and R550,00 rent per occasion	R500,00 deposit and R650,00 rent per occasion	R500,00 deposit and R650,00 rent per occasion	R 0,00	0,00%
Businesses or profit-seeking body or individual	R700,00 deposit and R900,00 rent per occasion	R800,00 deposit and R1000,00 rent per occasion	R800,00 deposit and R1000,00 rent per occasion	R900,00 deposit and R1100,00 rent per occasion	R900,00 deposit and R1100,00 rent per occasion	R 0,00	0,00%
<b>Equipment</b>							
Use of TV and video machine, slide or film projector, overhead projector, data video projector (with screen where required) and sound equipment -							
(a) Organisations indicated in points 4.1.1 and 4.1.2 above	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre		
(b) Businesses or profit-seeking body or individual	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre	Similar than for the equipment of the Civic Centre		

CIVIC CENTRE & COMMUNITY HALLS	2022-26 (Proposed Tariffs)						2022-26 (Proposed Tariffs)						2022-26 (Proposed Tariffs)					
	Name of Facility			Rental	Refundable Deposit	Total	Rental			Refundable Deposit	Total	Rental			Refundable Deposit	Total		
	Proposed 22/23	Proposed 22/23	22/23	Proposed 23/24	Proposed 23/24	23/24	Proposed 24/25	Proposed 24/25	24/25	Proposed 25/26	Proposed 25/26	25/26	Proposed 26/26	Proposed 26/26	26/26			
Atrium	R5 300,00	R1 840,00	R7 140,00	R5 543,00	R1 924,00	7 467	R5 543,00	R1 924,00	7 467	R5 543,00	R1 924,00	7 467	R5 543,00	R1 924,00	7 467			
Auditorium	R10 104,00	R1 840,00	R11 944,00	R10 568,00	R1 924,00	12 492	R10 568,00	R1 924,00	12 492	R10 568,00	R1 924,00	12 492	R10 568,00	R1 924,00	12 492			
Banquet hall	R8 012,00	R1 840,00	R9 852,00	R8 853,00	R1 924,00	11 777	R8 853,00	R1 924,00	11 777	R8 853,00	R1 924,00	11 777	R8 853,00	R1 924,00	11 777			
Banquet hall half	R4 006,00	R1 840,00	R5 846,00	R4 251,00	R1 924,00	6 175	R4 251,00	R1 924,00	6 175	R4 251,00	R1 924,00	6 175	R4 251,00	R1 924,00	6 175			
Caucus rooms	R1 474,00	n/a	R1 474,00	R1 541,00	n/a	1 541	R1 541,00	n/a	1 541	R1 541,00	n/a	1 541	R1 541,00	n/a	1 541			
City hall	R9 445,00	R1 840,00	R11 285,00	R9 879,00	R1 924,00	11 803	R9 879,00	R1 924,00	11 803	R9 879,00	R1 924,00	11 803	R9 879,00	R1 924,00	11 803			
City hall half	R4 801,00	R1 840,00	R6 641,00	R5 021,00	R1 924,00	6 945	R5 021,00	R1 924,00	6 945	R5 021,00	R1 924,00	6 945	R5 021,00	R1 924,00	6 945			
Terrace/Pergola	R2 100,00	R738,00	R2 838,00	R2 196,00	R771,00	2 967	R2 196,00	R771,00	2 967	R2 196,00	R771,00	2 967	R2 196,00	R771,00	2 967			
Main bar	R2 340,00	R738,00	R3 078,00	R2 447,00	R771,00	3 218	R2 447,00	R771,00	3 218	R2 447,00	R771,00	3 218	R2 447,00	R771,00	3 218			
Preparation fee/Rehearsal fee	R1 725,00	n/a	R1 725,00	R1 876,00	n/a	1 876	R1 876,00	n/a	1 876	R1 876,00	n/a	1 876	R1 876,00	n/a	1 876			
Hiring fee per chair	R14,00	n/a	R14,00	R14,60	n/a	15	R14,60	n/a	15	R14,60	n/a	15	R14,60	n/a	15			
Hiring fee per square table	R30,00	n/a	R30,00	R31,00	n/a	31	R31,00	n/a	31	R31,00	n/a	31	R31,00	n/a	31			
Hiring fee per round table	R41,00	n/a	R41,00	R42,00	n/a	42	R42,00	n/a	42	R42,00	n/a	42	R42,00	n/a	42			
Foyer	R2 030,00	n/a	R2 030,00	R2 123,00	n/a	2 123	R2 123,00	n/a	2 123	R2 123,00	n/a	2 123	R2 123,00	n/a	2 123			
B Tause Austrian Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Markana Community Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Ben Marais Hall	R4 926,00	R2 071,00	R6 997,00	R5 150,00	R2 166,00	R7 316,00	R5 150,00	R2 166,00	R7 316,00	R5 150,00	R2 166,00	R7 316,00	R5 150,00	R2 166,00	R7 316,00			
Photoshoot	R250,00	n/a	R250,00	R260,00	n/a	R260,00	R270,00	n/a	R270,00	R270,00	n/a	R270,00	R270,00	n/a	R270,00			
Boitekong Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Meriting Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Monakato Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Old Town Hall	R3 825,00	R2 071,00	R5 896,00	R4 000,00	R2 166,00	R6 166,00	R4 000,00	R2 166,00	R6 166,00	R4 000,00	R2 166,00	R6 166,00	R4 000,00	R2 166,00	R6 166,00			
Phatima Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Thabane Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
VIA van Zyl	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Zimniaville Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Paeckel Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			
Spurspook Hall	R1 847,00	R1 035,00	R2 882,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00	R1 931,00	R1 082,00	R3 013,00			



## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



SPORTS FACILITIES	2022-23 (Current Tariffs)			2023-24 (Proposed Tariffs)			2024-25 (Proposed Tariffs)			2025-26 (Proposed Tariffs)		
	Rental	Refundable Deposit	Total	Rental	Refundable Deposit	Total	Rental	Refundable Deposit	Total	Rental	Refundable Deposit	Total
	2023	2023	2023	Proposed 23/24	Proposed 23/24	23/24	Proposed 24/25	Proposed 24/25	24/25	Proposed 25/26	Proposed 25/26	25/26
Olympia Park Stadium (Private Use)	10 300	2 500	12 800	10 750	2 500	13 250	11 200	2 500	13 700	11 700	2 500	14 200
Olympia Park Stadium (Government)	7 500	2 500	10 000	7 830	2 500	10 330	8 170	2 500	10 670	8 500	2 500	11 000
Olympia Park Stadium (Professional Events)	22 500	3 700	26 200	23 500	3 700	27 200	24 530	3 700	28 230	25 600	3 700	29 300
Olympia Park Stadium (Schools/Education Centres)	4 700	2 500	7 200	4 900	2 500	7 400	5 110	2 500	7 610	5 300	2 500	7 800
Olympia Park Stadium Preparation Fee per day	1 700	-	1 700	1 770	-	1 770	1 840	-	1 840	1 900	-	1 900
Kitchen	1 240	620	1 860	1 290	620	1 910	1 340	620	1 960	1 400	620	2 020
Flood Lights Olympia Park Stadium per hour	990	-	990	1 030	-	1 030	1 075	-	1 075	1 100	-	1 100
Single Barricade	50	5 000	5 050	55	5 000	5 055	60	5 000	5 060	62	5 000	5 062
Double Barricade	100	5 000	5 100	105	5 000	5 105	110	5 000	5 110	115	5 000	5 115
Super Suite Hall	4 380	1 240	5 620	4 570	1 240	5 810	4 770	1 240	6 010	4 980	1 240	6 220
Super Suite Preparation Fee per day	940	-	940	980	-	980	1 020	-	1 020	1 060	-	1 060
North West Hall	1 240	620	1 860	1 300	620	1 920	1 350	620	1 970	1 400	620	2 020
North West Hall Preparation Fee per day	560	-	560	580	-	580	600	-	600	630	-	630
Small Halls 2 to 5	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Tennis Clubhouse	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Rugby Clubhouse	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Hockey Clubhouse	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Rustenburg East Clubhouse	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Rustenburg East Tennis Clubhouse	1 130	620	1 750	1 180	620	1 800	1 230	620	1 850	1 290	620	1 910
Outside Sports Grounds Professional Events	5 000	2 000	7 000	5 220	2 000	7 220	5 450	2 000	7 450	5 700	2 000	7 700
Outside Sports Grounds Private Events	2 000	1 500	3 500	2 100	1 500	3 600	2 200	1 500	3 700	2 300	1 500	3 800
Outside Sports Grounds Sports Events	500	1 000	1 500	520	1 000	1 520	540	1 000	1 540	560	1 000	1 560

## CEMETERIES

## PROPOSED

## Tariff 2023 2024

Description	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark	Increase (%)
Adult Resident	R 1 040.00	R 763.00	R 763.00	R 763.00	R 763.00	R 763.00	R 763.00	R 1 040.00	-----	-----	4.5%
Adult Non-resident	R 2 439.00	R 1 259.00	R 1 259.00	R 1 259.00	R 1 259.00	R 1 259.00	R 1 259.00	R 2 439.00	-----	-----	
Child Resident (under 14)	-----	R 455.00	R 283.00	R 283.00	R 283.00	R 283.00	R 283.00	R 455.00	-----	-----	
Child Non-resident (under 14)	-----	R 855.00	R 855.00	R 855.00	R 855.00	R 855.00	R 855.00	R 1 539.00	-----	-----	
Monumental Adult resident	R 1 404.00	-----	-----	-----	-----	-----	-----	R 1 544.00	-----	-----	
Monumental Adult Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 676.00	-----	-----	
Monumental Child Resident	-----	-----	-----	-----	-----	-----	-----	R 1 215.00	-----	-----	
Monumental Child Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 441.00	-----	-----	
Pauper burial-Adults grave	-----	-----	-----	-----	-----	-----	-----	R 326.00	-----	-----	
pauper burial-Child grave	-----	-----	-----	-----	-----	-----	-----	R 165.00	-----	-----	

Remembrance Hall	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Urn Resident	R 450.00	-----	-----	-----	-----	-----	-----	R 450.00	-----	-----
Urn Non-resident	R 702.00	-----	-----	-----	-----	-----	-----	R 702.00	-----	-----

Sundry Tariffs	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Exhumation – All	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00	R 326.00
Approval of Plans Residents	R 191.00	-----	R 191.00	R 191.00	R 191.00	R 191.00	R 191.00	R 191.00	R 191.00	R 191.00
Approval of Plans Non Residents	R 611.00	-----	R 268.00	R 268.00	R 268.00	R 268.00	R 268.00	R 268.00	R 268.00	R 268.00
After Hours Burial Resident	R 532.00	-----	185	185	185	185	185	R 532.00	-----	-----
After Hours Burial Non Resident	R 636.00	-----	636	636	636	636	636	R 636.00	-----	-----
Re-opening	R 760.00	-----	354	354	354	354	354	R 761.00	-----	-----
Additional depth-new	R 104.00	-----	100	100	100	100	100	R 100.00	-----	-----
Oversize coffins	R 68.00	68	68	68	68	68	68	R 100.00	-----	-----

Reservations	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Garden Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations
Monumental Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations

## CEMETERIES

## PROPOSED

## Tariff 2024 2025

Description	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark	Increase (%)4.4
Adult Resident	R 1 085.00	R 796.00	R 796.00	R 796.00	R 796.00	R 796.00	R 796.00	R 1 085.00	-----	-----	
Adult Non-resident	R 2 546.00	R 1 314.00	R 1 314.00	R 1 314.00	R 1 314.00	R 1 314.00	R 1 314.00	R 2 794.00	-----	-----	
Child Resident (under 12)	-----	R 475.00	R 295.00	R 295.00	R 295.00	R 295.00	R 295.00	R 787.00	-----	-----	
Child Non-resident (under 12)	-----	R 893.00	R 893.00	R 893.00	R 893.00	R 893.00	R 893.00	R 1 607.00	-----	-----	
Monumental Adult resident	R 1 465.00	-----	-----	-----	-----	-----	-----	R 1 612.00	-----	-----	
Monumental Adult Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 793.00	-----	-----	
Monumental Child Resident	-----	-----	-----	-----	-----	-----	-----	R 1 268.00	-----	-----	
Monumental Child Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 467.00	-----	-----	
Pauper burial-Adults grave	-----	-----	-----	-----	-----	-----	-----	R 340.00	-----	-----	
pauper burial-Child grave	-----	-----	-----	-----	-----	-----	-----	R 172.00	-----	-----	

Remembrance Hall	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Urn Resident	R 470.00	-----	-----	-----	-----	-----	-----	R 470.00	-----	-----
Urn Non-resident	R 732.00	-----	-----	-----	-----	-----	-----	R 732.00	-----	-----

Sundry Tariffs	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Exhumation – All	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00	R 340.00
Approval of Plans Residents	R 159.00	R 199.00	R 199.00	R 199.00	R 199.00	R 199.00	R 199.00	R 199.00	R 199.00	R 199.00
Approval of Plans Non Residents	R 639.00	-----	R 280.00	R 280.00	R 280.00	R 280.00	R 280.00	R 280.00	R 280.00	R 280.00
After Hours Burial Resident	R 555.00	-----	193	193	193	193	193	R 555.00	-----	-----
After Hours Burial Non Resident	R 664.00	R 664.00	R 664.00	R 664.00	R 664.00	R 664.00	R 664.00	R 664.00	-----	-----
Re-opening	R 793.00	-----	369	369	369	369	369	R 793.00	-----	-----
Additional depth	R 108.00	-----	108	108	108	108	108	R 108.00	-----	-----
Oversize coffins	R 70.00	70	70	70	70	70	70	R 70.00	-----	-----

Reservations	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Garden Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations
Monumental Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations

## CEMETERIES

## PROPOSED

## Tariffs 2025 2026

Description	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark	Increase (%)4.4
Adult Resident	R 1 132.00	R 831.00	R 831.00	R 831.00	R 831.00	R 831.00	R 831.00	R 1 132.00	-----	-----	
Adult Non-resident	R 2 658.00	R 1 371.00	R 1 371.00	R 1 371.00	R 1 371.00	R 1 371.00	R 1 371.00	R 2 915.00	-----	-----	
Child Resident (under 12)	-----	R 495.00	R 307.00	R 307.00	R 307.00	R 307.00	R 307.00	R 862.00	-----	-----	
Child Non-resident (under 12)	-----	R 973.00	R 973.00	R 973.00	R 973.00	R 973.00	R 973.00	R 1 686.00	-----	-----	
Monumental Adult resident	R 1 596.00	-----	-----	-----	-----	-----	-----	R 1 682.00	-----	-----	
Monumental Adult Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 915.00	-----	-----	
Monumental Child Resident	-----	-----	-----	-----	-----	-----	-----	R 1 323.00	-----	-----	
Monumental Child Non-resident	-----	-----	-----	-----	-----	-----	-----	R 2 575.00	-----	-----	
Pauper burial-Adults grave	-----	-----	-----	-----	-----	-----	-----	R 355.00	-----	-----	
pauper burial-Child grave	-----	-----	-----	-----	-----	-----	-----	R 180.00	-----	-----	

Remembrance Hall	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Urn Resident	R 490.00	-----	-----	-----	-----	-----	-----	R 490.00	-----	-----
Urn Non-resident	R 767.00	-----	-----	-----	-----	-----	-----	R 767.00	-----	-----

Sundry Tariffs	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark
Exhumation – All	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00	R 353.00
Approval of Plans Residents	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00	R 207.00
Approval of Plans Non Residents	R 667.00	-----	R 292.00	R 292.00	R 292.00	R 292.00	R 292.00	R 292.00	R 292.00	R 292.00
After Hours Burial Resident	R 604.00	-----	289	289	289	289	289	R 579.00	-----	-----
After Hours Burial Non Resident	R 693.00	R 693.00	R 693.00	R 693.00	R 693.00	R 693.00	R 693.00	R 693.00	-----	-----
Re-opening	R 827.00	-----	385	385	385	385	385	R 827.00	-----	-----
Additional depth	R 112.00	-----	R 112.00	R 112.00	R 112.00	R 112.00	R 112.00	R 112.00	-----	-----
Oversize coffins	R 73.00	R 73.00	R 73.00	R 73.00	R 73.00	R 73.00	R 73.00	R 73.00	-----	-----

Reservations											
Description	Donkerhoek	Zinniville	Karlenspark	Marikana	Phatsima	Lethabong	Monakato	Rietvlei	Tlhabane	Sunrisepark	
Garden Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	
Monumental Section	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	No reservations	

# ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



### HIRING OF SHOWGROUNDS HALLS

TARIFF DESCRIPTION	Frequency	Tariffs 2021/22	Tariffs 2022/23	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26	2023/2024 INCREASE	2023/24 INCREASE
		R/C	R/C	R/C	R/C	R/C	R/C	(%)
<b>HALLS</b>								
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Ans van Zyl Hall	Per Day	R3 584	R3 734	R3 734	R3 899	R4 070	-	0% p.a.
Ans van Zyl Hall	Per Week	R25 086	R26 140	R26 140	R27 290	R28 491	-	0% p.a.
Ans van Zyl Hall	Per Month	R71 675	R74 685	R74 685	R77 971	R81 402	-	0% p.a.
Ans van Zyl Hall	Per Rib Show	R10 034	R10 456	R10 456	R10 916	R11 396	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Johann Voster	Per Day	R3 584	R3 734	R3 734	R3 899	R4 070	-	0% p.a.
Johann Voster	Per Week	R17 919	R18 671	R18 671	R19 493	R20 360	-	0% p.a.
Johann Voster	Per Month	R53 305	R55 544	R55 544	R57 988	R60 539	-	0% p.a.
Johann Voster	Per Rib Show	R7 163	R7 464	R7 464	R7 792	R8 135	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Opperman	Per Day	R3 584	R3 734	R3 734	R3 899	R4 070	-	0% p.a.
Opperman	Per Week	R17 919	R18 671	R18 671	R19 493	R20 360	-	0% p.a.
Opperman	Per Month	R53 305	R55 544	R55 544	R57 988	R60 539	-	0% p.a.
Opperman	Per Rib Show	R5 017	R5 226	R5 226	R5 498	R5 698	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Notte- Bigger Hall	Per Day	R715	R745	R745	R777	R812	-	0% p.a.
Notte- Bigger Hall	Per Week	R21 502	R22 405	R22 405	R23 391	R24 421	-	0% p.a.
Notte- Bigger Hall	Per Month	R57 340	R59 748	R59 748	R62 377	R65 121	-	0% p.a.
Notte- Bigger Hall	Per Rib Show	R7 884	R8 215	R8 215	R8 577	R8 954	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Notte Small Hall	Per Day	R2 656	R2 768	R2 768	R2 890	R3 017	-	0% p.a.
Notte Small Hall	Per Week	R17 202	R17 924	R17 924	R18 713	R19 536	-	0% p.a.
Notte Small Hall	Per Month	R52 533	R54 740	R54 740	R57 148	R59 663	-	0% p.a.
Notte Small Hall	Per Rib Show	R3 584	R3 734	R3 734	R3 899	R4 070	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
KJH Behrens	Per Day	R3 403	R3 546	R3 546	R3 702	R3 855	-	0% p.a.
KJH Behrens	Per Week	R25 086	R26 140	R26 140	R27 290	R28 491	-	0% p.a.
KJH Behrens	Per Month	R71 675	R74 685	R74 685	R77 971	R81 402	-	0% p.a.
KJH Behrens	Per Rib Show	R10 034	R10 456	R10 456	R10 916	R11 396	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Flip Joubert	Per Day	R3 584	R3 734	R3 734	R3 899	R4 070	-	0% p.a.
Flip Joubert	Per Week	R25 086	R26 140	R26 140	R27 290	R28 491	-	0% p.a.
Flip Joubert	Per Month	R71 675	R74 685	R74 685	R77 971	R81 402	-	0% p.a.
Flip Joubert	Per Rib Show	R10 034	R10 456	R10 456	R10 916	R11 396	-	0% p.a.
Administrative Fee	Once Off	R143	R149	R149	R156	R163	-	0% p.a.
Kobie van Zyl	Per Day	R35 837	R37 342	R37 342	R38 986	R40 701	-	0% p.a.
Kobie van Zyl	Per Week	R25 086	R26 140	R26 140	R27 290	R28 491	-	0% p.a.
Kobie van Zyl	Per Month	R71 675	R74 685	R74 685	R77 971	R81 402	-	0% p.a.
Kobie van Zyl	Per Rib Show	R10 034	R10 456	R10 456	R10 916	R11 396	-	0% p.a.
<b>RENTAL FOR RUSTENBURG SHOWS</b>								
Application Fee	Once Off	R3 138	R3 270	R3 270	R3 414	R3 564	-	0% p.a.
Part or Whole of Showgrounds	Per Day	R9 113	R9 495	R9 495	R9 913	R10 349	-	0% p.a.
	Per Week	R63 786	R66 465	R66 465	R69 390	R72 443	-	0% p.a.
	Per Month	R255 145	R265 861	R265 861	R277 558	R289 771	-	0% p.a.
<b>RENTAL FOR OVAL RACING / RELATED</b>								
Application Fee	Once Off	R3 138	R3 270	R3 270	R3 414	R3 564	-	0% p.a.
Part or whole of Facility	Per Day	R4 556	R4 748	R4 748	R4 957	R5 175	-	0% p.a.
	Per Week	R31 895	R33 234	R33 234	R34 697	R36 223	-	0% p.a.
	Per Month	R127 679	R132 937	R132 937	R138 786	R144 893	-	0% p.a.
<b>RENTAL FOR AGRICULTURE SHOWS / RELATED</b>								
Application Fee	Once Off	R2 092	R2 180	R2 180	R2 276	R2 376	-	0% p.a.
Proposed Farmer Production Support Unit / Agri-Park	Per Day	R1 883	R1 962	R1 962	R2 048	R2 138	-	0% p.a.
	Per Week	R13 180	R13 733	R13 733	R14 337	R14 968	-	0% p.a.
	Per Month	R52 718	R54 933	R54 933	R57 350	R59 873	-	0% p.a.

\* 50% discount is proposed for weekly and monthly rates only for the financial year 2023/24 to encourage increased and sustainable occupancy, collection and support to local small businesses  
NB: Discount does not apply to application / administrative fees

### HIRING OF THE VARIOUS OFFICES OF THE SMME SUPPORT & DEVELOPMENT CENTRE

TARIFF DESCRIPTION	Frequency	Tariffs 2021/22	Approved Tariffs 2022/23	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26	2023/2024 INCREASE	2023/24 INCREASE
		R/C	R/C	R/C	R/C	R/C	R/C	(%)
<b>OFFICE 1</b>								
Administrative Fee	Once Off	R156	R163	R163	R164	R170	-	0% p.a.
Usage	Per Day	R547	R570	R570	R573	R597	-	0% p.a.
Usage	5 Days Per Week	R2 346	R2 444	R2 444	R2 454	R2 557	-	0% p.a.
Usage	7 Days Per Week	R2 737	R2 852	R2 852	R2 863	R2 983	-	0% p.a.
Usage	Per Month	R11 729	R12 221	R12 221	R12 268	R12 783	-	0% p.a.
Usage	Per Annum	R140 743	R146 654	R146 654	R147 217	R153 400	-	0% p.a.
<b>OFFICE 2</b>								
Administrative Fee	Once Off	R156	R163	R163	R164	R170	-	0% p.a.
Usage	Per Day	R547	R570	R570	R573	R597	-	0% p.a.
Usage	5 Days Per Week	R2 346	R2 444	R2 444	R2 454	R2 557	-	0% p.a.
Usage	7 Days Per Week	R2 737	R2 852	R2 852	R2 863	R2 983	-	0% p.a.
Usage	Per Month	R11 729	R12 221	R12 221	R12 268	R12 783	-	0% p.a.
Usage	Per Annum	R140 743	R146 654	R146 654	R147 217	R153 400	-	0% p.a.
<b>OFFICE 3</b>								
Administrative Fee	Once Off	R156	R163	R163	R164	R170	-	0% p.a.
Usage	Per Day	R547	R570	R570	R573	R597	-	0% p.a.
Usage	5 Days Per Week	R2 346	R2 444	R2 444	R2 454	R2 557	-	0% p.a.
Usage	7 Days Per Week	R2 737	R2 852	R2 852	R2 863	R2 983	-	0% p.a.
Usage	Per Month	R11 729	R12 221	R12 221	R12 268	R12 783	-	0% p.a.
Usage	Per Annum	R140 743	R146 654	R146 654	R147 217	R153 400	-	0% p.a.

### BUILDING CONTROL

TARIFF DESCRIPTION	Approved tariff 2021/2022	Current Tariff 2022/2023	Proposed Tariff 2023/2024	Proposed Tariff 2024/2025	Proposed Tariff 2025/2026
	R/C	R/C	R/C	R/C	R/C
<b>DETERMINATION OF CHARGES PAYABLE TO THE LOCAL AUTHORITY WITH REGARDS TO THE EXAMINATION OF APPROVAL OF BUILDING PLANS AND RELATED MATTERS</b>					
<b>DWELLING HOUSES</b>					
For new residential buildings, additions, new proposals, designs, amended plans (without additional area)	R 4,80 per m <sup>2</sup> (minimum R480,00 levy)	R 5,00 per m <sup>2</sup> (minimum R500,00 levy)	R 5,20 per m <sup>2</sup> (minimum R520,00 levy)	R 5,40 per m <sup>2</sup> (minimum R540,00 levy)	R 5,60 per m <sup>2</sup> (minimum R560,00 levy)
For alterations, amended plans (without additional area)	R 4,80 per m <sup>2</sup> (minimum R480,00 levy)	R 5,00 per m <sup>2</sup> (minimum R500,00 levy)	R 5,20 per m <sup>2</sup> (minimum R520,00 levy)	R 5,40 per m <sup>2</sup> (minimum R540,00 levy)	R 5,60 per m <sup>2</sup> (minimum R560,00 levy)
<b>OTHER BUILDINGS</b>					
For new other buildings, additions, new proposals, designs, amended plans (other buildings)	R 6,80 per m <sup>2</sup> (minimum R800,00 levy)	R 7,20 per m <sup>2</sup> (minimum R835,00 levy)	R 7,50 per m <sup>2</sup> (minimum R870,00 levy)	R 7,80 per m <sup>2</sup> (minimum R910,00 levy)	R 8,00 per m <sup>2</sup> (minimum R950,00 levy)
For alterations, amended plans (without additional area)	R 6,80 per m <sup>2</sup> (minimum R800,00 levy)	R 7,20 per m <sup>2</sup> (minimum R835,00 levy)	R 7,50 per m <sup>2</sup> (minimum R870,00 levy)	R 7,80 per m <sup>2</sup> (minimum R910,00 levy)	R 8,00 per m <sup>2</sup> (minimum R950,00 levy)
For renewal of a plan after approval has lapsed	R510,00 per application	R530,00 per application	R550,00 per application	R580,00 per application	R600,00 per application
For tenant/ shop layouts	R500,00 per application	R500,00 per application	R940,00 per application	R980,00 per application	R 1020,00 per application
Minor building work	R510,00 per application	R530,00 per application	R550,00 per application	R580,00 per application	R600,00 per application
Re-roofing (amended plan)	R510,00 per application	R530,00 per application	R550,00 per application	R570,00 per application	R590,00 per application
Gasfuel pumps installations	R845,00 per application	R900,00 per application	R940,00 per application	R960,00 per application	R 1020,00 per application
Low cost housing -by government/ council	No fee (submit proof)	No fee (submit proof)	No fee (submit proof)	No fee (submit proof)	No fee (submit proof)
Projects by state department on property owned by state	R2,10 per m <sup>2</sup> minimum or motivation for exemption DG of State Department	R2,20 per m <sup>2</sup> minimum or motivation for exemption DG of State Department	R2,30 per m <sup>2</sup> minimum or motivation for exemption DG of State Department	R2,40 per m <sup>2</sup> minimum or motivation for exemption DG of State Department	R2,50 per m <sup>2</sup> minimum or motivation for exemption DG of State Department
For section7(6) application	R4,30 per m <sup>2</sup> minimum R800,00 levy	R4,50 per m <sup>2</sup> minimum R835,00 levy	R4,70 per m <sup>2</sup> minimum R870,00 levy	R4,90 per m <sup>2</sup> minimum R910,00 levy	R 5,10 per m <sup>2</sup> minimum R950,00 levy
Demolishment	R510,00 per application	R530,00 per application	R550,00 per application	R570,00 per application	R590,00 per application
Antennae/masts	R510,00 per application	R530,00 per application	R550,00 per application	R570,00 per application	R590,00 per application
For examination of preliminary sketch plans	R4,20 per m <sup>2</sup> minimum R480,00 levy	R4,40 per m <sup>2</sup> minimum R500,00 levy	R4,60 per m <sup>2</sup> minimum R520,00 levy	R4,80 per m <sup>2</sup> minimum R540,00 levy	R 5,00 per m <sup>2</sup> minimum R540,00 levy
Inspection fee from 2nd re-inspection	R510,00 per application	R530,00 per application	R550,00 per application	R570,00 per application	R590,00 per application

### TARIFFS FOR TRADING STALLS (INDIVIDUAL/SHARED)

TARIFF DESCRIPTION	Administrative 2022/23 Non-Refundable	Draft Administrative Fee 2023/24 Non-Refundable	Refundable Deposit 2022/23 Deposit	Draft Refundable Deposit 2023/24 Deposit	2023/24 INCREASE R/C	2023/24 INCREASE (%)	Approved Tariffs 2022/23 R/C	Draft Tariffs 2023/24 R/C	Tariffs 2024/25 R/C	Tariffs 2025/26 R/C
MAX BORNMAN TRADING AREA										
6 x 6m Stalls		R165	R165	R1 102	R1 102	R-	0.0%	R566	R566	R592
6 x 6m Stall (Shared)		R165	R165	R1 102	R1 102	R-	0.0%	R566	R566	R592
3x 6m Stall		R165	R165	R827	R827	R-	0.0%	R424	R424	R443
3x 6m Stall (Shared)		R165	R165	R827	R827	R-	0.0%	R424	R424	R443
3 x 3m Stall		R165	R165	R551	R551	R-	0.0%	R281	R281	R294
HAWKERS\NFORMAL TRADING OPEN AREAS AT AREA ABUTTING FATIMA BHAYAT DRIVE NEAR TUNNEL										
2 x 3m Open Space		R116	R116	R116	R116	R-	0.0%	R163	R163	R171
HAWKERS\NFORMAL TRADING OPEN SPACE 2: AREA OPPOSITE MAX BORNMAN SHOPPING CENTRE										
Demarcated Open Space		R116	R116	R116	R116	R-	0.0%	R163	R163	R171
SUPPLIERS' DEMARCATED OFFLOADING PARKINGSACES : BETHLEHEM DRIVE										
Parking/Loading Zone/Space		R116	R116	R929	R929	R-	0.0%	R562	R562	R588
HAWKERS STALLS AT BAMTA TRADING SHARED\NDIVIDUAL STALLS										
3 x 4,1m Stalls (Shared)		R116	R116	R58	R58	R-	0.0%	R218	R218	R228
BAMTA Taxi Aisle		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
BUS Rank Terminals		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
HAWKERS STALLS AT THE MAIN TAXI RANK TRADING AREA (SHARED & INDIVIDUAL STALLS)										
3 x 3m Stall		R116	R116	R464	R464	R-	0.0%	R281	R281	R294
3 x 3m Stall (Shared)		R116	R116	R464	R464	R-	0.0%	R281	R281	R294
Taxi Aisle		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
OPEN ALIENATED TRADING SPACES : OTHER AREAS OUTSIDE THE CBD										
Rustenburg & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Thabane & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Botlekong & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Paardekraal & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Meriting & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Lethabong & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Marikana & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Phetane & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Boshoek		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Monakato & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
Freedom Park & Extensions		R116	R116	R58	R58	R-	0.0%	R163	R163	R171
OTHER TRADING AREAS										
Trading near malls near the CBD (town) area	R-	R-	R-	R-	R-	0.0%	R218	R218	R228	R238
Trading near malls near in the township and rural areas	R-	R-	R-	R-	R-	0.0%	R218	R218	R228	R238
Trading from Mobile Container	R-	R-	R-	R-	R-	0.0%	R1 042	R1 042	R1 090	R1 140

## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



## OUTDOOR ADVERTISING SIGNS TARIFFS

TARIFF DESCRIPTION	Approved Tariffs 2022/23	Tariff Description2	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26
<b>CLASS 1: Billboards</b>					
Administration fee					
Gantry billboards (Display fee on Municipal Property and other Government facilities)	R416	Free applicable across board. Per Advertisement/Application	R416	R435	R455
Large billboards (Display fee on Municipal Property and other Government facilities)	R18 111	Gantry billboards (>18m²<81m²)	R18 111	R18 944	R19 815
Medium billboards (Display fee on Municipal Property and other Government facilities)	R5 979	Large billboards (>241m²<81m²)	R5 979	R18 944	R19 815
Small billboards (Display fee on Municipal Property and other Government facilities)	R4 864	Medium billboards (>19m²<41m²)	R5 979	R6 254	R6 542
Smaller than 4,5m² (Display fee on Municipal Property and other Government facilities)	R4 217	Small billboards (>4,5m²<19m²)	R4 864	R5 088	R5 322
Display fee Per Advertisement/Application - Private Property, including Private Education facilities (All signs in Class 1)	R9 721	Smaller than 4,5m²	R4 217	R4 411	R4 614
Electric and illuminated signs for all Class 1 signs (Display fee on both Municipal and Private Properties per square metre)		All permissible sizes	R9 721	R10 168	R10 636
Encroachment fee (Municipal land) per square metre for each sign type	R313				
<b>CLASS 2: Signs On Buildings And Structures</b>					
<b>Projecting signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Application	R583		R583	R610	R638
Encroachment fee (Municipal land) per square metre for each sign type	R313		R313	R327	R342
<b>Building attachment (roof signs, signs and murals on walls and roofs, a sign in the fabric of a building and advertisements on towers, bridges and pylons)</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 168		R1 168	R1 222	R1 278
<b>Wall signs/fascia signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per sign	R583	Display fee on Private Property. Per Advertisement/Application	R583	R610	R638
Electric and illuminated signs for all Class 2 signs (Display fee on both Municipal and Private Properties per square metre)	R578		R578	R604	R632
<b>Ground sign (excluding billboards)</b>					
Encroachment fee (Municipal land) per square metre for each sign type	R313		R313	R327	R342
Display fee per Advertisement	R1 709	Display fee on Private Property. Per Advertisement/Application	R1 709	R1 798	R1 870
<b>CLASS 3: Signs on Premises and miscellaneous signs</b>					
<b>Boundary walls and entrance gates</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 198		R1 198	R1 253	R1 311
<b>Residential and community service oriented buildings (e.g. government facilities, NPOs and/or CBOs etc.)</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 198		R1 198	R1 253	R1 311
<b>On-premises Business signs in urban Areas</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Application	R4 337		R4 337	R4 537	R4 745
<b>Residential and community service oriented buildings (e.g. government facilities, NPOs and/or CBOs etc.) - Urban areas</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 812		R1 812	R1 895	R1 962
<b>Signs for agricultural and related land use in rural and natural Areas</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 168		R1 168	R1 222	R1 278
Electric and illuminated signs for all Class 3 signs (Display fee on both Municipal and Private Properties per square metre)	R578		R578	R604	R632
<b>CLASS 4: Signs for Pedestrian Environments and Streets-scaping</b>					
<b>Street furniture signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 365		R1 365	R1 427	R1 493
<b>Street light/street pole signs, etc.</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 365		R1 365	R1 427	R1 493
<b>Permanent signs on poles</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per advertisement per month	R207		R207	R217	R227
Electric and illuminated signs for all Class 4 signs (Display fee on both Municipal and Private Properties per square metre)	R578		R578	R604	R632
<b>CLASS 5: Signs for Tourists and Travellers</b>					
<b>Service facility signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 198		R1 198	R1 253	R1 311
<b>Road traffic project signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 198		R1 198	R1 253	R1 311
<b>Tourism information signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement (Sponsored/Branded Tourism Attraction Signs) - Municipal Property	R2 343		R2 343	R2 451	R2 564
Display fee per Advertisement (Sponsored/Branded Tourism Attraction Signs) - Private Property	R1 198	Display fee on Private Property. Per Advertisement/Application	R1 198	R1 253	R1 311
<b>Gateway signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R1 198		R1 198	R1 253	R1 311
Electric and illuminated signs for all Class 5 signs (Display fee on both Municipal and Private Properties per square metre)	R578		R578	R604	R632
<b>CLASS 6: Mobile signs</b>					
<b>Advertising vehicles</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Mobile trailer Advertising (limited to 14 days display)	R466		R466	R488	R510
Display fee per Advertisement (other Mobile signs)	R502		R502	R526	R550
<b>Digital/Electronic/Electrical/Illuminated signs on mobile equipment</b>					
Electric and illuminated signs for all Class 6 signs (Display fee on Municipal and Private Properties per square metre)	R578		R578	R604	R632
<b>CLASS 7: Temporary Advertising</b>					
<b>In respect of general advertisements of a commercial nature (Events) i.e. construction site advertisements, signs for sporting events, festival &amp; exhibitions, temporary window signs etc.</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Up to 100 posters	R3 501		R3 501	R3 662	R3 830
Fee per poster	R36		R36	R37	R39
Stickers for each poster	R21		R21	R22	R23
<b>In respect of general advertisements for non-profit organisations (subject to submission of a NPO certificate from relevant authority - e.g. government)</b>					
<b>In respect of election advertisements, per party/per candidate</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Posters (unlimited number)	R2 917		R2 917	R3 051	R3 192
<b>Estate agents boards (Annual tariffs)</b>					
Administration fee (per agent)	R416	Per Advertisement/Application	R416	R435	R455
Advertising deposit (per agent)	R4 708		R4 708	R4 925	R5 151
Annual Licensing Fee (Residential)	R2 186		R2 186	R2 286	R2 392
Annual Licensing Fee (Commercial, Industrial, Non-residential Property)	R8 261		R8 261	R8 641	R9 038
<b>Banners</b>					
Per banner per square metre (R300m²)	R313		R313	R327	R342
Sticker for each banner	R21		R21	R22	R23
Administration fee	R416		R416	R435	R455
<b>CLASS 8: Other signs</b>					
<b>Security signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R664		R664	R695	R727
<b>Public service and other information signs</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R578		R578	R604	R632
<b>Aerial advertisements</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Display fee per Advertisement	R2 342		R2 342	R2 450	R2 562
Refundable Deposit					
<b>Electric and illuminated signs for all Class 8 signs (Display fee on Municipal and Private Properties per square metre)</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
Advertisement (per square metre for all permissible sizes)	R578		R578	R604	R632
<b>Portable boards</b>					
Administration fee	R416	Per Advertisement/Application	R416	R435	R455
<b>Penalties</b>					
For the erection of any sign without approval, per week per square metre	R1 786	Fine per square metre per week per illegal sign	R1 786	R1 868	R1 964
For the erection of any billboards without approval, per week per square metre	R5 261	Fine per square metre per week per illegal billboard	R5 261	R5 503	R5 754
For the erection of any posters without approval, per week	R1 756	Fine for illegal posters per week	R1 756	R1 837	R1 921
Storage fee (illegal confiscated signs)	R87	Storage fee per day (illegal Advertisements) for all applicable classes	R87	R91	R95
<b>Appeals</b>					
Inspections	R5 395	Lodging of an Appeal per advertisement for all classes	R5 395	R5 643	R5 903
Removable posters, should the Municipality remove any poster (per poster)	R216	Inspection Fee for all classes (Per application/Advertisement)	R216	R226	R236
	R117		R117	R122	R128



## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF


**BUSINESS LICENSING TARIFFS**  
 (Proposed tariffs in terms of the NW Business  
 Licensing Act no. 3 of 2019)

TARIFF DESCRIPTION	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26
<b>SALE &amp; SUPPLY OF PERISHABLE FOODSTUFFS</b>			
Restaurants	R1 000	R1 046	R1 094
Cafes	R1 000	R1 046	R1 094
Coffee Houses	R1 000	R1 046	R1 094
Fast Food Outlets	R1 000	R1 046	R1 094
Kiosks	R250	R262	R274
Supermarkets/ Hypermarkets	R1 000	R1 046	R1 094
Vegetable/Fruit/Flower vendor	R250	R262	R274
Informal trader/hawker	R250	R262	R274
Spaza shop	R250	R262	R274

<b>PROVISION OF HEALTH AND OTHER CARE FACILITIES</b>			
Private Hospitals	R1 000	R1 046	R1 094
Private Clinics	R1 000	R1 046	R1 094
Maternity & Baby Care Clinics	R250	R262	R274
Creches/ Kindergartens	R1 000	R1 046	R1 094
Pharmacies	R1 000	R1 046	R1 094
Eye care providers	R1 000	R1 046	R1 094
Laboratories	R1 000	R1 046	R1 094
Beauty parlours/Hair & Nail Salons/Slimming Clinics	R500	R523	R547

<b>ACCOMMODATION, ENTERTAINMENT AND LEISURE FACILITIES</b>			
Hotels/Motels/Lodges	R1 000	R1 046	R1 094
Bed and Breakfast facilities	R500	R523	R547
Hotel facilities/Boarding Houses/Room rentals	R1 000	R1 046	R1 094
Motor racing/Quad biking facilities	R1 000	R1 046	R1 094
Bowling Alleys	R500	R523	R547
Bars & Pubs	R1 000	R1 046	R1 094
Liquor Outlets	R1 000	R1 046	R1 094
Night clubs/ Dance halls	R1 000	R1 046	R1 094
Cinema/ Drive-in	R500	R523	R547
Theatres	R500	R523	R547
Family entertainment facilities	R1 000	R1 046	R1 094

<b>OTHER RETAIL/ SERVICE OUTLETS</b>			
Clothing/ Shoe retailers	R1 000	R1 046	R1 094
Motor vehicle dealerships & service centres	R1 000	R1 046	R1 094
Electronics provider	R1 000	R1 046	R1 094
Building Materials suppliers	R1 000	R1 046	R1 094
Factories	R1 000	R1 046	R1 094
Household services providers (plumbing/electrical/construction etc.)	R500	R523	R547
General dealers	R500	R523	R547
Bookstores and Music dealerships	R1 000	R1 046	R1 094
Laundromat/Dry Cleaners	R500	R523	R547
Furniture and appliance dealers	R1 000	R1 046	R1 094
Traditional herbs and accessories	R500	R523	R547
Equipment hire providers	R1 000	R1 046	R1 094
Carpenters/Upolsters	R500	R523	R547
Fuel retailers (LPG/Petro/Diesel)	R1 000	R1 046	R1 094
Factories	R1 000	R1 046	R1 094
Storage facilities	R1 000	R1 046	R1 094

<b>OTHER LARGE/COMMERCIAL BUSINESSES</b>			
Depots (Trucks/Recycling)	R3 000	R3 138	R3 282
Processing plants	R3 000	R3 138	R3 282
Shopping malls	R5 000	R5 230	R5 471
Mobile Container	R1 000	R1 046	R1 094

HOUSING							
	Approved Tariff 2019/2020	Approved Tariff 2020/2021	Approved Tariff 2021/2022	Current Tariff 2022/2023	Proposed Tariff 2023/2024	Proposed Tariff 2024/2025	Proposed Tariff 2025/2026
<b>CRU'S BOTKONG EXT 12 (NO INCREASE)</b>							
1 BEDROOM	R 300,00	R 300,00	R 300,00	R 300,00	R 300,00	R 300,00	R 300,00
2 BEDROOM	R 500,00	R 500,00	R 500,00	R 500,00	R 500,00	R 500,00	R 500,00
3 BEDROOM	R 700,00	R 700,00	R 700,00	R 700,00	R 700,00	R 700,00	R 700,00
<b>AMBERBOOM (LOW COST HOUSES)</b>							
1 BEDROOM	20%	20%	20%	20%	20%	20%	20%
2 BEDROOM	25%	25%	25%	25%	25%	25%	25%
3 BEDROOM	30%	30%	30%	30%	30%	30%	30%
<b>PERSONNEL HOUSES (MARKET RELATED)</b>							
FLATS	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00
HOUSES	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00	R 3 500,00
<b>KERK OLD AGE FLATS</b>							
1 BEDROOM (SINGLE)	8%	8%	8%	8%	8%	8%	8%
2 BEDROOM (DOUBLE)	10%	10%	10%	10%	10%	10%	10%
<b>GEELHOUT PARK OLD AGE FLATS</b>							
2 BEDROOM (DOUBLE)	10%	10%	10%	10%	10%	10%	10%

## HIRING OF THE VISITORS &amp; INFORMATION CENTRE AND THE TIDC FACILITIES

TARIFF DESCRIPTION	Frequency	Total per Month Calculation	Rebate (40%)	Proposed Rate per day	Tariffs 2022/23	2023/2024 Increase	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26
		R/C		R/C			R/C	R/C	R/C
<b>TOURISM INFORMATION DEVELOPMENT CENTRE (TIDC)</b>									
Store Rooms (29m²)	Monthly	R1 580	R632	R32	R948	0,0%	R948	R992	R1 037
Coffee Shop (52m²)	Monthly	R2 834	R1 134	R57	R1 700	0,0%	R1 700	R1 779	R1 860
Lapa (72m²)	Monthly	R3 924	R1 570	R209	R2 354	0,0%	R2 354	R2 463	R2 576
Amphitheatre (97m²)	Monthly	R5 285	R2 114	R523	R3 172	0,0%	R3 172	R3 318	R3 470
Rondavel 1 (69m²)	Monthly	R7 041	R2 816	-	R4 225	0,0%	R4 225	R4 419	R4 622
Rondavel 2 (76m²)	Monthly	R7 869	R3 148	-	R4 722	0,0%	R4 722	R4 939	R5 166
Rondavel 3 (102m²)	Monthly	R10 561	R4 225	-	R6 337	0,0%	R6 337	R6 628	R6 933
Rondavel 4 (116m²)	Monthly	R11 379	R4 552	-	R6 827	0,0%	R6 827	R7 141	R7 470
Rondavel 5 (122m²)	Monthly	R11 967	R4 787	-	R7 180	0,0%	R7 180	R7 511	R7 856
Rondavel 6 (186m²)	Monthly	R16 218	R6 487	-	R9 731	0,0%	R9 731	R10 179	R10 647
Administrative Fee	Daily				R163	0,0%	R163	R171	R179
TIDC Boardroom	Daily				R1 090	0,0%	R1 090	R1 140	R1 193
TIDC Kitchen	Daily				R1 635	0,0%	R1 635	R1 710	R1 789
TIDC Shaded & Play Areas	Daily				R1 090	0,0%	R1 090	R1 140	R1 193

\* 50% discount is proposed for the financial year 2023/24 to encourage increased and sustainable occupancy, collection and support to local small businesses  
 NB: Discount does not apply to application / administrative fees

## TARIFFS FOR TRADING PERMITS

TARIFF DESCRIPTION	Frequency	Tariffs 2022/23	Draft Tariffs 2023/24	Proposed Tariffs 2023/24	Proposed Tariffs 2024/25	Proposed Tariffs 2025/26
		R/C	R/C	R/C	R/C	R/C
<b>Trading permits</b>						
New Card	Yearly	R109	R109	114	R119	R- 0,0%
Renewal of card	As and When	R163	R163	171	R179	R- 0,0%

## HIRING OF THE VARIOUS SPACES OF THE FLEA MARKET

TARIFF DESCRIPTION	Administrative Fee 2022/23	Administrative Fee 2023/24	Approved Electricity Fee 2022/23	Draft Electricity Fee 2023/24	Refundable Deposit 2022/23	Draft Refundable Deposit 2023/24	Tariffs 2022/23	Draft Tariffs 2023/24	Proposed Tariffs 2024/25	Proposed Tariffs 2025/26
	Non-Refundable	Non-Refundable	R/C	R/C	Deposit	Deposit	R/C	R/C	R/C	R/C
<b>MAIN STALLS</b>										
Stalls 22m2 (1-8)	R164	R164	R163	R163	R2 578	R2 578	R2 578	R2 578	R2 696	R2 820
Stalls 22m2 (9-23)	R164	R164	R163	R163	R3 237	R3 237	R3 237	R3 237	R3 386	R3 542
Store Room 24m2	R164	R164	R163	R163	R2 485	R2 485	R2 485	R2 485	R2 599	R2 719
Coffee Shop 103m2	R164	R164	R163	R163	R10 665	R10 665	R10 665	R10 665	R11 156	R11 669
<b>POP-UP STALLS</b>										
6 x 6m Stalls	R54	R54	N/A	N/A	R-	R-	R208	R208	R218	R228
3x 6m Stall	R54	R54	N/A	N/A	R-	R-	R156	R156	R163	R171
3 x 3m Stall	R54	R54	N/A	N/A	R-	R-	R104	R104	R109	R114

\* 50% discount is proposed for the financial year 2023/24 to encourage increased and sustainable occupancy, collection and support to local small businesses  
 NB: Discount does not apply to application / administrative fees

## WAYLEAVE TARIFFS FOR WORK DONE ON PUBLIC ROADS

TARIFF DESCRIPTION	Frequency	Total per Month Calculation	Tariffs 2022/23	2023/2024 Increase	Draft Tariffs 2023/24	Tariffs 2024/25	Tariffs 2025/26
		R/C			R/C		R/C
Fee: Processing wayleave application for network construction connecting Pipe, Node and Cell Towers	Once Off	R5 450	R5 450	0,0%	R5 450	R5 700	R5 953
Fee: Micro trenching wayleave applications	Once Off	R5 450	R5 450	0,0%	R5 450	R5 700	R5 953
Fee: Access Build ECH	Once Off	R5 450	R5 450	0,0%	R5 450	R5 700	R5 953
Refundable Bank Guarantee	Annual	R2 084 000	R2 084 000	0,0%	R2 084 000	R2 179 854	R2 280 138
Fee: Utilising sewer and storm water systems for ECH	Per kilometre per annum	R1 050	R1 050	0,0%	R1 050	R1 140	R1 193
Fee: Utilising municipal cleave	Per kilometre per annum	R1 635	R1 635	0,0%	R1 635	R1 710	R1 789
Fee: Laying ECH in the public road reserve	Per kilometre per annum	R240	R240	0,0%	R240	R251	R262
Lane rental (street links between intersections, excluding intersections)	Once Off	R82	R82	0,0%	R82	R86	R89
Lane rental (per intersection per day or part thereof)	Once Off	R11 662	R11 662	0,0%	R11 662	R12 199	R12 750
Processing of application to close a road for construction purposes	Once Off	R2 616	R2 616	0,0%	R2 616	R2 736	R2 862
<b>Penalties</b>							
Fine for no wayleave approval and related documents on site, (per area)		R108 993	R108 993	0,0%	R108 993	R114 007	R119 251
Penalty for exceeding the time allowed to do work in terms of the Wayleave approval, per day		R10 859	R10 859	0,0%	R10 859	R11 401	R11 925
Penalty for exceeding the time allowed in terms of the Temporary Road Closure Approval, per day		R217 986	R217 986	0,0%	R217 986	R228 014	R238 502
Fine for having temporary closed a road without written permission from the Roads and Storm water department		R217 986	R217 986	0,0%	R217 986	R228 014	R238 502

## SUNDRY CHARGES

TARIFF DESCRIPTION	Tariff 2021/2022	Tariff 2022/2023	Proposed Tariff 2023/2024	Proposed Tariff 2024/2025	Proposed Tariff 2025/2026
	R	R	R	R	R
<b>EASYPAYMENT FEE</b>	7,42	8,16	9,02	9,96	11,01
<b>DEPOSIT - Households</b>	1 909,22	2 100,44	2 320,65	2 564,32	2 833,58
<b>DEPOSIT - Commercial</b> (Minimum, then align to policy)	10 000,00	11 050,00	12 210,25	13 492,33	14 901,63
<b>DEPOSIT - Industrial</b>	50 000,00	55 250,00	61 051,25	67 461,63	74 616,16
<b>DEPOSIT - Government</b>	5 000,00	5 525,00	6 105,13	6 746,16	7 461,63
<b>DEPOSIT - Agriculture</b>	5 000,00	5 525,00	6 105,13	6 746,16	7 461,63
<b>DEPOSIT - Church</b>	2 500,00	2 762,50	3 052,56	3 373,08	3 733,08
<b>DEPOSIT - Private Schools</b>	10 000,00	11 050,00	12 210,25	13 492,33	14 901,63
<b>DEPOSIT - Private Hospitals</b>	50 000,00	55 250,00	61 051,25	67 461,63	74 616,16
<b>DISHONOURD PAYMENT FEE</b>	181,68	190,76	210,79	232,92	257,38
<b>ISSUING OF DUPLICATE MUNICIPAL ACCOUNT OVER 3 MONTHS (per acc)</b>	3,67	15,00	16,58	18,32	20,24
<b>CHEQUE RE ISSUE</b>	175,97	DISCONTINUED	-	-	-
<b>ADMIN FEE ON TRANSFERS OF PAYMENTS OVER 3 MONTHS (PER TRANSACTION)</b>	6,45	8,16	9,02	9,96	11,01
<b>FINAL DEMAND</b>	41,30	43,03	47,55	52,54	58,06
<b>ELECTRICITY RECONNECTION FEE - RESIDENTIAL/ CHURCHES/ GOVERNMENT</b>	577,75	602,02	653,23	705,23	768,23
<b>ELECTRICITY RECONNECTION FEE - BUSINESS/ AGRICULTURAL</b>	750,00	781,50	835,23	895,23	960,23
<b>WATER RECONNECTION FEE - RESIDENTIAL/ CHURCHES/ GOVERNMENT</b>	825,35	860,01	910,31	970,31	1 040,31
<b>WATER RECONNECTION FEE - BUSINESS/ AGRICULTURAL</b>	950,00	989,90	1 053,84	1 124,84	1 206,84
<b>WATER RECONNECTION FEE - RESIDENTIAL/ CHURCHES/ GOVERNMENT</b>	825,35	860,01	910,31	970,31	1 040,31
<b>WATER RECONNECTION FEE - BUSINESS/ AGRICULTURAL</b>	950,00	989,90	1 053,84	1 124,84	1 206,84
<b>RECONNECTION - REMOVAL OF INSTALLATION - WATER</b>	3 086,04	3 216,65	3 359,98	3 516,98	3 690,98
<b>RECONNECTION - REMOVAL OF INSTALLATION - ELECTRICITY</b>	4 500,00	4 689,00	4 890,25	5 105,25	5 336,25
<b>DISCONNECTION - REMOVAL OF INSTALLATION - WATER</b>	NEW	3 500,00	3 650,00	3 810,00	4 000,00
<b>DISCONNECTION - REMOVAL OF INSTALLATION - ELECTRICITY</b>	NEW	4 500,00	4 689,00	4 890,25	5 105,25
<b>ADMINISTRATION FEE - LEGAL ACTIONS (NEW)</b>	-	-	-	-	-

## SUNDRY PROPOSED TARIFFS 2023/2024

TARIFF DESCRIPTION	Approved Tariffs 2022/23	Percentage Increase/ decrease 2022/2023	Proposed Tariff 2023/2024	Proposed Tariff 2024/2025
			R	R
CLEARANCE CERTIFICATE FEE	97,75	0,064	104,01	110,66
CLEARANCE APPLICATION FEE: MANUAL	456,15	0,064	485,34	516,41
CLEARANCE APPLICATION FEE: ELECTRONIC (clearance.com)	204,37	0,064	217,45	231,37
ISSUING OF DUPLICATE MUNICIPAL ACCOUNT OVER 3 MONTHS (per acc)	5,96	0,064	6,34	6,75
VALUATION ROLL - Soft copy	1313,13	0,064	1397,17	1486,59
VALUATION ROLL - Hard copy	1313,13	0,064	1397,17	1486,59
VALUATION CERTIFICATE	101,99	0,064	108,52	115,46
DEED SEARCH	75,74	0,064	80,59	85,74
LOST COPY OF CERTIFICATE	81,51	0,064	86,73	92,28
FINAL DEMAND	33,27	0,064	35,40	37,66
WATER RECONNECTION	665,61	0,064	708,21	753,53
ELECTRICITY RECONNECTION	465,94	0,064	495,76	527,44
REMOVAL OF INSTALLATION	2708	0,064	2881,31	3065,77
CHEQUE RE ISSUE ( <i>New</i> )	175,64	0,064	186,88	198,87
ADMIN FEE ON TRANSFERS ( <i>New</i> )	6,44	0,064	6,85	7,22
SEARCHING OF ANY DISCLOSURE RECORD (P/H OR PART)	18,66	0,064	19,85	21,11
Valuation Roll: Request for Reasons	550	0,064	585,20	622,66

## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



## TOWN PLANNING

APPLICATION	Approved Tariff 2018/2019	Approved Tariff 2019/2020	Approved Tariff 2020/2021	Approved Tariff 2021/2022	Current Tariff 2022/2023	Proposed Tariff 2023/2024	Proposed Tariff 2024/2025	Proposed Tariff 2025/2026
	R/C	R/C	R/C	R/C	R/C	R/C	R/C	R/C
<b>WRITTEN CONSENT APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME</b>								
Second dwelling	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Building Line Relaxation	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Height Relaxation	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Coverage Relaxation	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Servitude Upliftment	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Relaxation of the line(s) of no access	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Provision of parking on adjacent property	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Relaxation of parking	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Site Development Plan	R682.60	R932.03	R982.36	R1 035.41	R1 076.82	R1 938.28	R2 025.51	R2 116.65
Amendment of Site Development Plan	R682.60	R932.03	R982.36	R1 035.41	R1 076.82	R1 938.28	R2 025.51	R2 116.65
Erection of screen wall(s) exceeding 20 metres in height	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Written consent objection	R493.45	R521.08	R549.22	R578.88	R602.04	R1 505.09	R1 572.82	R1 643.60
Renewal of Special Consent Application	R 402.04	-	R 680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
<b>SPECIAL CONSENT APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME</b>								
Special Consent	R1 087.84	R1 148.75	R1 210.79	R1 276.17	R1 327.22	R2 388.99	R2 496.49	R2 608.84
Special Consent Objection	R493.45	R521.08	R549.22	R578.88	R602.04	R1 505.09	R1 572.82	R1 643.60
Cancellation or withdrawal of approved Special or Written consent application						R1 505.09	R1 572.82	R1 643.60
Closure of public space / park closure	R1 087.84	R1 148.75	R1 210.79	R1 276.17	R1 327.22	R2 388.99	R2 496.49	R2 608.84
<b>TEMPORARY CONSENT APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
The erection and use of temporary buildings, or the use of existing buildings for site offices, storage rooms, workshops or such other uses as may be necessary during the erection of any permanent	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
The occasional use of land or buildings for public religious exercise, place of instruction, institution, place of amusement or social hall, informal retail trade	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
The use of land or building thereon for State or Municipal purposes	R611.21	R645.43	R680.29	R717.02	R745.70	R1 342.27	R1 402.67	R1 465.79
Prospecting rights	R611.21	R645.43	R1 210.79	R1 276.17	R1 327.22	R2 388.99	R2 496.49	R2 608.84
<b>AMENDMENT SCHEME APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Amendment Scheme Applications	R3 392.48	R3 582.48	R3 775.91	R3 979.81	R4 139.00	R7 450.20	R7 785.46	R8 135.80
Proclamation	R1 233.63	R1 302.71	R1 373.06	R1 447.20	R1 505.09	R2 709.16	R2 831.08	R2 956.47
Floor Area Ratio Increase	R3 392.48	R3 582.48	R3 775.91	R3 979.81	R4 139.00	R7 450.20	R7 785.46	R8 135.80
Amendment Scheme Objection	R1 233.63	R1 302.71	R1 373.06	R1 447.20	R1 505.09	R2 709.16	R2 831.08	R2 956.47
Notice of appeal	R3 183.00	R3 361.25	R3 542.76	R3 734.08	R3 883.43	R6 909.17	R7 304.73	R7 633.44
Notice to oppose appeal	R1 061.00	R1 120.42	R1 180.92	R1 244.69	R1 294.48	R2 330.06	R2 434.91	R2 544.48
Intervener Status Section 45 (2) / (3) and/or (4) of the Spatial Planning and Land Use Management Act 2013		R1 000.00	R1 054.00	R1 110.92	R1 155.35	R2 079.63	R2 173.22	R2 271.01
Contribution of rezoning application for all properties along Thabo Mbeki Drive and Beyers Naude Drive and Properties that gain access from Thabo Mbeki drive and Beyers Naude Drive.					R13 800.00	R24 840.00	R25 957.80	R27 125.90
Contribution of rezoning application within the blocked form by Kock Street, Boven Street, Kloppe Street, Bethlehem Street and Nelson Mandela Drive.					R3 900.00	R7 020.00	R7 335.90	R7 666.02
<b>REMOVAL OF RESTRICTIONS APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Removal of restrictive conditions	R280.37	R296.07	R680.29	R1 047.65	R1 089.55	R1 961.19	R2 049.45	R2 141.67
<b>TOWNSHIP ESTABLISHMENT APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Reservation of a township name						R660.00	R957.00	R1 722.60
Township Establishment (1-100 erven)	R7 463.45	R7 881.40	R8 307.00	R8 755.58	R9 105.80	R16 390.44	R17 128.01	R17 898.77
Township with more than 100 stands	R2 467.26	R2 605.42	R2 746.12	R2 894.41	R3 010.18	R5 418.33	R5 662.15	R5 916.95
Proclamation notice	R1 500/page	R1 500/page	R1 500/page	R1 582.50	R1 645.80	R2 962.44	R3 095.75	R3 235.06
Extension of boundaries	R7 463.45	R7 881.40	R8 307.00	R8 755.58	R9 105.80	R16 390.44	R17 128.01	R17 898.77
Township Establishment Objection	R2 467.26	R2 605.42	R2 746.12	R2 894.41	R3 010.18	R5 418.33	R5 662.15	R5 916.95
Extension of time						R1 505.09	R1 572.82	R1 643.60
<b>DIVISION OF A TOWNSHIP APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Division of a Township	R 1 850.44	R 1 954.07	R 2 059.59	R2 170.80	R2 257.64	R4 063.75	R4 246.61	R4 437.71
<b>DIVISION OF LAND APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Division of Agriculture Land	R 550.00	R 580.80	R612.16	R645.22	R671.03	R1 207.85	R1 262.21	R1 319.00
<b>AMENDMENT OF AN APPROVED TOWNSHIP: APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH THE LAND USE SCHEME.</b>								
Amendment of the layout plan	R 1 850.44	R 1 954.07	R 2 059.59	R2 170.80	R2 257.64	R4 063.75	R4 246.61	R4 437.71
Amendment of an approved township						R4 063.75	R4 246.62	R4 437.72
<b>CONSOLIDATION/SUBDIVISION : APPLICATION IN TERMS OF THE SPATIAL PLANNING AND LAND USE MANAGEMENT BY-LAW READ WITH LAND USE SCHEME.</b>								
Subdivision	R 616.81	R 651.36	R 686.53	R723.60	R752.55	R1 354.58	R1 415.54	R1 479.24
Subdivision with more than 5(five) stands/stand	R 72.90	R 76.98	R 81.14	R85.52	R88.94	R160.09	R167.29	R174.82
Subdivision of Agricultural Land (Section 6) of the Town Planning and Townships Ordinance 20 of 1985	R 616.81	R 651.36	R 686.53	R723.60	R752.55	R1 354.58	R1 415.54	R1 479.24
Consolidation	R 475.51	R 502.14	R 529.25	R557.83	R580.14	R1 044.26	R1 091.25	R1 140.38
<b>OTHER APPLICATIONS</b>								
Zoning Information	R 40.37	R 42.63	R 44.94	R47.36	R49.26	R88.66	R92.65	R96.82
Trade License	R 271.40	R 286.60	R 302.07	R318.38	R331.12	R596.02	R622.94	R650.86
<b>COPIES &amp; PRINTING</b>								
A3	R 12.34	R 13.03	R 13.73	R14.47	R15.05	R15.71	R16.42	R17.18
A4	R 3.25	R 3.43	R 3.62	R3.82	R3.97	R4.14	R4.33	R4.52

## PROPERTY RATES PROPOSED TARIFFS 2023/24

TARIFF DESCRIPTION	OLD TARIFF 2021/22	CURRENT TARIFF 2022/23	PROPOSED TARIFF 2023/24	PROPOSED TARIFF 2024/25	% INCREASE
<b>REBATES</b>					
RESIDENTIAL PROPERTIES	100 000	100 000	100 000	100 000	-
PRIVATELY OWNED TOWNS	25%	25%	25%	25%	-
PENSIONER'S AND DISABLED PERSONS	25%	25%	25%	25%	-
PROPERTIES USED FOR RELIGIOUS PURPOSES	100%	100%	100%	100%	-
MUNICIPAL PROPERTIES	100%	100%	100%	100%	-
PUBLIC OPEN SPACES	100%	100%	100%	100%	-
RESIDENTIAL	0,0050	0,0053	0,00568	0,0060	6,4
BUSINESS/COMMERCIAL	0,0150	0,0160	0,0170	0,0181	6,4
INDUSTRIAL	0,0150	0,0160	0,0170	0,0181	6,4
PROPERTIES USED FOR RELIGIOUS PURPOSES	-	0,0160	0,0170	0,0181	6,4
MUNICIPAL PROPERTIES	-	0,0053	0,0056	0,0060	6,4
PUBLIC OPEN SPACE	-	0,0053	0,0056	0,0060	6,4
PUBLIC SERVICE INFRASTRUCTURE	0,0013	0,0014	0,0015	0,0016	6,4
PUBLIC SERVICE PURPOSE PROPERTIES	0,0013	0,0014	0,0015	0,0016	6,4
EDUCATIONAL	0,0013	0,0014	0,0015	0,0016	6,4
AGRICULTURAL PROPERTIES	0,0013	0,0014	0,0015	0,0016	6,4
PROPERTIES OWNED BY A PUBLIC BENEFIT ORGANIZATION AND USED FOR SPECIFIED PUBLIC BENEFIT ACTIVITIES	0,0013	0,0014	0,0015	0,0016	6,4
PRIVATE OWED TOWN	0,0050	0,0053	0,00568	0,0060	6,4
MINING PROPERTIES	0,0150	0,0160	0,0170	0,0181	6,4
PRIVATE OPEN SPACES	0,0013	0,0014	0,0015	0,0016	6,4
PRIVATE ROAD	0,0013	0,0014	0,0015	0,0016	6,4
VACANT LAND	0,0090	0,0096	0,0102	0,0108	6,4
EXCLUSIVE USE AREAS	0,0050	0,0053	0,0057	0,0060	6,4
GUEST HOUSES PROPERTY	0,0150	0,0160	0,0170	0,0181	6,4

## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



RUSTENBURG LOCAL MUNICIPALITY DIRECTORATE : PUBLIC SAFETY | P O Box 16, Rustenburg, 0300, North West Province, South Africa | Tel: (014) 590 3340 Fax: (086) 660 0097 Email: aoor@rustenburg.gov.za

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BLESKOP	RIETVELD	R 419	R 438	R 459
BOITEKONG	RIETVELD	R 376	R 394	R 412
BOITEKONG X 13	RIETVELD	R 347	R 363	R 380
CASHAN	RIETVELD	R 347	R 363	R 380
CHANENG	RIETVELD	R 320	R 335	R 350
DONKERHOEK	RIETVELD	R 224	R 214	R 221
EAST END	RIETVELD	R 245	R 256	R 268
FREEDOM PARK	RIETVELD	R 376	R 394	R 412
GELHOUTPARK	RIETVELD	R 202	R 212	R 221
JHB ROAD	RIETVELD	R 347	R 363	R 380
KANANA	RIETVELD	R 419	R 438	R 459
KARLENPARK	RIETVELD	R 245	R 256	R 268
KROONDAAL	RIETVELD	R 342	R 358	R 374
LEFARAGATHE	RIETVELD	R 202	R 212	R 221
LETHABONG	RIETVELD	R 564	R 590	R 617
LUKA	RIETVELD	R 303	R 317	R 331
MERTING	RIETVELD	R 376	R 394	R 412
PAARDEKRAAL X1	RIETVELD	R 376	R 394	R 412
PAARDEKRAAL X2	RIETVELD	R 376	R 394	R 412
PHOKENG	RIETVELD	R 319	R 333	R 349
PROTEA PARK	RIETVELD	R 275	R 287	R 300
PTA ROAD	RIETVELD	R 347	R 363	R 380
RAMOCHANA	RIETVELD	R 319	R 333	R 349
RUSTENBURG CBD	RIETVELD	R 202	R 212	R 221
RUSTENBURG NORTH	RIETVELD	R 245	R 256	R 268
SERALENG	RIETVELD	R 419	R 439	R 459
SONDELA	RIETVELD	R 347	R 363	R 380
SUNRISE	RIETVELD	R 347	R 363	R 380
TLHABANE	RIETVELD	R 202	R 212	R 221
TLHABANE WEST	RIETVELD	R 202	R 212	R 221
ZINNIAVILLE	RIETVELD	R 245	R 256	R 268

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BOITEKONG	ZINNIAVILLE	R 275	R 287	R 300
BOITEKONG X 13	ZINNIAVILLE	R 275	R 287	R 300
CASHAN	ZINNIAVILLE	R 275	R 287	R 300
EAST END	ZINNIAVILLE	R 275	R 287	R 300
FREEDOM PARK	ZINNIAVILLE	R 275	R 287	R 300
GELHOUTPARK	ZINNIAVILLE	R 232	R 242	R 254
KANANA	ZINNIAVILLE	R 275	R 287	R 300
KARLENPARK	ZINNIAVILLE	R 202	R 212	R 221
LETHABONG	ZINNIAVILLE	R 564	R 590	R 617
MERTING	ZINNIAVILLE	R 275	R 287	R 300
PAARDEKRAAL X1	ZINNIAVILLE	R 275	R 287	R 300
PAARDEKRAAL X2	ZINNIAVILLE	R 275	R 287	R 300
PHOKENG	ZINNIAVILLE	R 347	R 363	R 380
PROTEA PARK	ZINNIAVILLE	R 232	R 242	R 254
RAMOCHANA	ZINNIAVILLE	R 232	R 242	R 254
RUSTENBURG CBD	ZINNIAVILLE	R 202	R 212	R 221
RUSTENBURG NORTH	ZINNIAVILLE	R 232	R 242	R 254
SERALENG	ZINNIAVILLE	R 232	R 242	R 254
SONDELA	ZINNIAVILLE	R 232	R 242	R 254
SUNRISE	ZINNIAVILLE	R 232	R 242	R 254
TLHABANE	ZINNIAVILLE	R 232	R 242	R 254
TLHABANE WEST	ZINNIAVILLE	R 245	R 256	R 268
ZINNIAVILLE	ZINNIAVILLE	R 202	R 212	R 221

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BOITEKONG	KARLEN PARK	R 275	R 287	R 300
BOITEKONG X 13	KARLEN PARK	R 275	R 287	R 300
CASHAN	KARLEN PARK	R 275	R 287	R 300
EAST END	KARLEN PARK	R 275	R 287	R 300
FREEDOM PARK	KARLEN PARK	R 275	R 287	R 300
GELHOUTPARK	KARLEN PARK	R 232	R 242	R 254
KANANA	KARLEN PARK	R 275	R 287	R 300
KARLENPARK	KARLEN PARK	R 202	R 212	R 221
LETHABONG	KARLEN PARK	R 492	R 514	R 538
MERTING	KARLEN PARK	R 275	R 287	R 300
PAARDEKRAAL X1	KARLEN PARK	R 275	R 287	R 300
PAARDEKRAAL X2	KARLEN PARK	R 275	R 287	R 300
PHOKENG	KARLEN PARK	R 347	R 363	R 380
PROTEA PARK	KARLEN PARK	R 232	R 242	R 254
RAMOCHANA	KARLEN PARK	R 232	R 242	R 254
RUSTENBURG CBD	KARLEN PARK	R 202	R 212	R 221
RUSTENBURG NORTH	KARLEN PARK	R 232	R 242	R 254
SERALENG	KARLEN PARK	R 232	R 242	R 254
SONDELA	KARLEN PARK	R 232	R 242	R 254
SUNRISE	KARLEN PARK	R 232	R 242	R 254
TLHABANE	KARLEN PARK	R 232	R 242	R 254
TLHABANE WEST	KARLEN PARK	R 202	R 212	R 221
ZINNIAVILLE	KARLEN PARK	R 202	R 212	R 221

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BOITEKONG	TLHABANE	R 245	R 256	R 268
BOITEKONG X 13	TLHABANE	R 245	R 256	R 268
CASHAN	TLHABANE	R 202	R 212	R 221
EAST END	TLHABANE	R 202	R 212	R 221
FREEDOM PARK	TLHABANE	R 245	R 256	R 268
GELHOUTPARK	TLHABANE	R 232	R 242	R 254
KANANA	TLHABANE	R 245	R 256	R 268
KARLENPARK	TLHABANE	R 202	R 212	R 221
LETHABONG	TLHABANE	R 492	R 514	R 538
MERTING	TLHABANE	R 245	R 256	R 268
PAARDEKRAAL X1	TLHABANE	R 245	R 256	R 268
PAARDEKRAAL X2	TLHABANE	R 245	R 256	R 268
PHOKENG	TLHABANE	R 319	R 333	R 349
PROTEA PARK	TLHABANE	R 202	R 212	R 221
RAMOCHANA	TLHABANE	R 202	R 212	R 221
RUSTENBURG CBD	TLHABANE	R 202	R 212	R 221
RUSTENBURG NORTH	TLHABANE	R 202	R 212	R 221
SERALENG	TLHABANE	R 245	R 256	R 268
SONDELA	TLHABANE	R 245	R 256	R 268
SUNRISE	TLHABANE	R 202	R 212	R 221
TLHABANE	TLHABANE	R 202	R 212	R 221
TLHABANE WEST	TLHABANE	R 202	R 212	R 221
ZINNIAVILLE	TLHABANE	R 202	R 212	R 221

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BOITEKONG	DONKERHOEK	R 376	R 394	R 412
BOITEKONG X 13	DONKERHOEK	R 347	R 363	R 380
CASHAN	DONKERHOEK	R 347	R 363	R 380
EAST END	DONKERHOEK	R 245	R 256	R 268
FREEDOM PARK	DONKERHOEK	R 376	R 394	R 412
GELHOUTPARK	DONKERHOEK	R 202	R 212	R 221
JHB ROAD	DONKERHOEK	R 347	R 363	R 380
KANANA	DONKERHOEK	R 419	R 439	R 459
KARLENPARK	DONKERHOEK	R 245	R 256	R 268
LETHABONG	DONKERHOEK	R 564	R 590	R 617
MERTING	DONKERHOEK	R 376	R 394	R 412
PAARDEKRAAL X1	DONKERHOEK	R 376	R 394	R 412
PAARDEKRAAL X2	DONKERHOEK	R 376	R 394	R 412
PHOKENG	DONKERHOEK	R 319	R 333	R 349
PROTEA PARK	DONKERHOEK	R 275	R 287	R 300
PTA ROAD	DONKERHOEK	R 347	R 363	R 380
RAMOCHANA	DONKERHOEK	R 319	R 333	R 349
RUSTENBURG CBD	DONKERHOEK	R 202	R 212	R 221

RUSTENBURG NORTH	DONKERHOEK	R 245	R 256	R 268
SERALENG	DONKERHOEK	R 419	R 439	R 459
SONDELA	DONKERHOEK	R 347	R 363	R 380
SUNRISE	DONKERHOEK	R 347	R 363	R 380
TLHABANE	DONKERHOEK	R 202	R 212	R 221
TLHABANE WEST	DONKERHOEK	R 202	R 212	R 221
ZINNIAVILLE	DONKERHOEK	R 245	R 256	R 268

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

ZONES	CEMETERY	2023/2024	2024/2025	2025/2026
BOITEKONG	BOITEKONG	R 202	R 212	R 221
BOITEKONG	KANANA	R 229	R 240	R 251
CHANENG	CHANENG	R 202	R 212	R 221
KANANA	KANANA	R 202	R 212	R 221
LETHABONG	LETHABONG	R 202	R 212	R 221
MERTING	KANANA	R 232	R 242	R 254
PAARDEKRAAL	KANANA	R 202	R 212	R 221
PHOKENG	PHOKENG	R 202	R 212	R 221
RUSTENBURG	TLASENG	R 492	R 514	R 538
RUSTENBURG	LETHABONG	R 564	R 590	R 617
RUSTENBURG	MOSENTHAL	R 492	R 514	R 538
RUSTENBURG	RANKELANYANE	R 419	R 439	R 459
RUSTENBURG	RIETSPRUIT	R 492	R 514	R 538
RUSTENBURG	MALE	R 492	R 514	R 538
RUSTENBURG	PHOKENG	R 347	R 363	R 380
RUSTENBURG	CHANENG	R 419	R 439	R 459
RUSTENBURG	MARIKANA	R 492	R 514	R 538
RUSTENBURG	N4	R 202	R 212	R 221
RUSTENBURG	PHATSIMA	R 492	R 514	R 538
RUSTENBURG	LUKA	R 419	R 439	R 459
RUSTENBURG	MAMEROTSE	R 564	R 590	R 617
RUSTENBURG	TATANANA	R 559	R 585	R 612
RUSTENBURG	BLESKOP	R 478	R 500	R 523
RUSTENBURG	MERTING	R 341	R 356	R 373
RUSTENBURG	WONDERKOP	R 287	R 300	R 314
RUSTENBURG	MIFIKOKE	R 478	R 500	R 523
RUSTENBURG	LEFARAGATHE	R 201	R 210	R 220
RUSTENBURG	MODDERFONTEIN	R 398	R 416	R 436
RUSTENBURG	PHOKENG	R 349	R 365	R 382
RUSTENBURG CBD	KANANA	R 419	R 439	R 459
TLHABANE	PHOKENG	R 347	R 363	R 380
TLHABANE	KANANA	R 376	R 394	R 412

ESCORT TARIFFS – FUNERAL – FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

TARIFF DESCRIPTION	2023/2024	2024/2025	2025/2026
ESCORT ORDINARY PER VEHICLE PLUS R4.50 PER KM	R 190	R 199	R 208
HEAVY VEHICLE ESCORTS PER 2 VEHICLES PLUS R4.50 PER KM	R 194	R 2 002	R 2 094
LABOUR COST PER TRAFFIC OFFICER PER HOUR	R 0		
WEEK DAYS	R 237	R 247	R 259
SATURDAY	R 237	R 247	R 259
SUNDAY / PUBLIC HOLIDAY	R 286	R 299	R 313
FUNERALS AND SOME SPORTING EVENTS PER VEHICLE	R 190	R 199	R 208
TOWING FEES	R 0		
LIGHT MOTOR VEHICLE (UP TO 3500 KG)	R 1 275	R 1 334	R 1 395
HEAVY MOTOR VEHICLE (3501 KG AND UP)	R 1 914	R 2 002	R 2 094
LIGHT MOTOR VEHICLE PER KM (THE FIRST 25KM)	R 34	R 36	R 38
HEAVY MOTOR VEHICLE (ADDITIONAL COST PER KM)	R 38	R 40	R 42
STORAGE (MOTOR VEHICLE) PER DAY	R 557	R 582	R 608
STORAGE (GOODS) ONCE OFF ON RELEASE	R 3 507	R 3 669	R 3 836

MARATHONS / FUN RUN / FUN WALK / ESCORTS / MARCHES  
AND MOTORCARE TARIFFS FOR FINANCIAL YEAR 2023/2024  
EFFECTIVE FROM 01 JULY 2023

	2023/2024	2024/2025	2025/2026
00 – 5 KM	ALL AREA	R 684	R 748
05 – 10 KM	APPLICABLE TO ALL AREA	R 1 367	R 1 430
10 – 15 KM	APPLICABLE TO ALL AREA	R 2 044	R 2 138
15 – 20 KM FUN RUN	APPLICABLE TO ALL AREA	R 2 840	R 2 971
20 – 30 KM FUN RUN	APPLICABLE TO ALL AREA	R 3 788	R 3 962
30 – 40 KM FUN RUN	APPLICABLE TO ALL AREA	R 5 683	R 5 945
40 – 50 KM FUN RUN	APPLICABLE TO ALL AREA	R 9 473	R 9 909
BARSEBA	BARSEBA	R 201	R 210
BETHAN	BETHAN	R 201	R 210
BOITEKONG	BOITEKONG	R 201	R 210
CBD	MPHENI HOUSE	R 429	R 449
CBD	DEPT OF LABOUR	R 429	R 449
CBD	RUSTENBURG SAPS	R 429	R 449
CBD	JOB SHIMANKANE TABANE HOSPITAL	R 503	R 526
CBD	DEPT. OF EDUCATION	R 215	R 224
CBD	SARS	R 245	R 256
CHANENG	CHANENG	R 201	R 210
FREEDOM PARK	WILDEBEES STADIUM	R 215	R 224
KAGENG	KAGENG	R 201	R 210
KANANA	KANANA	R 201	R 210
LESUNG	LESUNG	R 201	R 210
LETHABONG	LETHABONG	R 201	R 210
LETHABONG	LETHABONG SAPS	R 201	R 210
LETHABONG	LETHABONG MUNICIPAL OFFICES	R 201	R 210
LETHABONG	LETHABONG CLINIC	R 201	R 210
LUKA	LUKA	R 201	R 210
LUKA	IMPALA PLATINUM MINES	R 245	R 256
MARITSE	MARITSE	R 201	R 210
MAFIKA	MAFIKA	R 201	R 210
MALE	MALE	R 201	R 210
MARIKANA	WONDERKOP	R 287	R 300
MARIKANA	MADITHLOKWA	R 359	R 376
MERTING	MERTING	R 201	R 210
MIFIKOKE	MIFIKOKE	R 201	R 210
MIFIKOKE	TSUKUDU HIGH SCHOOL	R 287	R 300
MODIKWE	MODIKWE	R 201	R 210
MODIKWE	MODIKWE	R 201	R 210
MONAKATO	MONAKATO SAPS	R 201	R 210
MONAKATO	MUNICIPAL OFFICES	R 201	R 210
MONAKATO	MONAKATO CLINIC	R 201	R 210
MOSENTHAL	MOSENTHAL	R 201	R 210
PAARDEKRAAL	PAARDEKRAAL	R 201	R 210
PHATSIMA	PHATSIMA	R 201	R 210
PHOKENG	PHOKENG	R 201	R 210
PHOKENG STADIUM	BAFOKENG CMC CENTRE	R 201	R 210
PHOKENG STADIUM	LEGATO	R 201	R 21



## ANNEXURE C

## NW 373 RUSTENBURG LOCAL MUNICIPALITY TARIFF BOOK 2023 -2026 MTREF



## B. RENTAL PAYABLE FOR MAKING SERVICE EQUIPMENT AVAILABLE

Utilisation of vehicles	2016/2017 (New Tariff)	2017/2018	2018/2019	2019/2020	2020/2021	2023/2024	2024/2025	2025/2026
Type of vehicle	Call out cost	Utilisation cost per vehicle per hour or part thereof	Total	6.0%	10.0%	10.0%	4.6%	4.7%
Rescue Pumper	R 250.00	500	R 750.00	R 795	R 875	R 962	R 1 058	R 1 108
Aerial Apparatus	R 450.00	900	R 1 350.00	R 1 431	R 1 574	R 1 732	R 1 905	R 1 994
Specialist Vehicle (Hazmat vehicle)	R 450.00	950	R 1 400.00	R 1 484	R 1 632	R 1 796	R 1 975	R 2 068
Water Tanker	R 300.00	650	R 950.00	R 1 007	R 1 108	R 1 218	R 1 340	R 1 403
Grass Unit	R 150.00	250	R 400.00	R 424	R 466	R 513	R 564	R 591
Incident Command vehicle / response vehicle	R 495.00	800	R 1 295.00	R 1 373	R 1 510	R 1 661	R 1 827	R 1 913
Diving Unit	R 450.00	950	R 1 400.00	R 1 484	R 1 632	R 1 796	R 1 975	R 2 068
Utilisation of Specialised Equipment	R 250.00	650	R 900.00	R 954	R 1 049	R 1 154	R 1 270	R 1 329
Kilometres (Km) Travelled		R2,00/Km	R 2.00	R 2	R 2	R 3	R 3	R 3
USE OF PERSONNEL								
Personnel		R70.00/h per Member	R 70.00	R 74	R 82	R 90	R 99	R 103
USE OF WATER								
Water used		R7,50/KL + Vat	R 7.50	R 8	R 9	R 10	R 11	R 11

	2016/2017 (NEW)	2017/2018	2018/2019	2019/2020	2018/2019	2019/2020	2020/2021	2023/2024	2024/2025	2025/2026
	Total	6,0%	5,9%	5,9%	10,0%	10,0%	10,0%	4,7%	4,6%	4,6%
A maximum restriction of R6 000,00 (VAT included) is placed per private household for fire and rescue services.	R 6 000,00	R 6 360	R 6 735	R 7 133	7 846	8 630	9 494	9 940	10 934	11 433

A maximum restriction of R6 000.00 (VAT included) is placed per private household for fire and rescue services.

## Exclusions

Fees are also applicable to all Council, Provincial and National Departments except the Office of the Mayor, Office of the Premier and office of the President. The fees do not apply to grass, veld and rubbish fires on vacant Erf / Erven within the Rustenburg Local Municipality area. Persons registered on the Council's Indigents Register will be exempted from paying costs for fire and rescue services. Members of registered Fire Protection Associations established in terms of the National Veld and Forest Act, 1998 (Act 101 of 1998) will be exempted from paying any fees for fire services. Informal residences i.e., a residence that does not receive any municipal services i.e., electricity, water, waste removal and waterborne sewerage will be exempted from paying fees for fire services with regard to house fires.

## Tariffs for making available fire and rescue equipment and rendering a standby service and events

- For all standby services at events a full tariff for all the vehicles on standby, will be issued for the total of hours on standby.
- All special services will receive full accounts

The Municipality may withdraw such equipment at any time should the Municipality need it elsewhere.

## Note:

- The time is calculated from arrival to departure
- Utilisation cost includes cost of personnel and equipment
- A single tariff per vehicle per hour is charged.

## Utilisation of material

The tariff for material used is cost plus a surcharge of 15%. Provided that in respect of material for which the Municipality has determined a tariff, that tariff shall apply in accordance with Section 14 (urgent cases) Fire Brigade Services (Act 59 of 1977)

## Renting out of equipment outside the jurisdiction area of the Municipality

The tariffs as set out in this Annexure plus a surcharge of 50%.

## C. ADJUSTMENT IN FEES PAYABLE TO THE SERVICE AS CONTEMPLATED IN CLAUSES A AND B OF THIS ANNEXURE

The Service must ensure that all fees referred to in clauses A and B of this Annexure are adjusted to keep trend with inflation according to the Consumer Price Index (CPI).

## GENERAL DIRECTIVES FOR THE PAYMENT OF THE ABOVE FEES

- All certificates of registration, certificates of fitness and/or spraying permits will be valid for twelve (12) calendar months. A written application for the renewal of the certificate or permit must reach the Service at least one calendar month prior to the expiry thereof.
- When application is made for registration, the appropriate application form, correctly completed in full, must be accompanied by the prescribed fees.
- All the appropriate application forms are available from the Service and must be completed in full and, where applicable, be duly signed.
- If, for whatever reason, the Service rejects an application for any certificate of registration, certificate of fitness or any permit, the applicant must, within 14 days (excluding weekends and public holidays) of the date of rejection, take corrective steps to ensure that the document in question is issued at no additional cost, failing which the applicant must pay the prescribed fees again.
- (a) The tariff for permits that are liable to registration in respect of paragraph 1(2) or (3), or a combination of them, will be a single fee of R700.00, irrespective of the combination of items.
- Provided that such combination applies to one premises and is under the same control.
- (b) If there are different divisions and/or affiliates within a business and/or company situated on the same premises but each division and/or affiliate is managed separately, each division and/or affiliate is liable to registration separately.
- All monies are payable in advance, i.e., All fees are also applicable to Council.
- All relevant application forms are available at the Emergency Services Department (Fire Brigade Services) and must be completed in full and where applicable, signed properly.
- If certificates and/or spray/transport permits are refused, the applicant must take remedial steps within 14 days in order for the re-application to be free of charge and to ensure the issuing of the relevant registration certificate or permit. Failing this, the prescribed tariffs will again be payable in full.
- Restoration of lapsed certificate (each year certificate has not been renewed) R700, 00 (including VAT) plus current year registration fee

D. FEES PAYABLE FOR TRAINING AND DEVELOPMENT (FIRE & RESCUE TRAINING ACADEMY) INCLUDING RENTALS OF FACILITIES AND EQUIPMENTS	2020/2021	2023/2024	2024/2025	2025/2026
	10.0%	4.7%	4.6%	4.6%
Fire Fighter I	R 6 090 \ 10 Weeks	R 6 455	R 6 843	R 7 246
Fire Fighter I Challenge	R 1 785	R 2 000	R 1 892	R 2 124
Haz-Mat Awareness	R 1 365 \ 2 Weeks	R 1 447	R 1 534	R 1 624
Fire Fighter II	R 3 465 \ 4 Weeks	R 3 600	R 3 673	R 3 893
Fire Fighter II Challenge	R 1 785	R 1 892	R 2 006	R 2 124
Haz-Mat Operational	R 2 415 \ 2 Weeks	R 2 500	R 2 560	R 2 713
Fire Services Instructor	R 3 465 \ 2 Weeks	R 3 600	R 3 673	R 3 893
Vehicle Rescue	R 1 365 \ 2 Weeks	R 1 447	R 1 534	R 1 624
Basic Fire Fighting And Safety	R 514 \ 1 Day	R 540	R 572	R 607
Industrial Fire Fighting	R 1 040 \ 5 Days	R 1 092	R 1 158	R 1 227
SCBA	R 630 \ 3 Days	R 662	R 702	R 744
Pump Operator	R 4 830 \ 5 Days	R 5 072	R 5 120	R 5 427
All Appliances (Hydraulic Platform, Turntable Ladder, Industrial Foam Pump)	R 5 512 \ 5 Days	R 5 800	R 5 843	R 6 193
Rental of Porta Cabin Sleeping Rooms per person per day sharing	52,50 \ Per Room \ Sharing	55,00 \ Per Room \ Sharing	58,00 \ Per Room \ Sharing	62,00 \ Per Room \ Sharing
Rental of Training Props per day	408,50 \ 1 hr	430,00 \ 1 hr	456,00 \ 1 hr	483,00 \ 1 hr
Rental of Training Lecture-room per day	462	480	509	539

## Note:

- The time is calculated from arrival to departure
- Utilisation cost includes cost of personnel and equipment
- Call out tariff will be rendered for all incidents where a fire vehicle arrived on scene. To all vehicles involved in an accident as well as for the following services rendered

- Any form of scene safety including cones and regulating of traffic
- Safety of the vehicle / s were ensured, which include the cutting of the battery cables
- C. Fires: where a fire was extinguished before arrival but an investigation was done to ensure the house / building is safe
- Utilisation Tariff will be rendered to the vehicle where work was done with the following equipment
  - Hydraulic rescue set
  - Positive pressure ventilator
  - Carburandum Disc outter
  - Power saw
  - Reciprocating saw
  - Motorised break-in equipment
- Fires: Any equipment used to extinguish the fire
  - Portable pumps
- Flooding: All houses involved in a flood
- Utilisation of Specialised Equipment tariff apply for Specialist rescue operations (High Angel, Swift Water, Urban Search and Rescue, Mountain Rescue, Diving)

a. Deliver of expert services in specialised fires

## E. Disaster Management

## Tariffs for rendering of Evacuation plans and emergency evacuation drills

Description of service	Total
Emergency evacuation plans	Free of charge
Emergency assistance rendered at emergency evacuation drills	Free of charge
Plan development, approval & site inspection for events organised by private/government organisations	Free of charge
Venue Operations Centre for events organised by private/government organisations	Free of charge
Plan development, approval & site inspection for events organised by RLM or RLM partnering with private sector	Free of charge
Venue Operations Centre for events organised by RLM or RLM partnering with private sector	Free of charge

## Kashané aand-tak raak kunstig

Rustenburg - Die Vroue Landbou Unie (VLU) Kashané aand-tak het op Dinsdag 4 April 2023, kreatief geraak tydens hul maandelikse vergadering.

Anja Nieuwoudt en Marianne Niemand het die dames tuiwys gemaak oor die kuns van kolletjieverf. Die pragtigste kunswerke is gemaak deur verskillende groottes kolletjies in 'n patroon te maak. Die VLU Kashané aand-tak is spesiaal gestig vir werkende vrouens wat wil deel wees van 'n VLU-span.

Hulle nooi almal hartlik uit wat wil aansluit by die groep om die voorsitter van die VLU Kashané aand-tak, Charmaine Coetzer, te kontak op 083 469 5505.



Van links: Daleen Roos, Anja Nieuwoudt en Charmaine Coetzer



Die kunswerke wat deur die VLU Kashané aand-tak lode gemaak is.

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## ADDITIONAL PUBLIC COMMENTS – DRAFT IDP AND TABLED MTREF 2023/24

ORGANISATION	INPUTS / COMMENTS	RECOMMENDATION	RLM RESPONSE
<b>The Ratanang Nke Foundation for Hope</b>	2. We have taken note that the closing date for written submissions and public participation on the IDP Review / 2023 / 24 Draft Budget was given as 28 April 2023.	However, all public participation meetings scheduled for the 28th of April 2023 were postponed to dates to be communicated due to a sitting of a Special Council on the said date. A new date for submission of written submissions was not and is yet to be communicated. It is on this basis that we respectfully submit that our submission cannot be considered to be late.	Due to unforeseen circumstances, the municipality has considered public comments beyond the date of the 28 <sup>th</sup> of April 2023.
<b>The Ratanang Nke Foundation for Hope</b>	3. During its Special Council sitting of 07 June 2022, when dealing with the Tabling of the 2022 / 23 MTREF, Council resolved as follows: “9. That the Directorate Planning and Human Settlement conduct a feasibility study on the acquisition of land for township establishment for the residents of the following wards 03, 04, 05 and 06 and a report to Council within six (6) months from the date of this resolution”; (sic)	From the Council records that are in the public domain and having followed the Council's proceedings, we are yet to see a report as contemplated by the above resolution. Kindly advise how far is the municipality in implementing the above resolution.	Three portions were identified, Portions 9 and 68 Boschhoek 103 JQ and Portion 7 Bultfontein. Letters were written on numerous occasions to provide financial assistance with the regard to the acquisition of the land to NWPG and H D A. Await meeting with H D A indicating to us which portions are they going to assist with. When RLM receive assistance then H D A will do feasibility studies. Ptn 17 and 18 Donkerhoek. Owner made offer to Council. Valuations were obtained. However, the owner declined the feasibility studies.



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<b>The Ratanang Nke Foundation for Hope</b>	4. Budget Provision for Staff in the Public Office Bearers' Office	The 21 September 2021 Local Government: Municipal Staff Regulations published in the government gazette No 45181 ("the Regulations") makes provision in terms of sub-regulation 5(3) and 21(1)(b) for strengthening of offices of the POBs. 4.2 We submit that the additional support staff be progressively provided for over the MTREF period.	The total employee cost budget of R927 million includes support staff in Political Offices / Public Office Bearers' Office.
<b>The Ratanang Nke Foundation for Hope</b>	Budget Provision for Sports Tourism	We are mindful that a possibility exists that the draft 2023 / 24 MTREF as presented for public comments, remains unfunded. However, we submit for the reprioritization of sports and tourism budget items and provision for the following items: 5.1.1 Acquisition of hosting rights of at least twenty – eight (28) Premier Soccer Leagues fixtures from four (4) teams, which should include at least six (6) category A games for the 2023 / 24 season, including the hosting of an off – season competition, together with Royal Bafokeng Sports. 5.1.2 Hosting of flagship Marathon, together with Athletics Northwest and Royal Bafokeng Sports which will also serve as a qualifier for the Comrades and Two Oceans Marathon. 5.1.3 Hosting of Swimming Galas together with Swimming Northwest and Swimming South Africa; and	The municipality budgeted R5.5, R5.5 and 6million over the MTREF for contr serv: project development and management (tourism, arts & culture).

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		<p>5.1.4 Hosting of Cycling Challenges together with Cycling South Africa</p> <p>The focus on the above activities will be to develop a sustainably growing the economy of Rustenburg through Sports Tourism, which will: 5.2.1 Seek to affirm Rustenburg as a Sports Tourism destination of choice.</p> <p>5.2.2 Assists in sports and youth development.</p> <p>5.2.3 Stimulate our Local Economic Development.</p> <p>5.2.4 Contribute to social cohesion; and</p> <p>5.2.5 Leave a lasting sports and community development legacy.</p>	
<b>The Ratanang Nke Foundation for Hope</b>	Municipal Credit Control and Debt Collection Policy	<p>Having considered the policy, we have noted a number of cosmetic errors, which include, but not limited to typographical and / or grammatical errors.</p>	<p>6.1 the review for typing errors will be done prior to final submission.</p> <p>6.2 Noted, challenge is lack of resources, as it stands, the person that prepares the policy review does the quality check as well- No segregation of duties.</p> <p>6.3 I could not find the relation between the quoted legislation and policy review/formulations.</p> <p>6.4 and 6.5 I request guidance.</p>

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<b>The Ratanang Nke Foundation for Hope</b>	Bereavement Policy for Councillors	The Municipality should consider repealing this policy in its entirety for reasons that shall be advanced hereinunder and be replaced with a completely new policy named the Civic Funeral Policy, which will take the Cost Containment Regulations and municipal Cost Containment Policy into consideration.	Inputs are noted. The policy will be reviewed and aligned to the Cost Containment Regulations and the Municipal Cost Containment Policy.
<b>Councillor Pieter A. Malan</b>	Operating Revenue Analysis	Revenue projections increases significantly over the MTREF period. It is noted that electricity tariff increases are much higher due to NERSA guidelines as provided. It remains a concern that the revenue estimates are too optimistic as explained in Graph 1 below.	After careful review of our budget assumptions and tariffs, the electricity tariff was adjusted upwards to 15.10% in line with NERSA guidelines and National Treasury assessment. Furthermore, additional revenue provision of 1% - 2% over and above tariffs to cater for growth in revenue base. The municipality is busy with credit control and debt collection initiatives to improve collection
<b>Councillor Pieter A. Malan</b>	Operating Expenditure Analysis	It is a concern that no specific mention is made of load shedding and that no allowances are made for a reduction in revenue due to load shedding as is required by <i>National Treasury Circular 123</i> par 5.3. The expenditure on repairs and maintenance remains very low compared to NT guidelines (2% as a % of PPE vs. 8% as a % of PPE) as is reported on p485. It is very difficult to envision any reduction in bulk water and electricity losses without	The bulk consumers and time of use clients (mines) experience very little loadshedding as it is impractical for mines to undergo loadshedding. Therefore, loadshedding is not expected to have material impact on revenue and expenditure projections.  Repairs and Maintenance was adjusted upwards by R50 million

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		<p>appropriate levels of planned capital expenditure to replace old infrastructure combined with a better organised maintenance call-out system and operational capability. No provision is made for this, yet the current water and electricity losses in distribution amounts to ±R40m per month.</p> <p>The inclusion of planned maintenance of potholes in specified areas is welcomed although the omission of areas within the CBD and Industrial areas is noted with concern.</p>	<p>from the draft to final budget, which is affordable in the context of the financial position of RLM. 8% of a PPE and Investment Property carrying value of R9 billion equates to a repairs and maintenance budget of R720 million which is not affordable in the context of the financial position of RLM.</p> <p>Long term financial plan developed by experts (INCA PM) has modelled an increase to 3.9% for repairs and maintenance over a 10-year period, which equates to an average of 3.1% over the period.</p>
<p><b>Councillor</b> <b>Pieter A. Malan</b></p>	<p>Capital Expenditure Budget</p>	<p>It is noted that the breakdown of projects is provided for Grant Funding in Table SA7. It is difficult to express any opinion on the prioritisation of projects.</p> <p>The biggest longer-term concern is the fact that Rustenburg is not focusing on the criteria required to qualify for even applying for funding in terms of the <i>Integrated Urban Development Grant</i> not any future development loans. There seems to be a misconception that this grant is only available to metropolitan areas, which is not the case as is clearly presented in the <i>Explanatory Memorandum to the Division of</i></p>	<p>Municipality will submit application for the grant in the 2023/24 financial year.</p>

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		<i>Revenue</i> issued by National Treasury on 10 February 2023. Source:	
<b>Councillor Pieter A. Malan</b>	Financial Position	Current assets are overstated due to an over-optimistic cash projection. This in turn results from an over-optimistic debtor's payment ratio as a result of revenue over-projection. This is specifically addressed and depicted in the section that follows.  Cash flow were regularly over-estimated over the past several years. It is evident if prior year audited outcomes are compared to prior year budgets. This discrepancy or practice is maintained during the review period resulting in unrealistic expectations on the financial health of the municipality and raises continued concerns on the ability of the municipality to operate as a going concern.  Cash and cash equivalents are forecasted against the trend of the past number of years and results is an over-optimistic cash forecast.	Revenue projections were adjusted upwards after careful review of our tariffs and to also factor population growth in terms on National Treasury Assessment and LTFP by INCA PM.  The increase in revenue from the draft to final budget resulted in an upward adjustment of cashflow projections.  The cashflow is based on a projected collection rate of 85% of billed revenue. Municipality is busy with credit control and debt collection initiatives to improve collection.
<b>Councillor Pieter A. Malan</b>	Cash Flow		
<b>CLLR SENTSHO SL</b>	Service Delivery	That our previous IDP be incorporated in the current IDP That provision of construction of water pipe along DR Moroka, behind Fox Lake be catered for, in a measure to resolve problem of upper Fox Lake That replacement of water meters for fox lake be catered for	Reply on the option of rezoning the Noord Park is as follows:  1. A request was forwarded verbally. 2. An email was forwarded to Environment and Future Planning regarding the

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			<p>Option of rezoning Noord Park to be residential units be made. Provision for gym machines at Noord Tennis court be considered</p>	<p>request received on 23 May 2023. Await their feedback. 3. A feasibility study will have to be requested to be compiled taking into account the 100-year flood line applicable.</p> <p>Budget allocation of R28 091 687 has been made for water maintenance in the 2023/24 MTREF. Furthermore, water Infrastructure projects are budgeted at R12 332 750. Provision has been made for refurbishment of Olympia Park Stadium.</p>
<b>CLLR SENTSHO SL</b>	S79 Oversight Model		<p>Departmental estimates, vote 001 be accordingly adjusted to accommodate previous council resolution on matter of section 79 model</p>	<p>The municipality had to reduce expenditure which is not service delivery related as the budget was unfunded.</p>
<b>Cllr OJ Kombe</b>	Objection to the proposed tariff increments for the financial year 2023/24.		<p>Botho Community Movement is hereby opposing the proposed electricity tariff increase of 14,50% on both consumption and basic electricity charges. The proposed tariff increase is more than double the current inflation rate of 7,1% year-on-year, residents of Rustenburg Local Municipality simply cannot afford the tariffs that are proposed for the 2023/24 financial year.</p>	<p>After careful review of our budget assumptions and tariffs, the electricity tariff was adjusted upwards to 15.10% in line with NERSA guidelines and National Treasury assessment. Furthermore, additional revenue provision of 1% - 2% over and above tariffs to cater for growth in revenue base</p>

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<b>ClIr OJ Kombe</b>	Closing date for written submissions and public participation on Draft IDP and Tabled MTREF	<p>The closing date for written submissions is captured as being 28 April 2023, it appears that no regard was given to the number of public holidays in the month of April 2023. Some scheduled public participation meetings were not held prior to 28 April 2023, yet the closing date for comments was not extended. However, our submission is one that warrants the attention and consideration of your good office due to its impact on all residents and businesses in Rustenburg.</p>	<p>Due to unforeseen circumstances, the municipality has considered public comments beyond the date of the 28<sup>th</sup> of April 2023.</p>
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## RUSTENBURG LOCAL MUNICIPALITY

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Long Term Financial Strategy  
2022/23 – 2031/32

FEBRUARY 2023





**Contact:**

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### **ABBREVIATIONS USED**

AFS	Annual Financial Statements
ARC	Asset Replacement Cost
CPI	Consumer Price Index
CRC	Current Replacement Cost
CRR	Capital Replacement Reserve
EAP	Economically Active Population
FY	Financial Year
FYE	Financial Year End
GVA	Gross Value Added
IDP	Integrated Development Plan
IP	Investment Property
IPP	Independent Power Producers
INCA	Infrastructure Finance Corporation
IPM	INCA Portfolio Managers
LTFM	Long Term Financial Model
LTFP	Long Term Financial Plan
MFMA	Municipal Finance Management Act
MRRI	Municipal Revenue Risk Indicator
MTREF	Medium Term Revenue and Expenditure Framework
MW	Megawatt
NERSA	National Energy Regulator of South Africa
NT	National Treasury
PPE	Property, Plant and Equipment
PV	Photovoltaic
RLM	Rustenburg Local Municipality
Rm	Rand x 1 000 000

## EXECUTIVE SUMMARY

### *Introduction to the Report*

1. This report contains the proposed Long-Term Financial Plan of the Rustenburg Local Municipality (“RLM” or “Rustenburg LM”). It is submitted to the municipality for its consideration and adoption.
2. The proposed strategy was preceded by an Independent Financial Assessment of the Rustenburg LM prepared by INCA Portfolio Managers in September 2022, drawing on the audited financial statements for the past 8 years up to FYE2021. This assessment is attached as Annexure 1. The report in Annexure 1 includes a summary of the latest available information on the demography, economy, and household infrastructure of the Rustenburg LM. Based on the findings of the Independent Financial Assessment, the Rustenburg LM is in a weak liquidity position (current ratio of 0.7:1), with key metrics trending in the wrong direction which is indicative of potential financial risks. The risks include consistently low collection rates, deteriorating liquidity levels, high creditor payment days ratios and significantly reduced gross surplus margins from the sale of Electricity Services. Although the municipality still maintains a positive cash bank balance and can provide ongoing services to residents, its ability to upgrade infrastructure and address infrastructure backlogs, may be severely curtailed if the negative trends are not addressed.
3. Available documents of the municipality were assessed and interviews with some of the executive directors of the municipality were conducted between 1-6 February 2022. This was done with the purpose of identifying key focus areas that could impact on the long-term financial sustainability of the municipality and to inform proposals regarding future strategies to pursue.
4. The municipality’s cash needs against the revenue it can expect to generate, based on the economy and population of the sub-region, was modelled to determine the future financial sustainability of the municipality.

### *Key Findings*

5. The following summary observations, pursuant to the independent financial assessment for the historic period 2013/14 to 2020/21 and the interpretation of the socio economic and infrastructure data published by IHS Global Insight Rex database, were made:
  - 5.1. The Rustenburg LM has a total population of 705 893 (2021). This population grew by an average of 2.5% per annum between 2012 and 2018, with a large portion of the population – 54% - between the ages of 20 and 39 years.
  - 5.2. The working age group (15 – 64 years) makes up 72% of the total population, however, only 54% of this age group is economically active. Economically active

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people as a percentage of total population reduced from 43.2% in 2021 to 36.4% in 2021. This decrease is proportionally towards unemployment rate which increased from 19.6% to 57.0% over the same period.

- 5.3. Annual per capita of R87 963 is higher than the provincial and national figures - R67 514 p.a., and R73 130 p.a., respectively.
- 5.4. Despite the increase in the annual per capita income over the years, 12.1% of households earn income below R42 000 per annum – i.e., qualify for free basic services; and 54.3% of households earn between R42 000 p.a., and R192 000 p.a. – viz households earning income below the area's average household income.
- 5.5. Gross Value Add (GVA) in constant 2010 prices of the Rustenburg LM is reported to be R28.13 billion in constant prices<sup>2</sup> or R69.37 billion in current prices<sup>3</sup>.
- 5.6. GVA contracted by 3% p. a. over the past ten years – with the highest contraction occurring in 2020 due to the impact of COVID-19. This contraction in the economy and the population growth of 2.5% over the same period, resulted in a decreased GVA per capita for the year.
- 5.7. The Tress Index of 90.4 indicates a concentrated economy that is primarily dominated by the mining sector that contributes 75.7% of economic output.
- 5.8. The provision of basic service has improved over the past 10 years as indicated by an increased infrastructure index from 0.68 in 2012 to 0.77 in 2021. This compares favourably to the national (0.77) and provincial (0.70) indices.
- 5.9. The Rustenburg LM's 2021 service delivery challenges are represented by backlogs in 22.9% refuse removal, 20.5% in sanitation services and 11.1% in electricity services. Positive to note is the low water services backlogs of 5.9%.
- 5.10. Weak liquidity position throughout the 8-year period – liquidity ratio below 1:1. As at FYE2021 liquidity ratio came to 0.70:1, this ratio deteriorates to 0.58:1 should debtors greater than 30 days (least liquid debtors) be excluded from the calculation; below the NT minimum benchmark of 1.5:1. A ratio below 1 means current liabilities exceeded current assets, this indicates financial challenges

<sup>1</sup> The Division of Revenue At uses a monthly household income equivalent to two state old age pensions to define the Equitable Share affordability threshold. This income is approximately R 42 000 p.a.

<sup>2</sup> *Constant* price output measures the Gross Value Added by Region (GVA-R) **with** the effect of inflation being taken into account.

<sup>3</sup> *Current* price output measures the Gross Value Added by Region (GVA-R) **without** the effect of inflation being taken into account.

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and an unhealthy liquidity position whereby the municipality is unable to meet its current obligations when they fall due.

- 5.11. Despite the municipality realising operating deficits for most of the 8-years assessed, it has managed to reduce the operating deficit from R768.0 million deficit in FY2014 to R83.0 million deficit in FY2021.
- 5.12. Low collection rate – having been below the 95% NT benchmark - has hindered the municipality's ability to generate cash from operations over the 8-year period. FY2018 recorded the highest collection rate – 86%; however, this has since deteriorated to 69% in FY2021.
- 5.13. The gross electricity surplus margin has reduced since FY2018 from 26% to 12% in FY2021, mainly due to higher increase in bulk tariffs approved by NERSA than those being passed on to consumers. Positive to note is the reduction in the electricity distribution losses in FY2021 from 7.07% in the prior year to 4.19% - below the NT recommended level of 7%.
- 5.14. Water surplus margin has reduced over the 8-year period and came to 27% for FY2021, whilst water distribution losses increased from 45.83% to 48.66% over the same period – materially higher than the NT recommended maximum of 30%.
- 5.15. Staff costs as a percentage of total operating expenditure has remained below the NT minimum level of 25% - averaging 14% per annum over the 8-year period.
- 5.16. Contracted services comprised an average of 5% of operating expenditure over the 8-year period. This ratio reduced from 6% in FY2014 to 3% in FY2021 – below the 5% NT maximum level.
- 5.17. The municipality has not been able to fully implement its budgeted capital expenditure for most of the assessment period, with the actual capital spending making up 78% of the budgeted capital expenditure on average over the period – below the NT benchmark of at least 95%.
- 5.18. The relatively low collection rate and persistent operating deficits has led to the material decrease in the cash balance over the 8 years, whereby the unencumbered cash balance did not fully cover the minimum liquidity required levels for most of the eight years assessed. As at FYE2021, the municipality's unencumbered cash balance does not meet the required minimum levels of R513.4 million, resulting in a shortfall of R7.9 million. The cash coverage ratio (including working capital) came to less than 1 for most of the 8-year period,

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indicating the municipality's limited ability to service its current liabilities from existing cash.

### ***Conclusions drawn from Financial Model***

6. A long-term financial model was developed, based on the FYE2022 AFS of the municipality and populated with several assumed variables. A summary of the outcome of the Base Case of the model is presented in **TABLE 1**.

**TABLE 1: BASE CASE FINANCIAL OUTCOME**

Outcome	10-Years up to 2032
Average annual % increase in Revenue	5.5%
Average annual % increase in Expenditure	4.7%
Accounting Surplus accumulated during Planning Period (Rm)	R 613
Operating Surplus accumulated during Planning Period (Rm)	<b>-R 3 513</b>
Cash generated by Operations during Planning Period (Rm)	R 2 764
Average annual increase in Gross Consumer Debtors	3.2%
Capital investment programme during Planning Period (Rm)	R 4 927
External Loan Financing during Planning Period (Rm)	R 483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0
Liquidity Ratio at the end of the Planning Period	1.6: 1
Gearing at the end of the Planning Period	3.8%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%

7. We conclude that subject to disciplined future financial management, we estimate that in the **Base Case Scenario** the municipality will, over the planning period from FY2023 to FY2032, accumulate an accounting surplus of R613 million, but generate an operating deficit of R3 513 . It will be able to invest in a capital programme of R4 927 million which will be partly funded by R483 million from external borrowings. It should be able to hold cash and cash equivalents of R2 576 million at the end of the planning period.
8. Our analysis of the fixed asset register estimates a capital replacement cost of R32 455 million over the planning period, which is considerably higher than the affordable capital expenditure. This value does not consider the municipality's estimate of new capital expenditure demand over the period which, if included, would increase this figure to a higher capital demand.



### ***Recommendations***

9. Chapter 12 of the main report contains a comprehensive list of recommendations. These recommendations are based on the historic independent financial assessment and long-term financial model. In summary, a financial strategy is recommended that prioritises the improvement of liquidity and very specifically:
  - 9.1. Tariff increases that are cost reflective and maintain a healthy margin.
  - 9.2. Working capital management by progressively reducing days receivable (improvement of the consumer billings collection rate)
  - 9.3. Should the Rustenburg LM settle its creditors at once, its cash balance will deteriorate significantly, therefore the Rustenburg LM should consider renegotiating with some or all its largest creditors.
  - 9.4. Improve productivity by optimising the use of contractors and employees. These expenditure items need to be managed in close relation with the expected income and very specifically the operational grants expected from the national fiscus.
  - 9.5. Increase spending on repairs and maintenance to at least 2.7% of PPE and IP assumed in the base case, should the financial situation of the municipality improve, the Rustenburg LM should prioritise increasing this expenditure to reach the NT norm of 8%.
  - 9.6. Implement an integrated water loss management programme.
  - 9.7. Maintain the funding mix that primarily funds capital expenditure through capital grants until such time the liquidity position improves and external borrowings become feasible.
  - 9.8. Introduce a capital prioritization process.
  - 9.9. Considering the high capital demand, it is recommended that the Rustenburg LM prioritises a cash backed capital replacement reserve (CRR) for this purposes. It would be prudent to transfer the full depreciation charge to the CRR once liquidity improves and cash balances are available. Once the CRR has built up a significant balance, the Rustenburg LM should avoid depleting its CRR in any given financial year but use a percentage of (say 50%) of their prior year balance for assets that require replacement. An asset replacement programme within the levels of available resources in the CRR will go far in quantifying the future replacement budget.

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- 9.10. Update the Spatial Development Framework and all other key documents to align with the Integrated Development Plan.
- 9.11. Adopt the Long-Term Financial Plan as a strategic document of the municipality.
- 9.12. Regularly update the long-term financial plan with the latest information to remain relevant and a valuable strategic tool that serves as input to the annual budgeting processes.
- 9.13. Obtain access to the and institutionalise the internal use of the LTFM, to timely perform integrated forecast revenues, expenditure, cash flows, funding and financial position based on socio economic drivers and policy choices of the municipality, assisting to model -

# **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

## **1. INTRODUCTION**

- 1.1. This report is the outcome of an assignment undertaken by INCA Portfolio Managers (“IPM”) pursuant to an appointment by the INCA Capacity Building Fund (ICBF) to develop a Long-Term Financial Plan (“LTFP”) for the Rustenburg Local Municipality for a period of 10 years from 1 July 2022 to 30 June 2032, based on a Long-Term Financial Model (“LTFM”).
- 1.2. In this assignment, a historic financial assessment of the municipality with the financial information up to 30 June 2021 has been included.
- 1.3. Based on a review of various documents made available by the municipality, as well as interviews with the management of the municipality, this document reflects on the capital investment requirements and financial strategies to be pursued by the municipality. The capital expenditure demand, consisting of asset replacement costs and new capital investments, is evaluated against the capacity of the municipality to afford these future capital expenses. As part of the evaluation the potential future municipal revenues, based on the economy and population of the sub-region, has been estimated. These revenues will in turn inform the funding mix that the municipality can access to finance its future capital needs.
- 1.4. The recommendations reflect the outcome of the analysis in this report and aim to ensure the long-term financial sustainability of the Rustenburg Local Municipality.
- 1.5. The following sources of information have been scrutinised and taken into consideration in the conclusion of the Independent Financial Analysis (IFA) and the development of this LTFP:
  - a. The audited financial statements for the years ending 30 June 2011 to 30 June 2021.
  - b. The unaudited financial statements for the year ended 30 June 2022.
  - c. The Medium-Term Revenue & Expenditure Framework 2022/2023 – 2025/2026.
  - d. Various other strategy and planning documents of the municipality that are publicly available.
  - e. Economic, demographic, and household infrastructure data extracted from IHS Global Insight’s Regional Explorer.

## **2. OBJECTIVES OF THE LONG-TERM FINANCIAL PLAN**

- 2.1. The purpose of a Long-Term Financial Plan is to recommend strategies and policies that will maximise the probability of the municipality's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the municipality's historic performance and the environment in which it operates.
- 2.2. The strategy provides guidelines, within the context of an uncertain future, of what the municipality can afford. The strategy does not prescribe what the municipality should implement.
- 2.3. The generic process (adapted for each municipality pending availability of data) that IPM follows in reaching the objective of the Long-Term Financial Plan is illustrated in the diagram below:

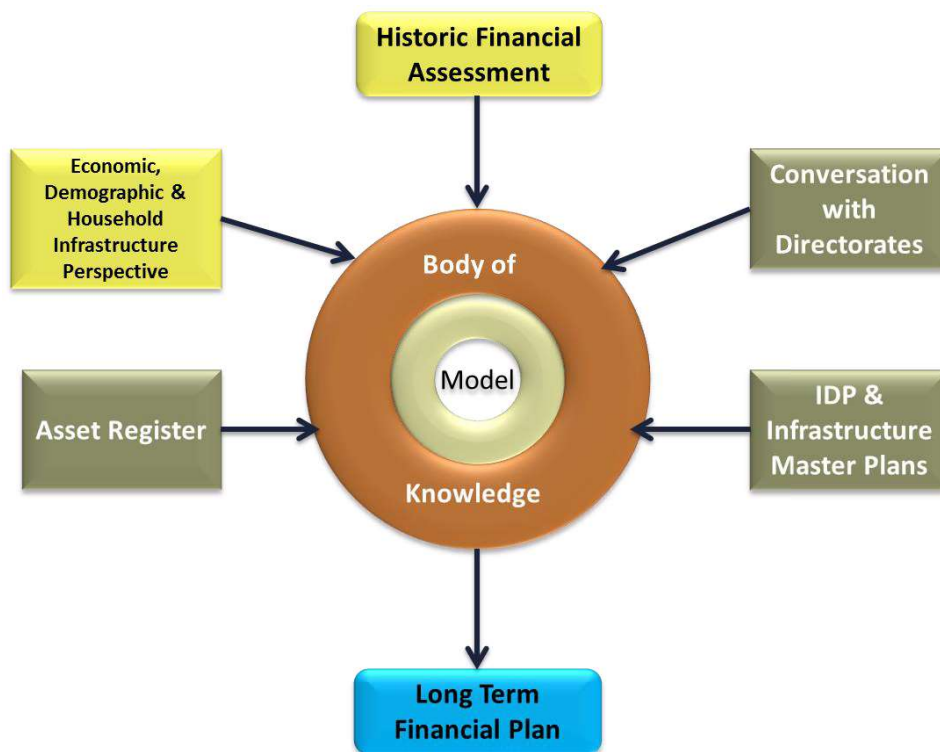


FIGURE 1: PLANNING PROCESS

### **3. PERSPECTIVE**

An assessment of the Rustenburg Local Municipality's historic financial performance for the period 2014 to 2021 is presented in more detail in Annexure 1: Rustenburg Local Municipality: Independent Financial Assessment against the context of the Municipality's Demographic, Economic & Household Infrastructure Situation, November 2022, which highlights the following:

- The Total Population of 705 893 (2021) is growing at a relatively high rate of 1.5% p.a. between 2012 and 2021, relative to the South African and North-West province population growth rates of 1.2% and 1.6% respectively.
- The GVA declined by an average of 3% p.a., over the past ten years, whilst the population grew by 2.5% over the same period, indicating a decline in the economic output per capita.
- The official unemployment rate is 57.0%.
- The economy is dominated by the Mining sector, contributing a combined 75.7% to GVA output in 2021.
- Infrastructure backlogs have reduced over the past ten years, however, the infrastructure index of 0.77 indicates that the provision of services in the municipality is above the provincial and national averages.
- The extent of infrastructure service delivery is higher than the district average for most services. –Electricity backlogs of 11.1% are, however, higher than the district's 9%.

Weak liquidity position throughout the 8-year period – liquidity ratio below 1:1. As at FYE2021, the liquidity ratio came to 0.70: 1. This can be attributed to the persistent operating deficits that resulted in lower levels of cash generation (worsened by a reduced collection rate over the same period from 81% in FY2014 to 69% in FY2021).

- 3.1. An assessment of Rustenburg Local Municipality's historic financial performance for the period 2015 to 2022 is presented in more detail in Annexure 1: Rustenburg Local Municipality: Independent Financial Assessment against the context of the Municipality's Demographic, Economic & Household Infrastructure Situation, April 2021. This is summarised below:

### Spatial & Demographic Perspective

- 3.2. The Rustenburg LM has a total population of 705 893 (2021). The population grew by an average rate of 2. 5% p.a between 2012 and 2021, with the working age group of 15-64 years making up 72% of the total population, of which 54% of this age cohort is regarded as economically active.
- 3.3. Annual per capita income of R87 963 is higher than the provincial and national figures – R67 514 p.a. and R73 130 p.a., respectively.
- 3.4. Notwithstanding the increase in the annual per capita income over the past ten years, 12.2% of households earn income below R 42 000<sup>4</sup>. In addition to the high number of households that qualify for indigency, approximately 54.3% of households earn income between R42 000 p.a., and R192 000 p.a., - viz households earning below the area's average household income .
- 3.5. EAP as a percentage as a percentage of total population has reduced over the past 10 years from 43.2% in 2012 to 39.4% in 2021. This decrease is directly linked to unemployment, as indicated by the increase in the official unemployment rate over this period from 19.6% to 57.0%.
- 3.6. At 57.0%, Rustenburg's unemployment rate is the highest of all the municipalities in the district. It is also materially higher than the provincial and national rates of 34.3% and 33.6% respectively. It should however be noted that the official unemployment rate does not consider people who have not recently taken active steps to find employment i.e., discouraged workers which would increase the perceived rate

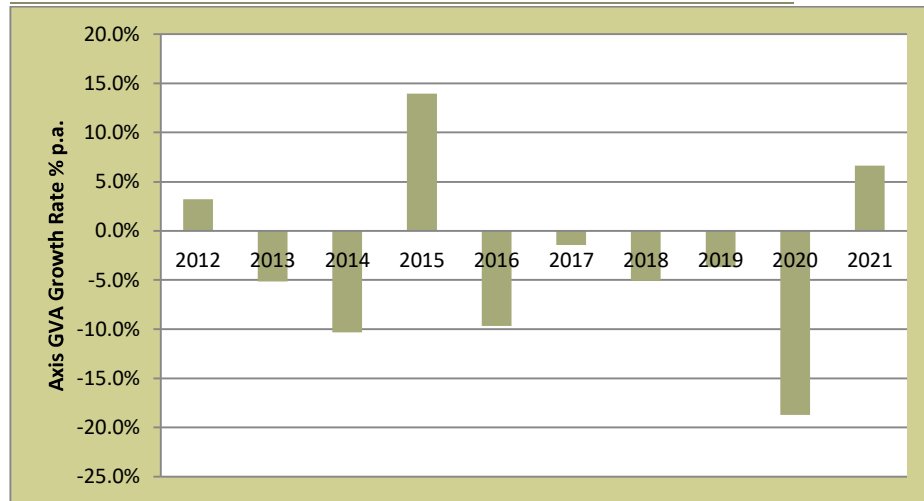
<sup>4</sup> The Division of Revenue At uses a monthly household income equivalent to two state old age pensions to define the Equitable Share affordability threshold. This income is approximately R 42 000 p.a.

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### Economic Perspective

- 3.7. Gross Value Add (GVA), of the Rustenburg LM is reported at R28.13 billion-in constant 2010 prices.
- 3.8. Rustenburg has not experienced economic growth over the past ten years, GVA contracted by an average rate of 3% per annum – with the greatest decline depicted in 2020 whereby the economy shrunk by 18.7% p.a., due to the impact of COVID-19.

**GRAPH 1: RUSTENBURG LM: ANNUAL AVERAGE GVA GROWTH RATE % P.A.**



- 3.9. The Tress index<sup>5</sup> of 90.4 indicates a highly concentrated economy, dominated by the Mining Sector, contributing approximately 75.7% to the GVA.

**TABLE 2: SECTOR SHARE OF TOTAL GVA: RUSTENBURG LM**

	2012	2021
1 Agriculture	0.7%	0.4%
2 Mining	61.4%	75.7%
3 Manufacturing	3.8%	2.0%
4 Electricity	1.9%	1.5%
5 Construction	1.6%	0.7%
6 Trade	7.2%	3.7%
7 Transport	3.0%	1.5%
8 Finance	10.0%	8.3%
9 Community services	10.4%	6.1%

- 3.10. As the largest contributor to the area's economy, Mining is also the highest employer in the area, employing approximately 117 529 people in 2021. However, this figure has reduced since 2012 from an estimated 181 797 people.

<sup>5</sup> The Tress Index provides insight into the level of concentration (or diversification) within an economic region. A Tress Index value of 0 means that all economic sectors contribute equally to GVA, whereas a Tress Index of 100 means that only one economic sector makes up GVA of the region.

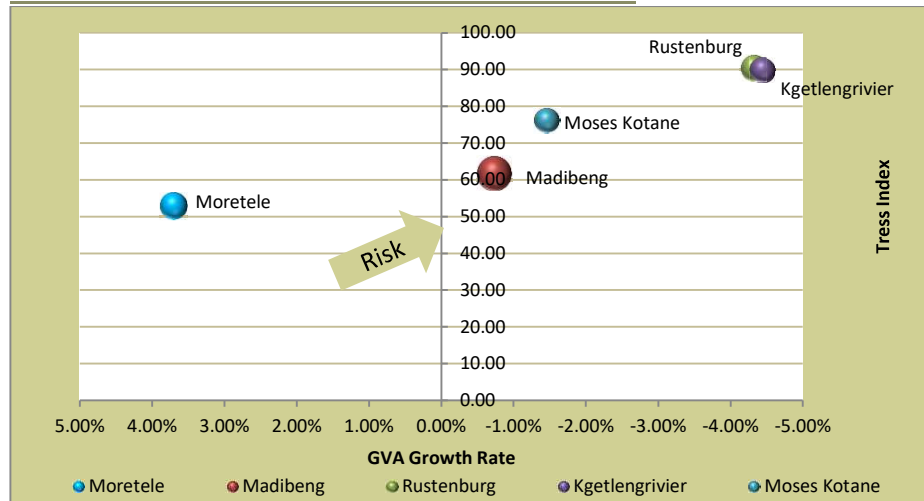
## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- 3.11. Due to the mining sector attracting migrant labourers, the spatial employment balance indicates that there are more people working in Rustenburg, but living elsewhere – approximately 14 328 people. This figure makes up 5% of the economically active population.
- 3.12. The tourism sector was negatively impacted by the COVID-19 pandemic as indicated by the reduced number of trips between 2019 and 2020, decreasing by approximately 48% from 622 906 trips to 322 891 trips. The trips have remained low in 2021 – 326 082 trips – when compared to pre-pandemic numbers. The main purpose of trips to the area are visits to friends and relatives (58% of all trips).
- 3.13. Following the 2020 impact of COVID-19, tourism spend increased from R798.6 million to R1.68 billion in 2021. This gross amount pre-pandemic contributed on average 3.6% to the regions GDP but represents 2.3% of GDP in 2021.
- 3.14. IPM has developed the Municipal Revenue Risk Indicator (“MRRI”), which measures the risk of a municipality to generate its own revenues. This risk is on the one hand a function of the economy (size of the economy as measured by the GVA per capita, GVA growth rate and Tress Index) and on the other a function of households’ ability to pay (measured by the % of households with income below R42 000 p.a., unemployment rate and Human Development Index).
- 3.15. The regional economy and the ability of households to pay for services delivered by the municipality, rates the Rustenburg LM as a “high” risk on IPM’s Municipal Revenue Risk Indicator scale. There is a high risk that the municipality will not be able to generate enough own revenue in future. The following graphs illustrate the Rustenburg LM’s relative position in comparison to other local municipalities in the district.

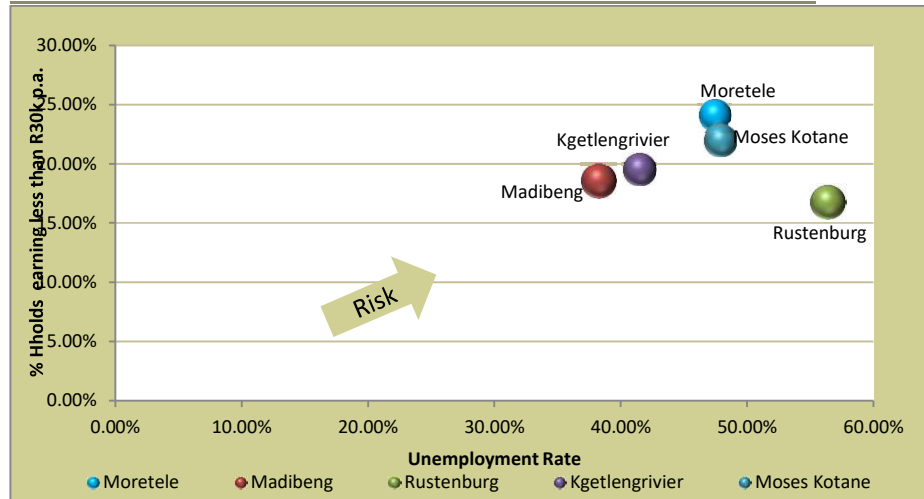


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**GRAPH 2: RUSTENBURG LM: COMPARATIVE ECONOMIC RISK**



**GRAPH 3: RUSTENBURG LM: COMPARATIVE HOUSEHOLD ABILITY TO PAY RISK**



### Household Infrastructure Perspective

- 3.16. The provision of basic service has improved over the past 10 years as indicated by an increased infrastructure index from 0.68 in 2012 to 0.77 in 2021. This compared favourably to the provincial (0.70) and national (0.77) indices.
- 3.17. The Rustenburg LM's 2021 service delivery challenges are represented by 22.9% refuse removal backlogs; 20.5% sanitation backlogs and 11.1% electricity services; compared to .36.5% refuse removal backlogs; 28.7% sanitation backlogs and 15.2% electricity services backlogs in 2012

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### Financial Perspective

- 3.18. Weak liquidity position throughout the 8-year period – liquidity ratio below 1:1. The liquidity ratio as at FYE2021 came to 0.70:1 having deteriorated from 0.96:1 as at FYE2014. Should debtors greater than 30 days be excluded from the calculation, this rate reduces further to only 0.58:1; well below the NT minimum benchmark of 1.5:1.
- 3.19. The municipality realized accounting surpluses for most of the 8-year period, having improved from an accounting deficit of R67.3 million in FY2014 to an accounting surplus of R357.9 million in FY2021. When capital grants are excluded, the figure reduces to an operating deficit of R768.0 million and R83.0 million for FY2014 and FY2021 respectively. Operating deficits were realized for most of the 8-year period.
- 3.20. Rustenburg did not manage to generate cash from its operations – except for FY2018. This is mainly due to the low collection rate that has consistently remained below the NT benchmark of 95%. The highest collection rate of 86% was recorded in FY2018; however, this rate has since deteriorated to 69% in FY2021.
- 3.21. The gross electricity surplus margin has reduced since FY2018 from 26% to 12% in FY2021, mainly due to higher increase in bulk tariffs approved by NERSA than those being passed on to consumers. Positive to note is the reduction in the electricity distribution losses in FY2021 from 7.07% in the prior year to 4.19% - below the NT recommended level of 7%.
- 3.22. Water surplus margin has reduced over the 8-year period and came to 27% for FY2021, whilst water distribution losses increased from 45.83% to 48.66% over the same period – materially higher than the NT recommended maximum of 30%.
- 3.23. Staff costs contributed an average of 14% to operating expenditure, for FY2021 - lower than the 25% to 40% range recommended by NT.
- 3.24. Contracted services comprised an average of 5% of operating expenditure over the 8-year period. This ratio reduced from 6% in FY2014 to 3% in FY2021 – below the 5% NT maximum level.
- 3.25. Expenditure incurred to repair and maintain property, plant and equipment and investment property decreased over the 8-year period from R171.3 million in FY2014 to R73.1 million in FY2021. When expressed as a percentage of property plant and equipment; and investment property, this expense came to an average of 2% over the 8-year assessment period – much lower than the 8% NT recommended benchmark.
- 3.26. The municipality has not been able to fully implement its budgeted capital expenditure for most of the assessment period, with the actual capital spending making up 78% of the budgeted capital expenditure on average over the period – below the NT benchmark of at least 95%.

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- 3.27. The relatively low collection rate and persistent operating deficits has led to the material decrease in the cash balance over the 8 years, whereby the unencumbered cash balance did not fully cover the minimum liquidity required levels for most of the eight years assessed. As at FYE2021, the municipality's unencumbered cash balance does not meet the required minimum levels of R513.4 million, resulting in a shortfall of R7.9 million. The cash coverage ratio (including working capital) came to less than 1 for most of the 8-year period, indicating the municipality's limited ability to service its current liabilities from existing cash.
- 3.28. Rustenburg LM achieved a shadow credit rating of 3.2 on the INCA Shadow Credit Rating Model which is comparable to a "BB+" rating on the National Credit Ratings Scale. The credit score is relatively low compared to other local municipalities, and it is at Non-Investment Grade level, which means Rustenburg LM would most likely not be successful in accessing external borrowings at competitive rates

## 4. KEY FOCUS AREAS

This section summarises key issues raised and discussed during the discussions with the municipality of Rustenburg LM's directorates. This is a key part of the LTFP process and help needed to get a better understanding of key issues the municipality is dealing with that may impact on the financial sustainability of the municipality in future. Importantly, it ensures that the desktop work is aligned with the realities at ground level. These discussions enhance our understanding and enables us to reach accurate conclusions.

Key Focus Areas identified during conversations with officials of the municipality and issues raised in the municipality's IDP are synthesized into the following main points:

- Lack of economic growth and high unemployment
- Financial challenges – low collection rate, limited financial resources, qualified audit opinion
- Aging infrastructure
- Poor maintenance of municipal assets
- Limited financial resources
- Lack of project management
- Growth in informal settlements
- High housing backlogs
- High distribution losses
- Land invasions
- Outdated strategic documents - SDF

### 4.1. Lack of economic growth

The Rustenburg LM did not experience economic growth since 2015, this was worsened by the impact of COVID-19. This economy is mainly driven by the mining sector, which has seen its contribution to GVA decline over the years. The lack of economic diversification is often associated with increased vulnerability to external shocks that can undermine prospects for longer-term economic growth – as was the case with the pandemic, which resulted in a 18% economic contraction in the GVA output. The municipality is thus faced with a major challenge of a Rustenburg post the mining boom.

Rustenburg LM has a recorded unemployment rate of 56% (iHS 2021), mainly due to the high number of the population moving to the area seeking employment. However, due to the highly concentrated mining sector, the municipality is presented with the challenge to reduce unemployment through diversification of the economy which would create employment opportunities in other economic sectors.

### **4.2. Financial challenges**

The municipality's financial challenges are reflected in the findings of the independent financial analysis and the historical trend analysis. Factors impacting on the revenue are:

- ESKOM distributing and collecting revenue in various part of the municipality, not only limits the scope to generate a positive cash return on a larger portion of trading services, but also impacts negatively on the municipality's credit control i.e., there is a low collection rate for payment of other basic services in these areas, and the municipality does not have the legal mandate to withhold such services.
- Historically low revenue collection
- The growth in indigent households over the years, with the equitable share not being sufficient to cover the full cost of providing basic services to these households.

### **4.3. Ageing Infrastructure**

Ageing infrastructure has been identified as one of the major challenges for the municipality. This is further exacerbated by the insufficient repairs and maintenance over the years, vandalism and urbanisation which has placed significant pressure on the current infrastructure.

### **4.4. Project Management**

There is an overall concern when it comes to project management, specifically when it comes to roles that service providers and the municipality's project managers play. These has been blurred, resulting in contract disputes with service providers, incomplete projects due to lack of oversight and costly legal disputes.

### **4.5. Human Settlements**

*Increase in informal settlements.*

The increase in the number of people residing in the municipality of Rustenburg LM and especially the significant increase in informal settlements, as a result of urbanisation, presents the following service delivery challenges:

- Densification of urban areas through informal settlements has impacted the living conditions and surrounding environment, specifically grey water management.
- The extension of household infrastructure services (water, electricity, sanitation and refuse removal) is placing strain on current infrastructure, that is ageing, and on bulk service capacity. This relates to fixed as well as movable infrastructure capacity.
- An increased demand for housing, adding to the significant housing backlog.

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### *Land invasions*

With the growing population -specifically people seeking employment opportunities from the dominant mining sector, the municipality has seen a rapid increase of land invasion - especially within Marikana and Rietvlei. The municipality had taken legal measures and obtained an eviction order to from the Sheriff of the High Court in October 2021, which was served to the land invaders, however this problem still persists as invaders have ignored the court order. Considering the financial challenges, the land invasions present an additional cost – legal costs and resources – to the municipality.

### *Land acquisition*

To combat the growing number of informal settlements and land invasions, the municipality has made efforts to acquire land. However, the availability of habitable land has become a challenge as land ownership is vested in the hand of traditional authorities, mines, private owners, and government. In addition, the concentration of mining rights within the Rustenburg jurisdiction hamper any form of development of that land.

### *Outdated Spatial Development Framework (“SDF”)*

The municipal SDF must be prepared as part of a municipality’s integrated development plan in accordance with the provisions of the Municipal Systems Act. Following the adoption of the SDF, the municipality must review this document in an annual basis in terms of performance of the municipality in relation to the guidance provides d in the SDF, as well as at any time deemed necessary in response to changing circumstances. This review may result in an amendment of the SDF. Rustenburg LM’s SDF was approved by council in 2005, amended and approved on 11 February 2009. However, the municipality has not amended its SDF since, this presents a challenge to the municipality as the outdated SDF does consider the significant changes that have occurred over the years.

## **4.6. Distribution Losses**

The high distribution losses have been noted as the main challenge for the municipality. As at FYE2021, water distribution losses were 48.66% the NT benchmarks of 30%. The following have been identified as the main contributors to the increased distribution losses:

- Aged infrastructure
- Illegal connections
- Vandalism

**4.7. Technology**

The municipality acknowledged the need for technology advancement, considering that certain functions are still done manually. This requires capital investment which has been regarded as lower priority considering the other infrastructure needs of the municipality.

**4.8. Corporate Support Services**

The Rustenburg LM has identified the following as challenges experienced in relation to its human capital:

- Various departments have noted that there are vacant posts which take longer to fill.
- Not all positions in the approved structures are evaluated, resulting in salary discrepancies and delays in evaluation by job evaluation committee.
- Prolonged disciplinary processes due to lack of skilled personnel to assist in the prosecution and chairing of the disciplinary cases.
- There is a concern of a loss of institutional memory or lack of skills transfer in terms of infrastructure management with the retirement of staff at lower management level (specialised skills).
- Medical surveillance programme not in place since the service contractor's contract in October 2020. This presents a challenge to corporate support services as medical surveillance is a legislative requirement that should occur annually -according to the IDP, this last occurred in March 2020.
- Employee Assistance Programme (EAP) not in place for distressed employees due to budgetary constraints, as service provider could not be appointed.

## **5. DEMAND FOR FUTURE CAPITAL EXPENDITURE**

Based on IPM's estimate of future asset replacement cost over the 10-year planning period, amounts to R32 455 million. This amount is considerably higher than the estimated affordable capex. We were not able to obtain the municipality's estimate for new capital assets which would have indicated the capital expenditure demand for the 10-year period.

The estimates assume that the capex demand will be spread as follows over the 10-year period.

### **ESTIMATED 10-YEAR CAPITAL EXPENDITURE DEMAND (R MILLION)**

		1-5	6 - 10
	<b>TOTAL</b>	<b>2023 – 2027</b>	<b>2028 - 2032</b>
Estimate TotalReplacement Cost	<b>32 455.0</b>	13 508.5	18 946.4

### **Asset Replacement Expenditure Demand**

- 5.1. The replacement cost at a future replacement date for all the assets in the asset register was determined. "Replacement" could also imply rehabilitation, enhancement (upgrade) or renewal (refurbishment) of that asset but excludes routine repairs and maintenance.
- 5.2. The calculation is done mechanistically and does not cater for engineering judgement. The information gained from the asset registers and the correctness thereof will impact on the accuracy of future replacement- costs and dates. The model calculates the Replacement Cost (in nominal terms) of assets for the Planning Period, i.e., up to and including 2031/32. Some asset classes were not reviewed for replacement, viz. "Investment Property", "Land", "Heritage Assets", "Intangible Assets" and "WIP".
- 5.3. The outcome of this analysis and the Annual Replacement Cost ("ARC") is presented in Annexure 4: Assets Earmarked for Replacement.
- 5.4. According to a mechanistic calculation, the nominal replacement cost for the period from 2022/23 (and replacement not done before) to 2031/32 amounts to R 41 672 million of which 40% is replacement that was due in the past and was not undertaken. The replacement of assets in the Electricity category amounts to 75% of this amount, with the Roads- and Water Infrastructure categories following with 8.8% and 7.1%



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respectively.<sup>6</sup> The estimated current replacement cost ("CRC") of only those assets that were assessed amounts to R 54 billion compared to the carrying value of non-current assets of approximately R8.5 billion recorded in the municipality's annual financial statement for the period ending 30 June 2022.

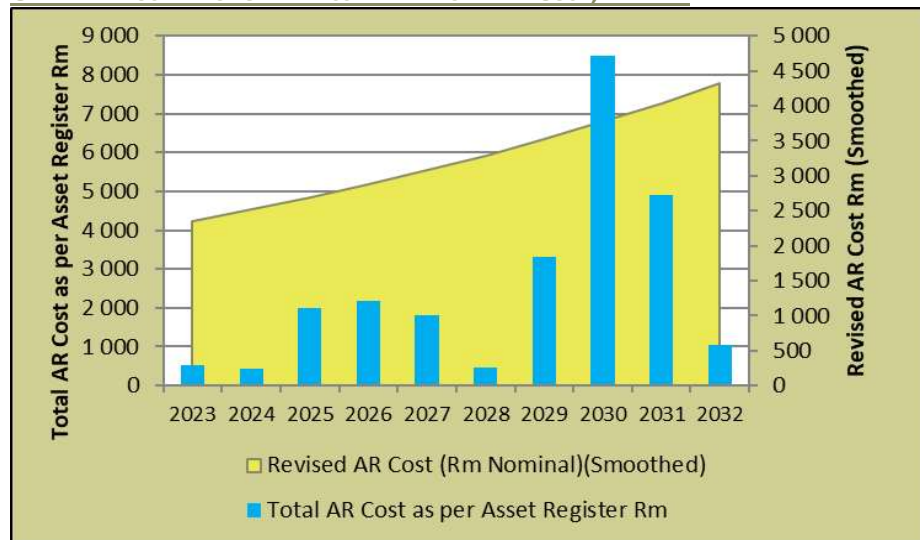
5.5. We have amended the estimated replacement costs. This was achieved by:

- Assuming that the actual remaining life of some assets will exceed the life recorded in the asset register
- Assuming that only a percentage of assets will be replaced when their estimated useful life expires (e.g. in the case of buildings, it is doubtful whether the whole structure will have to be replaced, possibly only certain fittings, roof, finishes, etc.)
- Spreading replacement not done in the past over several future years, and
- Smoothing the constant 2022 value over the Planning Period and reverting these back to nominal values

5.6. Following the above procedure resulted in the total asset replacement cost, for the period 2022/23 to 2031/32 reducing from the original R 41 672 million to R 32 455 million.

5.7. The graph below compares the Replacement Cost as determined from the asset register and the smoothed Replacement cost after adjustment as described above:

**GRAPH 4: RUSTENBURG LM: ASSET REPLACEMENT COST, RM P.A.**



<sup>6</sup> The replacement cost of Electricity infrastructure appears to be out of proportion to the infrastructure replacement cost of other services, especially in the light of the fact that the acquisition amount of Electricity infrastructure amounts to only 10% of the acquisition amount for all PPE, albeit acquired at different times in the past.

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- 5.8. The high amounts estimated for 2029, 2030 and 2031 are due to an extent, but not exclusively, to the replacement of:

### **2029**

Various assets components in the Water sector, including distribution and reticulation systems in various villages and towns.

### **2030**

Various asset components in the Electricity sector, including HV Network and MV Sub-Station and Switchgear at various localities.

### **2031**

Various asset components in the Roads (roads, pavements, bridges & storm water) as well as Sewerage sectors, including replacement of bridges and stormwater systems and gravity sewer pipes in several villages.

- 5.9. It is worthwhile to assess the condition of the assets as accurately as possible and apply engineering judgment to determine when the asset components need to be replaced.
- 5.10. The smoothed Annual Replacement Cost ("ARC") curve ranges from R 2 349 to R 4 319 million p.a. for the period 2022/23 to 2031/32. A future smoothed asset replacement programme of this nature would be advisable to avoid the spikes as illustrated above. The quantum may however not be affordable considering that the investment in PPE of the municipality in 2021/22 was only R186.6 million, which included investment in new as well as replacement assets.
- 5.11. In addition to asset replacement the municipality has the need to create new capital assets. However, in the light of the backlog of asset replacement this should not be neglected, and we propose that the municipality identify priority projects and implement a smooth asset replacement budget for future years.
- 5.12. In the light of the large demand for the replacement of assets that will be reaching the end of its useful life during the 10-year planning period, we propose that the municipality prioritises a cash backed Capital Replacement Reserve ("CRR") for this purpose. It would be prudent to transfer the full depreciation charge to the CRR once the cash balances are available. The CRR can then be used as a funding source for future capital expenditure. Furthermore, once the CRR has built up a significant balance the municipality should avoid depleting its CRR in any given financial year but use a percentage (say 50%) of the prior year balance for assets that require replacement. An asset replacement programme within the levels of available resources in the CRR will go a far way in quantifying the future replacement budget.

## 6. FINANCIAL MODEL

Future forecasts are based on the outcome of a financial model. The essential Base Case assumptions of the model are listed in the table below:

### ASSUMPTIONS OF BASE CASE VARIABLES

<b>VARIABLE</b>	<b>BASE CASE AVERAGE FOR THE 10 –YEAR PLANNING PERIOD</b>
RSA consumer inflation rate (CPI)	5.3%
Population Growth Rate	1.7%
GVA Growth Rate	2.4%
Short term investment rate (Margin above CPI)	1.0%
Electricity Price Elasticity of Demand	-0.4
Water Price Elasticity of Demand	-0.2
Employee related cost escalation	9.1%
Bulk electricity cost escalation	6.3%
Collection Rate of customer billings	86.5%

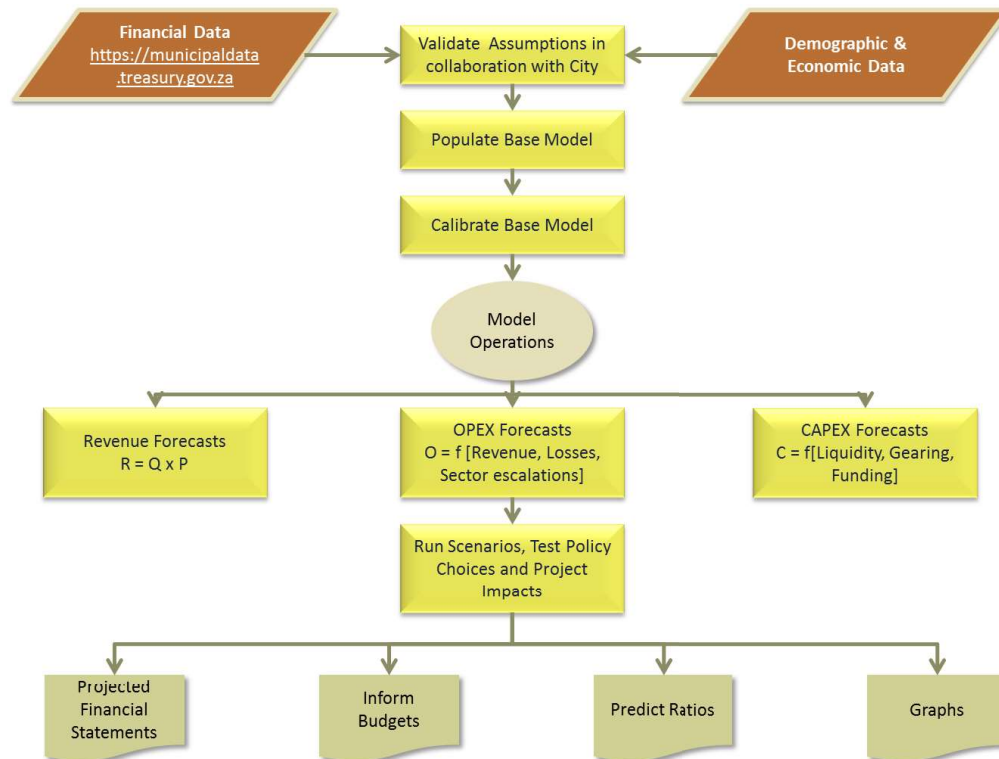
The Base Case outcome of the financial model is summarised below:

### BASE CASE OUTCOME

<b>Outcome</b>	<b>10-Years up to 2032</b>
Average annual % increase in Revenue	5.5%
Average annual % increase in Expenditure	4.7%
Accounting Surplus accumulated during Planning Period (Rm)	R 613
Operating Surplus accumulated during Planning Period (Rm)	<b>-R 3 513</b>
Cash generated by Operations during Planning Period (Rm)	R 2 764
Average annual increase in Gross Consumer Debtors	3.2%
Capital investment programme during Planning Period (Rm)	R 4 927
External Loan Financing during Planning Period (Rm)	R 483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0
Liquidity Ratio at the end of the Planning Period	1.6: 1
Gearing at the end of the Planning Period	3.8%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%

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- 6.1. The proposals in this financial plan are based on the assumptions in the Base Case Financial Model. We are cognisant of the fact that future cash flows may be influenced by a variety of variables which limit the accuracy with which forecasts can be made.
- 6.2. The model framework is illustrated in the diagram below:



**FIGURE 2: LTFM FRAMEWORK**

- 6.3. The output of the model, especially the graphs and tables throughout this document have been developed using the LTFM. The Projected Financial Statements are presented in Annexure 1, which may also serve as a guide to inform future budgets of the municipality. The Financial ratios are presented in Annexure 2 and summarised in paragraph 6.13 below.
- 6.4. The model forecasts the future revenue and expenditure by applying several independent variables. As an example, the future water services charges will, in addition to the tariff charged, be affected by future consumption as well as the addition of new users. Generic growth pursuant to the growth in population, households or economic output will be forecast.
- 6.5. To estimate the future revenue and expenditure, certain assumptions need to be made. These assumptions will serve as input to the model. For example, an assumption of future collection rates is required to convert billings to actual cash receipts.

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- 6.6. The average values for the 10-year planning period of those variables that were also changed for scenario testing are indicated in **TABLE 3** below:

**TABLE 3: ASSUMPTIONS OF BASE CASE VARIABLES**

VARIABLE	BASE CASE AVERAGE FOR THE 10-YEAR PLANNING PERIOD
RSA consumer inflation rate (CPI)	5.3%
Population Growth Rate (% p.a.)	1.7%
GVA Growth Rate (% p.a.)	2.4%
Short term investment rate (Margin as above CPI)	1.0%
Electricity Price Elasticity of Demand	-0.4
Water Price Elasticity of Demand	-0.2
Employee related cost escalation (p.a.)	9.1%
Bulk electricity cost escalation	6.3%
Collection Rate of customer billings	86.5%

- 6.7. Most of these variables are self-explanatory. Whereas the average economic growth rate as measured by the % GVA p.a. is 5.3%, it ranges between 1.6% and 3.7% p.a. Employee related expenses are expected to be marginally higher than CPI and increase by 9.1% p.a. The collection rate of customer billings is assumed to be 86.5% on average of the forecast period. The model allows for the decline of electricity and water consumption pursuant to price increases by applying a Price Elasticity of Demand ratio, estimated to be -0.4 and -0.2 for electricity and water respectively.
- 6.8. The historical financial assessment of Rustenburg LM indicates an unhealthy liquidity position with the current ratio less than 1 for the 8-year assessment period, due to low collection rate; persistent operating deficits, delayed payments to suppliers and deterioration in cash position to well below the minimum liquidity requirements. The assessment also highlighted decreases in gross electricity and water surplus margins and increases in water distribution losses over the past 8 years. The objective of the assumptions in the model was to rectify this over time to ensure future financial sustainability. The following factors represent the most important assumptions that were made in this regard. These assumptions will also have to be incorporated in the formation of the municipality's Long Term Financial Plan:
- 6.9. The historic financial assessment of the municipality of Rustenburg LM has indicated a decline in the liquidity position (current ratio less than 1) due to low collection ratio, operating deficits, delayed payments to suppliers and deterioration in cash position to below minimum liquidity requirements. The assessment also highlighted decreases in gross electricity and water surplus margins and increases in distribution losses over the 8-year period. The objective of the assumptions in the model was to rectify this over time to ensure future financial sustainability. The following factors represent the most

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important assumptions that were made in this regard. These assumptions will also have to be incorporated in the formation of the municipality's Long-Term Financial Plan:

- 6.9.1. The current MTREF indicates capital expenditure of R1 841 million over the MTREF period – FY2023 to FY2025 – to be funded by R1 326 million (72%) capital grants and R515 million (28%) own cash resources. This funding mix is forecast to result in a cash shortfall for FY2025. Considering the municipality's liquidity position, the MTREF funding mix is suboptimal as the utilisation of the of cash resources will result in further deterioration of the municipality's liquidity position. The funding mix was therefore adjusted in arriving at the Bas Case by eliminating the funding through cash reserves for FY2023 to FY2025 by reducing the capital expenditure to R1 334 million an primarily funded by capital grants.
- 6.9.2. The collection rate of customer billings was recorded as 72.6% in FY2022. This was assumed to increase progressively to 90% by FY2023 and remain at this rate for remainder of the 10-year planning period.
- 6.9.3. The historical analysis indicates persistent operating deficits realised for most of the 8-year period assessed, with this trend continuing over the MTREF budget period. Considering the current financial challenges – depicted by the low collection rate and current ratio less than 1 – the municipality can benefit from an improvement in operating deficits. The Base Case therefore assumes a permanent reduction in the operating expenditure by 5% from FY2023 and the remainder of the planning period.
- 6.9.4. Due to the municipality's liquidity challenges, investment in the repair and maintenance of capital assets is assumed to increase to 4% of property, plant and equipment and investment property, far less than the NT norm of 8%.
- 6.9.5. The MTREF budgeted an increase in the sanitation service charges from R189.64 million in FY2022 to R405.8 million in FY2023, a marked increase when compared to the historical analysis. Due to this discrepancy, the model was not calibrated to the budget assumptions, thus, the LTFM estimate of refuse removal for the MTREF were relied upon in arriving at the Base Case.
- 6.9.6. The MTREF budgeted an increase in sanitation service charges from R189.7 million recognised in FY2022 to R405.8 million budgeted for FY2023. Due to this discrepancy, the model was not calibrated to the budget assumptions, rather the model assumptions were relied upon in forecasting future sanitation service charges revenue.
- 6.9.7. The historical analysis indicates an increase in water distribution losses over the past 8 years, in FY2021 the distribution losses came to 46.46%, markedly higher

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than the recommended NT maximum of 30%. In arriving at the Base Case, the distribution losses were assumed to progressively reduce to 30% by the end of FY2027

6.10. The outcome of the Base Case is reflected in the table below:

**TABLE 4: BASE CASE OUTCOME**

Outcome	10-Years up to 2032
Average annual % increase in Revenue	5.5%
Average annual % increase in Expenditure	4.7%
Accounting Surplus accumulated during Planning Period (Rm)	R613
Operating Surplus accumulated during Planning Period (Rm)	<b>-R3 513</b>
Cash generated by Operations during Planning Period (Rm)	R2 764
Average annual increase in Gross Consumer Debtors	3.2%
Capital investment programme during Planning Period (Rm)	R4 927
External Loan Financing during Planning Period (Rm)	R483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R2 576
No of Months Cash Cover at the end of the Planning Period (Rm)	4
Liquidity Ratio at the end of the Planning Period	1.6: 1
Gearing at the end of the Planning Period	3.8%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%

6.11. In the Base Case an accounting and operating deficit will be generated for most of the planning period mainly due to the above CPI increases in operating expenditure over the MTREF period. This is expected to improve to an accounting surplus by FY2026, however, the municipality is expected to reach operating surplus by the end of the planning period. The total affordable capital investment programme is forecast to be R4 927 million. Notwithstanding the adjustments to the MTREF period and assumptions in arriving at the Base Case, the bank balance is expected to deteriorate over the MTREF period. This indicates an unfunded budget attributable to the weak liquidity position and operating deficits. The forecasted cash generated from operations is mainly due to the delayed payment of creditors that are well above 250 days over the MTREF period. The cash balance at the end of the planning period to back a liquidity reserve and capital replacement reserve ("CRR") amount to R2 576 million.

6.12. The summary projected financial statements for the Base Case are presented in Annexure 1: Base Case Summary Projected Financial Statements.

6.13. A selection of ratios is summarised in **TABLE 5** below. A complete list of ratios is presented in Annexure 2. These ratios are the outcome of the financial model.

6.14. The liquidity ratio remains below 1 for most of the planning period but is expected to improve to 1.6:1 by the end of the planning period. Despite the cash balance remaining below the minimum required liquidity level for most of the planning period (FY2023 to

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FY2029), it is forecast to improve over the planning period in line with the improvement in the collection rate. The minimum required liquidity level is based on the requirement that at least 1 month's operational expenditure must be held in cash in addition to all other statutory reserves. The future projected cash balances in relation to the minimum required liquidity level based on a 1-month operational expenditure level is illustrated in GRAPH 7 below. Access to external financing is assumed to grow annually from FY2027, but the gearing remains below the 45% NT benchmark, reaching 20.1% by the end of the planning period. The debt service cover ratio is consistently higher than the proposed benchmark, which indicates that the levels of borrowing proposed remains affordable and financially sustainable to the municipality of Rustenburg LM. Capital expenditure as a percentage of total expenditure is below the 10% NT recommended minimum, an indication of the municipality's financial challenges whereby the municipality is not in a position to generate sufficient cash to raise a CRR to fund capital expenditure. The reliance on grants as a revenue source remains relatively stable at an average of 24%, reflecting the municipality's level of dependency on grants, but also considering the strain the national fiscus is experiencing.

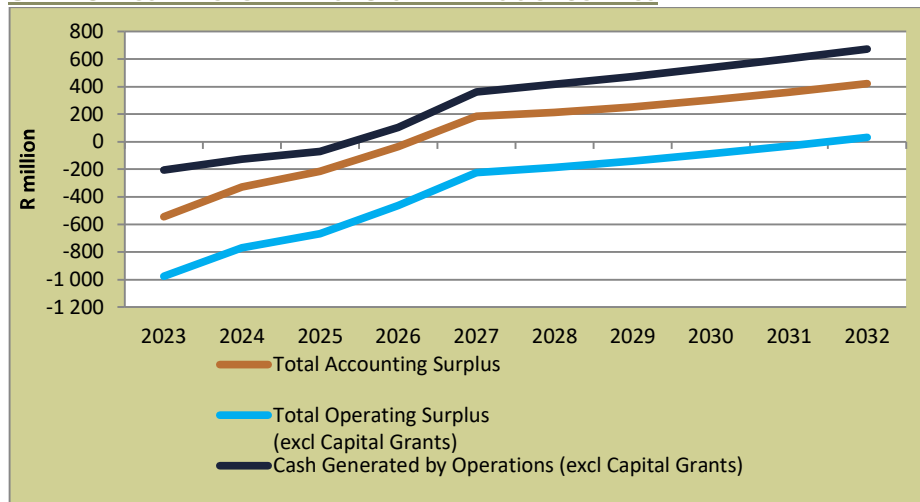


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**TABLE 5: SELECTION OF RATIOS (SEE ANNEXURE 2 FOR COMPLETE LIST)**

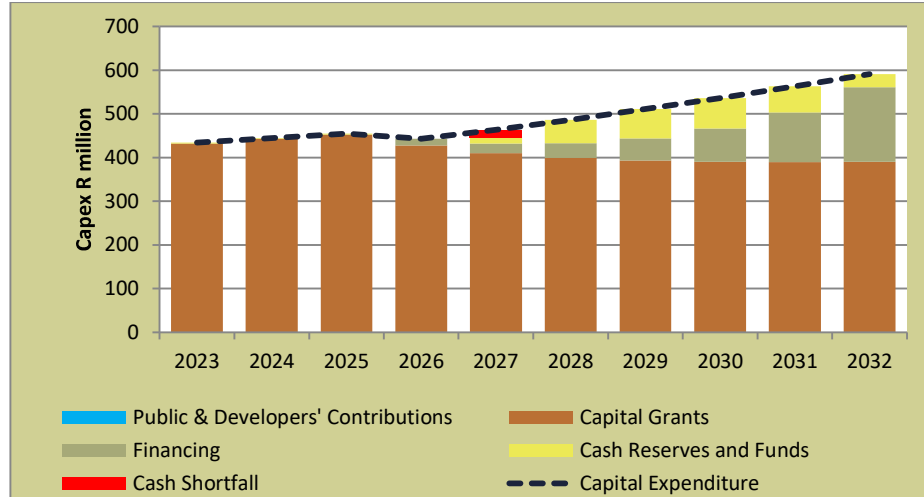
YEAR		1	3	5	7	9	10
RATIOS	Norm	2023	2025	2027	2029	2021	2032
Cash generated by operations/Own Revenue		4.3%	6.6%	12.3%	12.5%	12.8%	12.9%
Liquidity Ratio (Current Assets: Current Liabilities)	1.5–2.0 :1	0.4 : 1	0.3 : 1	0.4 : 1	0.8 : 1	1.3 : 1	1.6 : 1
Cash surplus/ (shortfall) on minimum liquidity requirements R'm		-R653.6 m	-R998.2 m	-R727.3 m	-R121.0 m	R765.3 m	R1 332.4 m
Capital Expenditure / Total Expenditure	10% - 20%	5.5%	5.5%	5.4%	5.4%	5.4%	5.4%
Gearing (Total Debt (Borrowings) / Operating Revenue	45%	4.5%	2.8%	1.9%	1.4%	2.6%	3.8%
Debt Service Cover Ratio (Cash generated by operations / Debt Service)	Min 1.3:1	2.9 : 1	5.5 : 1	11.8 : 1	10.9 : 1	19.3 : 1	13.2 : 1
Total Grants / Total Revenue		22.6%	24.5%	24.2%	24.1%	24.1%	24.2%

**GRAPH 5: RUSTENBURG LM BASE CASE: ANALYSIS OF SURPLUS**

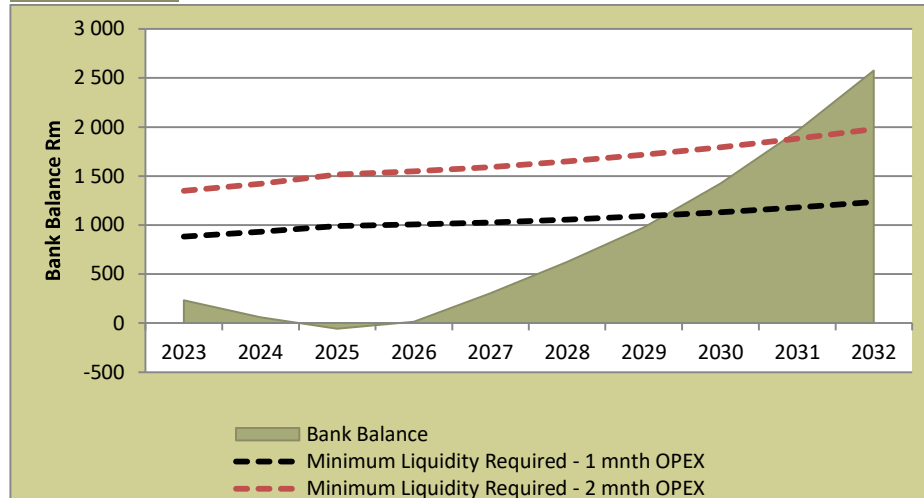


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**GRAPH 6: RUSTENBURG LM BASE CASE: CAPITAL FUNDING MIX**



**GRAPH 7: RUSTENBURG LM BASE CASE: BANK BALANCE IN RELATION TO MINIMUM REQUIRED LIQUIDITY LEVEL**



## **7. FUTURE MUNICIPAL REVENUE**

- When analysing future revenue, it is important to consider the correlation between the expansion of the municipal economic base (GVA), the residents' ability to pay and the municipal revenue growth forecast (revenue per capita).
- In constant monetary terms, the municipal revenue per capita in 2032 is estimated to be R3 156 p.a., lower than the R3 941 p.a. real per capita revenue generated in 2022.
- Rustenburg LM's own revenue per capita has increased at a much higher rate than the GVA per capita during 2012 to 2021, indicating the additional financial burden on rate payers.
- INCA's model estimates that the real GVA per capita in 2032 will be lower than the real GVA per capita in 2022.

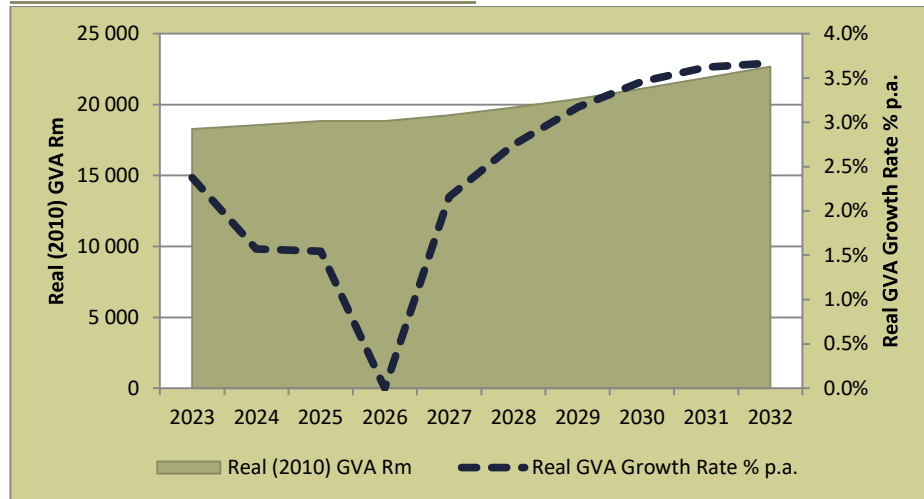
The estimated future 10-year annual average growth in revenue is 6.0% p.a.

### **AVERAGE ANNUAL 10-YEAR GROWTH OF MAJOR REVENUE ITEMS**

<b>Revenue Item</b>	<b>Average Billings Growth % p.a.</b>
<b>Electricity</b>	3.4%
<b>Property Rates</b>	10.0%
<b>Water</b>	4.0%
<b>Equitable Share</b>	8.8%

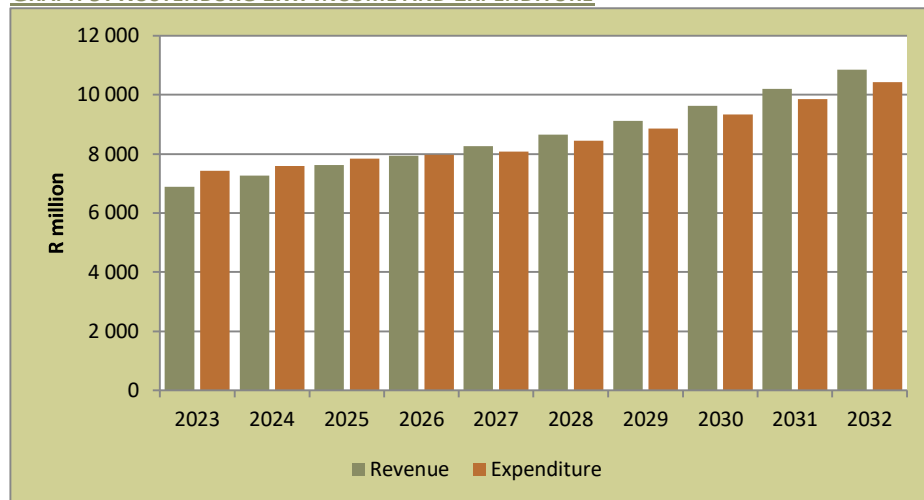
- 7.1. The forecast of future revenue in the financial model is based in part on historical trends as well as an estimate of future revenue ( $\text{Revenue} = \text{Quantity} \times \text{Price}$ ), where "Quantity" is a function of independent variables (such as households, population and GVA) and "Price" a function of policy choices (such as tariff increases).
- 7.2. The future Gross Value Add ("GVA") of Rustenburg LM was estimated based on a view of the future economic growth of the region as well as an estimate of future population of Rustenburg LM. The graph below illustrates the Base Case GVA and GVA growth rates used in IPM's model. The average annual economic growth rate for the planning period is 2.4% p.a; the IPM model estimates economic growth during the planning period, reaching a high of 3.7% p.a. in 2032.

**GRAPH 8: RUSTENBURG LM: GVA FORECAST**



- 7.3. The estimated future revenue was informed by the municipality's forecast of future revenue in its MTREF. The estimated Total Income and Expenditure during the planning period for Rustenburg LM is illustrated in [GRAPH 9](#):

**GRAPH 9: RUSTENBURG LM: INCOME AND EXPENDITURE**



- 7.4. The number of households is expected to grow at an average rate of 2% p.a., in line with the assumed population growth rate. The proportion of indigent households is assumed to remain at approximately 50% during the planning period. This resulted in an estimated future 10-year annual average growth in revenue of 5.5% p.a. This growth cannot be achieved with an increase in tariffs alone, but consists of a combination of (i) increased quantities of sales, and (ii) increased tariffs.

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- 7.5. The 10-year growth in billings of major revenue items is illustrated in [TABLE 6](#)

**TABLE 6: AVERAGE ANNUAL 10-YEAR GROWTH OF MAJOR REVENUE ITEMS**

Revenue Item	Average Billings Growth % p.a.
Electricity	3.4%
Property Rates	10.0%
Water	4.0%
Equitable Share	8.8%

- 7.6. The growth in billings will be lower than the growth in tariffs due to an expected decrease in the consumption of services.
- 7.7. IPM's model estimate that the real GVA per capita in 2023 to be R
- 7.8. IPM's model estimates that the real GVA per capita in 2032 to be R26 542 p.a., 7% higher than the GVA per capita in 2022 due to the economic growth rate exceeding the average population growth rate over the 10-year planning period. The municipal real revenue (excluding grants) per capita at that time is estimated to amount to R3 156 p.a. which is lower than the R3 941 p.a. real per capita revenue of 2022. We are comfortable that the real revenue per capita for 2032 as forecast by IPM's model is reasonable.
- 7.9. The equitable share receipts for FY2022 amounted to approximately R808.4 million but are assumed to increase in future due to the expected indigent population growth. An estimate of capital grants, based on historic trends (but excluding ad hoc grants), is included in the capital funding mix.
- 7.10. Once the annual municipal revenue was projected, the ability of the municipality to pay for operational and capital expenditure and the level of expenditure was estimated based on a range of assumptions, as discussed in more detail further on in this report.

## **8. FUTURE OPERATIONAL EXPENDITURE**

The largest operational expenditure items are electricity bulk purchases and employee related expenses . To remain financially sustainable the municipality should maximise its efficiency by:

- Ensuring that the full cost of electricity distribution is covered by tariffs and the gross electricity surplus margin (difference between electricity service charges and electricity bulk purchases) is maintained at 9.6% or higher.
- Ensure that the full cost of water distribution is covered by tariffs. The margin as measured by the difference between water service charges and water bulk purchases should approximate 9.5% and higher.
- Put measures in place to reduce water distribution losses in the municipality to 30% NT minimum level by the end of the planning period.
- Carefully manage increase in expenses related to staff costs and contracted services, as it has a direct impact on financial sustainability.
- Permanently reduce operating expenditure by at least 5% of FY2023 MTREF (approximately R326 million per annum) to improve the liquidity position.

- 8.1. The ongoing challenge remains to align the expenditure budget not only to anticipated revenue growth, but very specifically to anticipated cash collections to generate both accounting and cash surpluses. Therefore, stringent expenditure management remains as important as ensuring that revenues are collected.
- 8.2. There is limited scope to substantially increase any costs without negatively impacting on the overall operational performance of the municipality, therefore requiring stringent management of increases in current expenses.
- 8.3. The regulated expense items, bulk electricity purchases as well employee related expenses, represent the bulk of the total expenditure (54% in FY2022). The opportunity to save on regulated expenses in future is limited, but any potential savings on these expenditure items should be considered important.
- 8.4. Employee related expenses as a percentage of total expenditure (15% in FY2022) is below the maximum 25% - 40% norm range provided by National Treasury. However, should the electricity bulk purchases be excluded from total operating expenditure, this ratio increases to 25% This translates to staff productivity <sup>7</sup>as measured by operating income /staff costs of 6.5.

<sup>7</sup> Staff Productivity = [Total Income] / [Salaries, wages and allowances] (As per financial statements)

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- 8.5. Contracted services, which in many respects is an alternative to employee related costs amounts to 3% of total expenditure (FY2022), lower than the maximum NT benchmark of 5%. The MTREF budgeted an increase in contracted services from R313.17 million for FY2022 to R708.1 million (126%), resulting in this percentage increasing to 8.3% of operating expenditure. Management has an obligation to optimise the use of contractors and/or employees to maximise productivity and save costs. In the base case of the financial model, employee related expenses are estimated to increase at an average rate of 8.9% p.a. for the 10-year planning period and contracted services by an average of 14.1% p.a.
- 8.6. The expenditure on electricity bulk purchases is expected to grow at an average rate of 5.1% p.a. - it is assumed that the price elasticity of electricity will result in a decline in the average consumption of electricity in future. The margin between electricity service charges and electricity bulk purchases in FY2022 was 12%. This margin is expected to drop to 11.4% in FY2032, mainly due to the expected decline in consumption of services in future and in some part the electricity distribution losses which are expected to remain at 9% throughout the planning period. Rustenburg LM is encouraged to ensure that the electricity service charges cover all associated costs, including depreciation costs of associated infrastructure. The indication of a potentially lower income margin on electricity sales should emphasise the importance to limit the delivery of electricity without full recovery as far as possible (viz distribution losses).
- 8.7. The expenditure on water bulk purchases can only be controlled with improved water loss management - the water loss of 46.46% in FY2022 is assumed to progressively reduce to 30% by the end of the planning period. The margin between the water service charge and the water bulk purchases in FY2022 was 27%. The model assumes that this margin will decrease to 14.6% by FY2032. It is essential to highlight the fact that all related costs, including infrastructure costs and operational expenses, and not just bulk water purchases, are covered by this gross margin. The historic analysis indicates an increase in the distribution losses over the past 8-year period of assessment. Rustenburg LM should endeavour to reduce distribution losses to improve its surplus margins.
- 8.8. Repairs and maintenance expenditure as a percentage of the carrying value of PPE and IP reached 1% in FY2022, markedly lower than the 8% recommended by NT. From an asset management perspective and to delay asset replacement, it is essential that repairs and maintenance increase in future. The financial model however assumes that this expense item will increase to 4% of PPE and IP by the end of the 10-year planning period, considering the municipality's financial position. An increase in this expenditure item is hindered by the low levels of profitability and the inability to generate cash from operations.
- 8.9. The MTREF budget indicates an increase in operating expenditure, from R5 637 million in FY2022 to R6 512 million budgeted for FY2023 (16% increase), this is mainly due to

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increases in bulk purchases; staff costs, contracted services and other expenditure which results in the worsening of the operating deficit. As noted in the historic assessment, the cash generated from operations is mainly due to delayed payments to suppliers. This is not sustainable in the future as creditors would have to be settled, it is therefore imperative that not only the collection rate improve but also operating deficits reduce to operating surpluses. To ensure future financial sustainability, the model assumes a permanent 5% reduction in operating expenditure (approximately R325.6 million) from the levels budgeted for FY2023.

- 8.10. Any cost containment under general expenditure items should always be pursued. Rustenburg LM may also want to reconsider its level of services and adjust some of these downwards to effect savings.
- 8.11. The financial model has assumed cost increases like the increase in the MTREF for the first three years but uses various independent variables to calculate expenses in future and, where applicable, accounts for quantities sold and distribution losses to calculate bulk purchases.



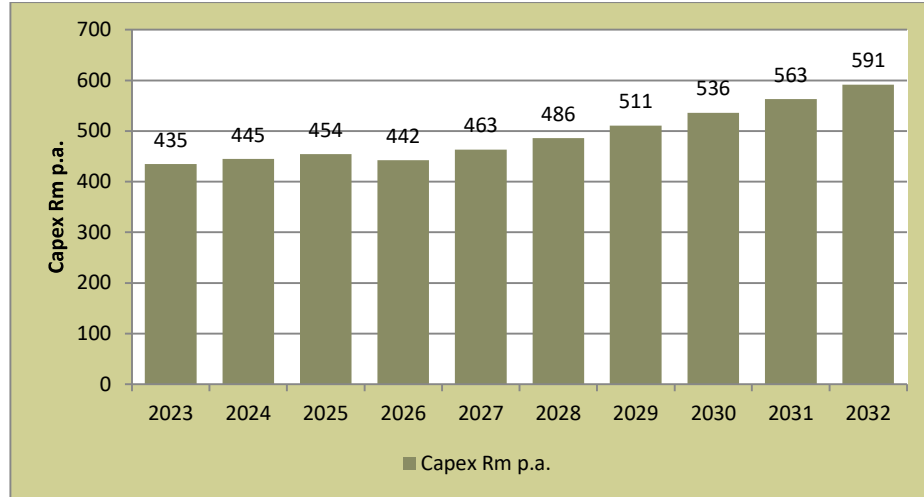
**9. AFFORDABILITY OF FUTURE CAPITAL EXPENDITURE**

- The affordable capital expenditure for the period FY2023 to FYE2032 amounts to R4 927 million. The affordable capital expenditure is significantly less than the future capital expenditure demand of R32 455 million. It requires a downward adjustment of the capital expenditure demand expectations, unless more funding can be secured from developers or grant sources.
- Any operational cost saving, along with the improvement in the collection rate will enable the Rustenburg LM to increase its affordable capital expenditure envelope.

- 9.1. The model proceeds from the premise that the minimum required liquidity must be held in reserve before cash may be spent on capital expenditure. The “Liquidity Reserve” is the amount of cash and cash equivalents held to cover the amounts of statutory reserves, unspent conditional grants, short term provisions and one month’s operational expenditure.
- 9.2. The 1 841 million capital expenditure budgeted in the MTREF for the period FY2023 to FY2025 was considered unaffordable to the municipality as it incorporated the utilisation of own cash resources (R514 million) in its funding mix. This funding mix is suboptimal as it resulted in the municipality’s liquidity position. The municipality’s current financial position (liquidity ratio less than 1), low collection rate and persistent operating deficits also render access to external borrowings improbable to finance the MTREF capital expenditure. The MTREF capital expenditure was therefore reduced to R1 334 million in the Base Case, to be refunded only by capital grants. The long-term financial model calculated the future capital expenditure that the municipality can afford for the period up to FYE2030 in total at R4 927 million.
- 9.3. The cash available to service any new debt is calculated by subtracting from the Revenue, as determined in paragraph 7 above, a plethora of cash needs, starting with operational expenses and existing debt service. We also account for the minimum liquidity reserves that should be held before allocating cash towards investment in capital assets.
- 9.4. The New Debt that the municipality can afford plus any remaining cash as well as estimated capital grants and other capital contributions (e.g., developers’ bulk contributions) can then be allocated towards capital expenditure.

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GRAPH 10: RUSTENBURG LM: CAPITAL AFFORDABILITY, RM P.A.



- 9.5. The total affordable capital expenditure for the period FY2023 to FY2032 amounts to R 4 927 million. The affordable capex is approximately R27 528 million less than the future capex demand of R32 455 million and requires a downward adjustment of the capex demand expectations, unless more funding can be secured from developers or grant sources.

## 10.FUNDING OF FUTURE CAPITAL EXPENSES

The estimated 10-year capex funding is shown in the table below:

### FUNDING FUTURE AFFORDABLE CAPITAL EXPENDITURE

Source of Funds	Amount Rm	%
Public and Developers' Contributions		
Capital Grants	4 126	84%
Financing	483	10%
Cash Reserves and Funds	318	6%
<b>TOTAL</b>	<b>4 927</b>	<b>100%</b>

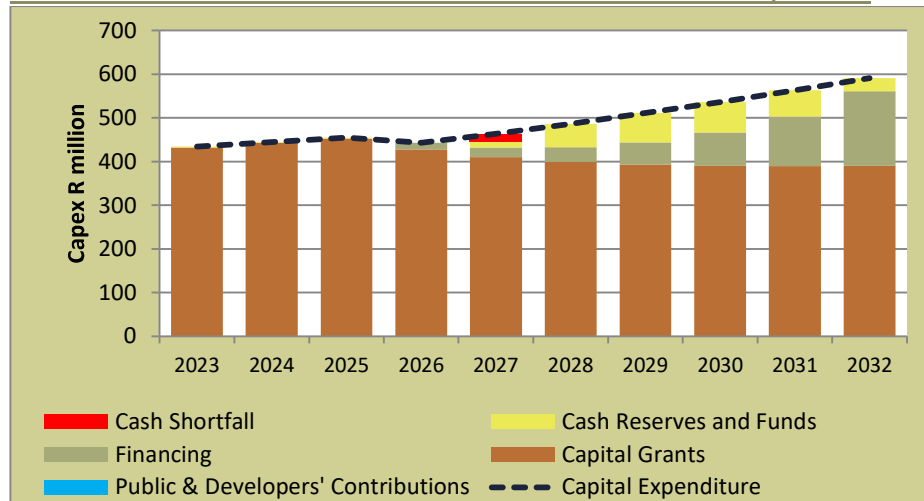
- 10.1. The funding mix to fund the future affordable capital expenditure is determined by the model by ensuring that the available cash is either invested to cover the minimum liquidity requirements and fund a capital replacement reserve or invested in capital assets. In accordance with the model the capex may be funded as follows:

**TABLE 7: ESTIMATED 10-YEAR FUNDING OF CAPITAL EXPENDITURE R MILLION**

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Public &amp; Developers' Contributions</b>										
Capital Grants	432	442	452	427	410	399	393	390	390	391
Financing	0	0	0	15	23	34	51	76	114	171
Cash Reserves and Funds	3	3	2	0	13	54	67	70	60	30
Shortfall	0	0	0	0	18	0	0	0	0	0
<b>Capital Expenditure</b>	<b>435</b>	<b>445</b>	<b>454</b>	<b>442</b>	<b>463</b>	<b>486</b>	<b>511</b>	<b>536</b>	<b>563</b>	<b>591</b>

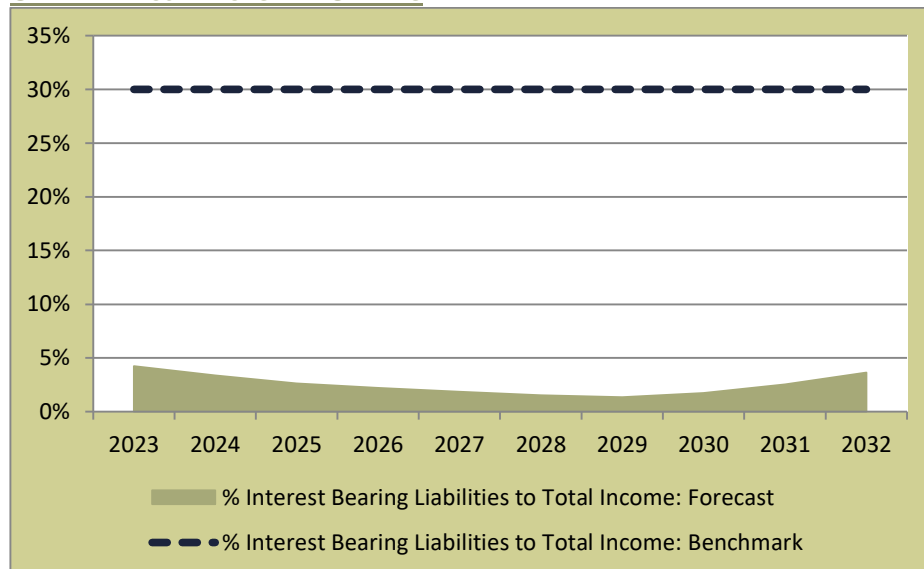
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**GRAPH 11: RUSTENBURG LM: FUNDING OF FUTURE CAPITAL INVESTMENT, RM P.A.**



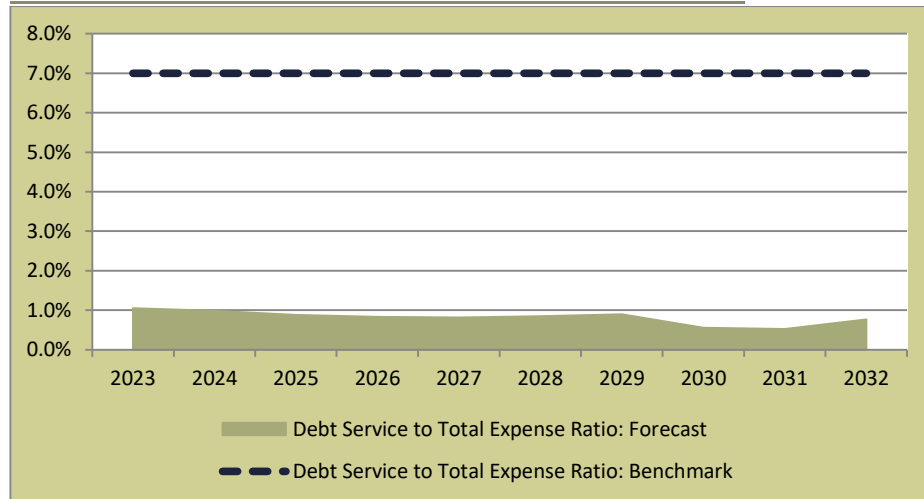
- 10.3. The amount of Grants was informed by historical trends (but may differ considerably if the current constraints of the national fiscus proceed indefinitely). Ad hoc capital grants were excluded from future estimates. Although the future quantum of grants is uncertain the model calculates that 84% of spending on PPE will be by way of grants. This is reflective of the need to provide infrastructure for a growing population of proportionally more indigents but also of a municipality with liquidity constraints. External loans amount to approximately 10% of the funding mix in the 10-year planning period. From a gearing and debt service capacity perspective, the municipality can borrow these amounts and at the same time safeguard its liquidity.

**GRAPH 12: RUSTENBURG LM: GEARING**



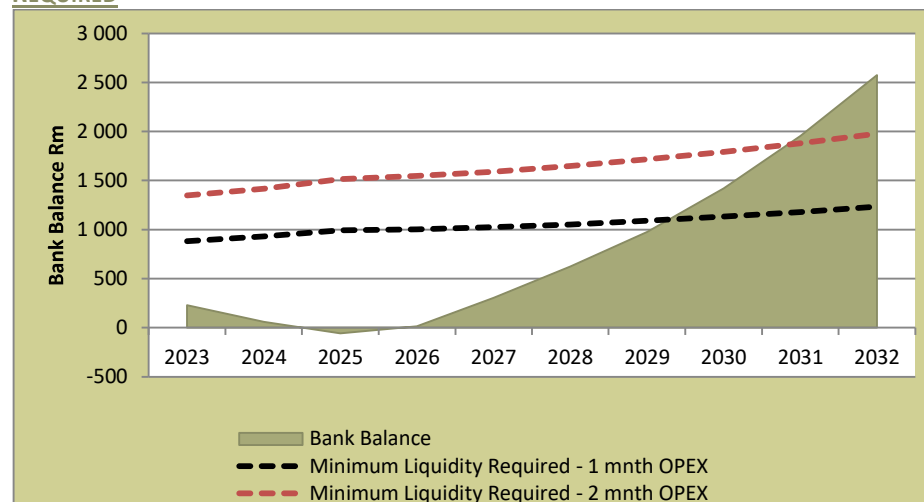
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**GRAPH 13: RUSTENBURG LM: DEBT SERVICE TO TOTAL EXPENSE RATIO**



- 10.4. The model proceeds from the premise that the minimum required liquidity must be held in reserve before cash may be spent on capital expenditure. The “Liquidity Reserve” is the amount of cash equivalents held to cover the amounts of statutory reserves, unspent conditional grants, short term provisions and one month’s operational expenditure.
- 10.5. The cash balance is expected to improve to above minimum liquidity requirements by FYE2029. It is imperative that the municipality maintain an optimal funding mix indicated in the Base Case by limiting the use of cash reserves to fund capital expenditure along with an average collection rate of 94% over the 10-year planning period

**GRAPH 14: RUSTENBURG LM: BANK BALANCE IN RELATION TO THE MINIMUM LIQUIDITY REQUIRED**



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- 10.6. Although the cash available will not allow for the cash funding of a capital replacement reserve (CRR) as a rate equivalent to the depreciation charge, a percentage of this charge may be reserved each year in future.
- 10.7. The realisation that only a small proportion of the capital investment demand is affordable requires the municipality to prioritise its investment programme. To avoid any deterioration in the asset quality, the municipality is advised to prioritise asset renewal and replacement, focusing on its absolute core functions.

## **11. ALTERNATIVE SCENARIOS**

Several scenarios were analysed and compared to the Base Case Scenario:

- Improvement in profitability
- No adjustments to the current funding mix
- No improvement in water distribution losses
- Collection rate sensitivity analysis

Environmental factors outside the control of the municipality (e.g., economic growth and regulated prices) as well as policy choices by the municipality (e.g., tariff increases) impact on the future financial performance of the municipality. Another important variable is the productivity measure. The municipality must ensure that its employment of staff and contractors is linked to its expected income.

11.1. A scenario analysis shows the changes in outcome for a change of several input variables. Various scenarios may be tested. For purposes of this report, we limited the comparison to four scenarios with the Base Case:

11.1.1. To indicate the detrimental impact on the municipality's long term financial sustainability emanating from no improvement in current operating deficits. The Base Case assumes a 5% decrease in operating expenditure from FY2023 onwards (approximately R326 million). A negative scenario indicating the impact of the municipality not realising these assumed operational expenditure savings was modelled. Considering Rustenburg LM's current weak financial position, continued operating deficits cannot be sustained over the long term. We therefore believe that the municipality should ensure that the Base Case operational expenditure savings are realised. No other changes were made to the model input assumptions, to specifically indicate this negative impact this single change would have on liquidity. The outcome is presented in [TABLE 8](#) below.

11.1.2. Secondly, to illustrate the impact of the MTREF capital funding mix on the municipality's long term financial sustainability. The current MTREF capital funding mix indicates a total capital expenditure of R1 841 million over the MTREF period – to be funded by R1 326 million (72%) capital grants and R515 million (28%) own cash resources. Considering the municipality's weak financial position, the utilisation of cash resources to fund capital expenditure is not sustainable, in arriving at the Base Case, the capital funding mix over the MTREF period was adjusted by eliminating funding by cash reserves over the MTREF period, the

## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

R1 334 funded primarily by capital grants. To illustrate the negative impact of maintaining the MTREF capital funding mix, the Base Case was adjusted to reflect the capital funding mix reflected in the MTREF. No other changes were made to the model input assumptions, to specifically indicate this negative impact this single change would have on liquidity. The outcome is presented in

11.1.3. To illustrate the future financial impact of high-water distribution losses, a negative scenario was modelled whereby the water distribution losses remained at 46.46% (as reported in FY2021); as opposed to the Base Case which assumed a progressive reduction in the water distribution losses to 30% (NT norm) by FY2027.

11.1.4. To illustrate the long-term financial stability's sensitivity to the collection rate:

- i. a negative scenario indicating no improvement in the collection rate over the 10-year planning period, i.e., collection rate remains at the FYE2021 rate of 72.6%.
- ii. a positive scenario indicating an improvement in the collection rate by 2 percentage points to reach 92% by the end of the planning period.

### Scenario 1: No Improvement in Profitability Scenario

11.2. It is recommended that the municipality focus on improving profitability through a combination of expenditure management and tariff increases (while remaining cognisant of household's ability to pay) to turn current operating deficits to operating surpluses, as continued operating deficits are not sustainable over a longer term.

11.3. The Base Case model was therefore adjusted to permanently increase profitability by reducing operating expenditure by 5% of MTREF operating expenditure (approximately R326 million per annum) from FY2023 onwards. The outcome indicates a significant deterioration in liquidity levels to a position where the municipality's cash balance will not meet the minimum liquidity requirements throughout the planning period. Refer to TABLE 8 for a comparison of the outcome of this scenario with the Base Case.

11.4. The results indicate the significance of the municipality managing its operational expenditure. Should the 5% decrease in expenditure not be achievable, revenue should be increased to achieve this improvement in profitability. The affordability of the municipality's municipal bill and the increased pressure on households to pay should, however, be considered.

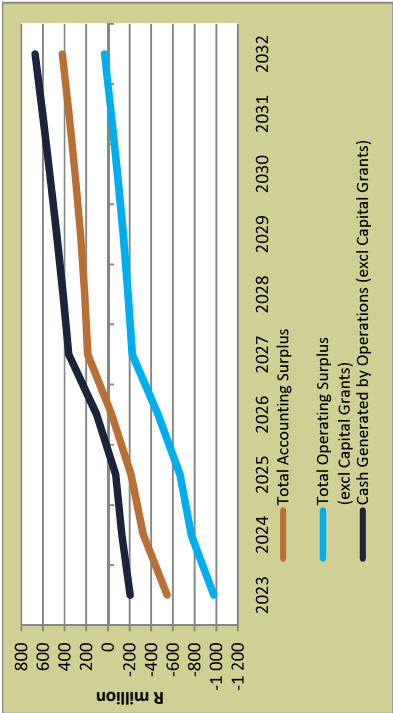
#### TABLE 8: OUTCOME OF AN IMPROVEMENT IN PROFITABILITY



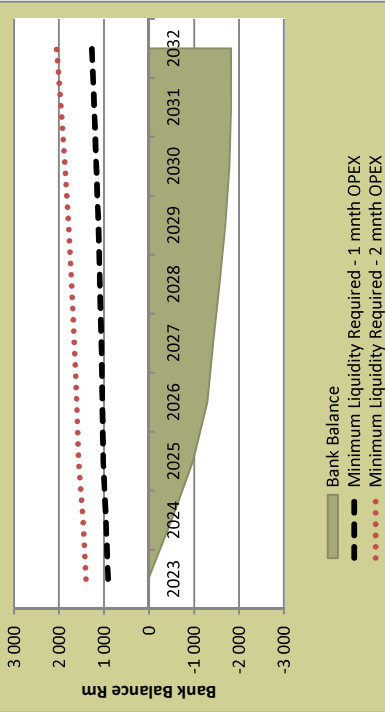
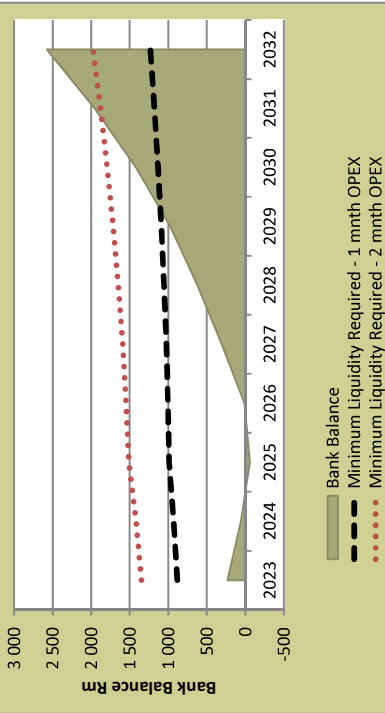
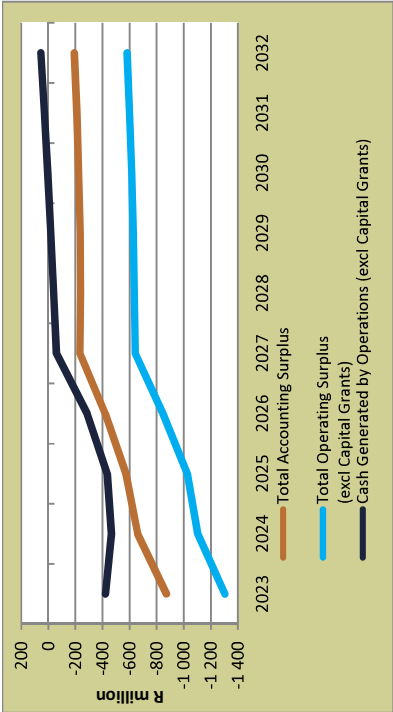
## AGENDA: SPECIAL COUNCIL: 31 MAY 2023

Items	Base Case	No Improvement in profitability
Average annual % increase in Revenue	5.5%	5.4%
Average annual % increase in Expenditure	4.7%	5.2%
Accounting Surplus accumulated during Planning Period (Rm)	R 613	-R 3 855
Operating Surplus accumulated during Planning Period (Rm)	-R 3 513	-R 7 981
Cash generated by Operations during Planning Period (Rm)	R 2 764	-R 1 635
Average annual increase in Gross Consumer Debtors	3.2%	3.2%
Capital investment programme during Planning Period (Rm)	R 4 927	R 4 927
External Loan Financing during Planning Period (Rm)	R 483	R 483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576	-R 1 823
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0	-2.3
Liquidity Ratio at the end of the Planning Period	1.6: 1	0.1:1
Gearing at the end of the Planning Period	3.8%	3.8%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%	2.2%

Base Case



No Improvement in profitability scenario



**Scenario 2: No Adjustments to the Current Funding Mix Scenario**

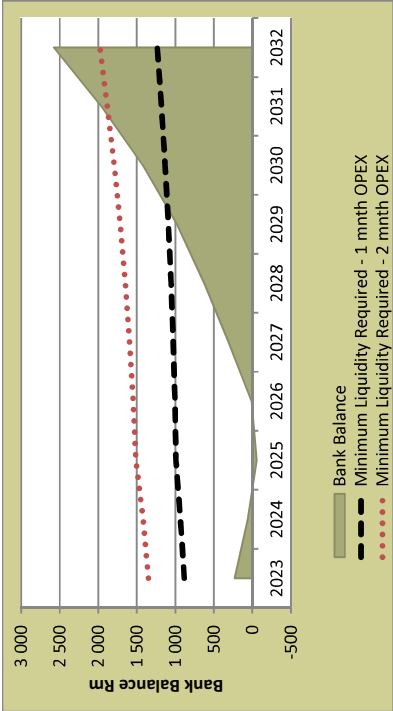
- 11.5. Considering the municipality's weak financial position, it is recommended that the municipality refrain from utilising its limited cash resources to fund capital expenditure until such a time that liquidity improves i.e. to a point whereby the municipality can service its current debt .
- 11.6. The Base Case model was therefore adjusted by eliminating the utilisation of cash reserves to fund capital expenditure by reducing the capital expenditure from R1 841 million (current MTREF) to R1 334 million over the MTREF period (FY2023 to FY2025). The outcomes indicate a decline in the liquidity levels to a position whereby the municipality's cash balance will not meet the minimum liquidity requirements over the 10 year forecast period. Refer to TABLE 8 for a comparison of the outcome of this scenario with the Base Case.
- 11.7. The results indicate the significance of the municipality maintaining an optimal funding mix to attain future financial sustainability. This entails refraining from utilisation of own cash resources over the MTREF period along with ensuring the assumptions incorporated in arriving at the Base Case i.e. improvement in collection rate and reduction in operating expenditure – see paragraph 6.9 above.

# AGENDA: SPECIAL COUNCIL: 31 MAY 2023

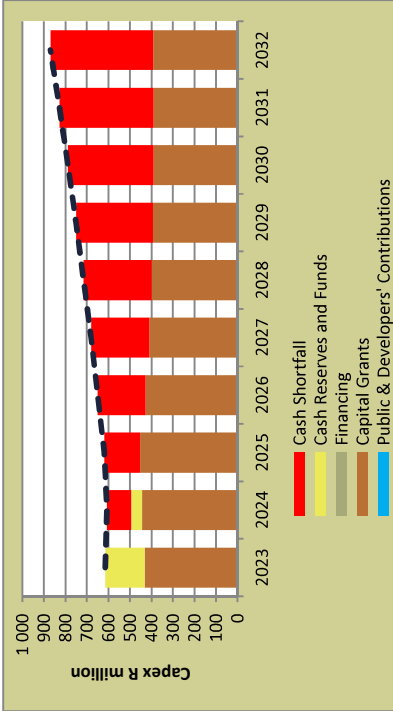
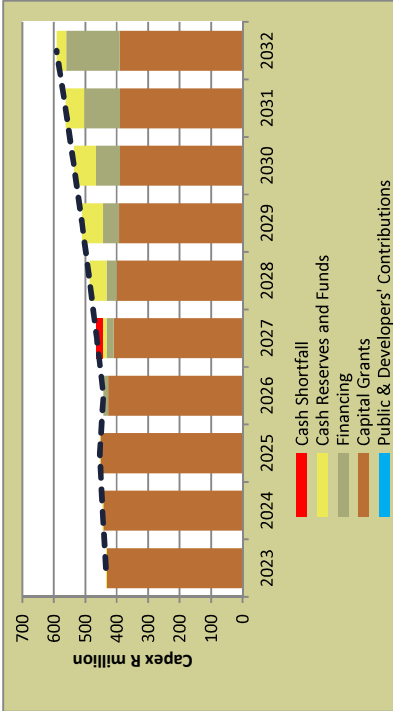
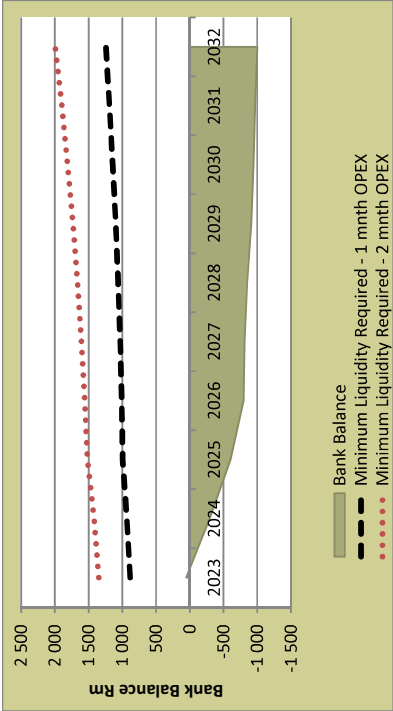
**TABLE 9: NO ADJUSTMENTS TO CURRENT MTRED FUNDING MIX**

Items	Base Case	No adjustment to the current MTREF Funding Mix
Average annual % increase in Revenue	5.5%	5.4%
Average annual % increase in Expenditure	4.7%	4.9%
Accounting Surplus accumulated during Planning Period (Rm)	R 613	<b>-R 922</b>
Operating Surplus accumulated during Planning Period (Rm)	<b>-R 3 513</b>	<b>-R 5 048</b>
Cash generated by Operations during Planning Period (Rm)	R 2 764	R 1 782
Average annual increase in Gross Consumer Debtors	3.2%	3.2%
Capital investment programme during Planning Period (Rm)	R 4 927	R 7 127
External Loan Financing during Planning Period (Rm)	R 483	R 0
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576	<b>-R 1 002</b>
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0	<b>-1.3</b>
Liquidity Ratio at the end of the Planning Period	1.6: 1	<b>0.2 : 1</b>
Gearing at the end of the Planning Period	3.8%	0.0%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%	0.8%

Base Case



No Adjustment to Current MTREF Funding Mix Scenario



**Scenario 3: No Improvement in Water Distribution Losses Scenario**

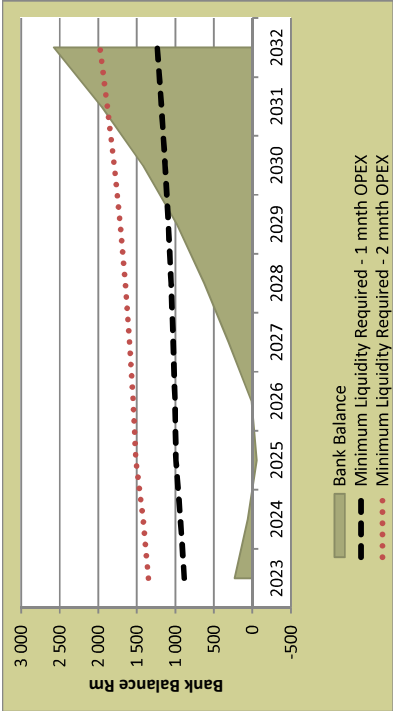
- 11.8. The historical analysis indicates an increase in the water distribution losses over the past 8-years , this is however unsustainable over the longer term. In arriving at the Base, the model assumes a progressive reduction in water distribution losses from the FY2022 46.46% loss to 30% maximum level recommended by NT by FY2027. To illustrate the long term financial impact of high distribution losses, the model was adjusted by assuming no improvement in the distribution losses i.e. 46.46% for the 10-year planning period.
- 11.9. The outcomes of this scenario indicate a material decline in the liquidity position for most of the 10-year planning period whereby the municipality will not be able to service its debt and build up its CRR to invest in its capital expenditure programme. The outcome of this scenario is summarised in **Error! Reference source not found.** below.
- 11.10. Considering the weak financial position, it is recommended that the municipality should endeavour to reduce distribution losses to improve its surplus margins.

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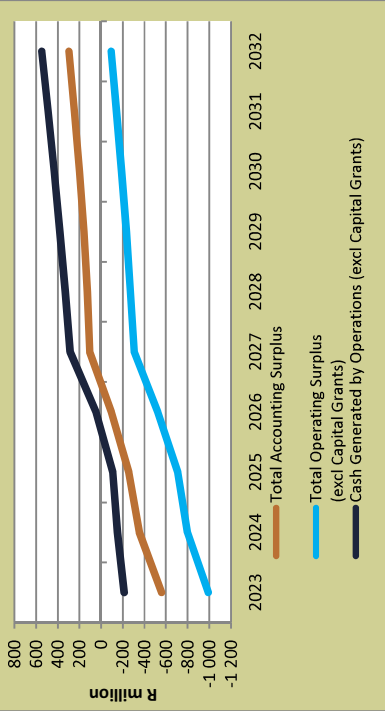
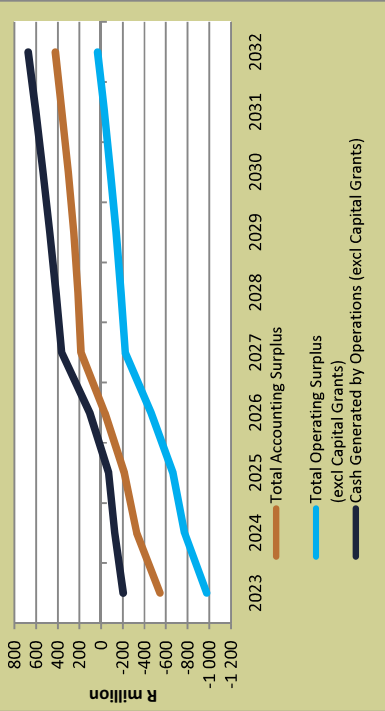
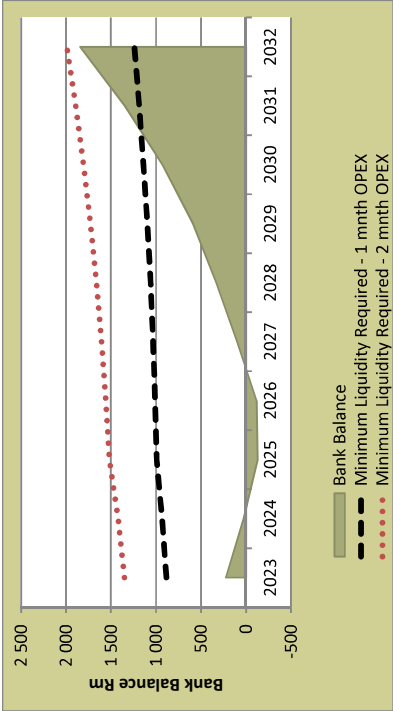
**TABLE 10: NO ADJUSTMENTS TO CURRENT MTRED FUNDING MIX**

Items	Base Case	No improvement in water distribution losses (46.46%)
Average annual % increase in Revenue	5.5%	5,5%
Average annual % increase in Expenditure	4.7%	4,8%
Accounting Surplus accumulated during Planning Period (Rm)	R 613	<b>-R 135</b>
Operating Surplus accumulated during Planning Period (Rm)	<b>-R 3 513</b>	<b>-R 4 261</b>
Cash generated by Operations during Planning Period (Rm)	R 2 764	R 2 031
Average annual increase in Gross Consumer Debtors	3.2%	3,2%
Capital investment programme during Planning Period (Rm)	R 4 927	R 4 927
External Loan Financing during Planning Period (Rm)	R 483	R 483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576	R 1 843
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0	2,5
Liquidity Ratio at the end of the Planning Period	1.6: 1	<b>1.2 : 1</b>
Gearing at the end of the Planning Period	3.8%	3,8%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%	0,8%

Base Case Scenario



No Improvement in Water Distribution Losses (46.46%)





**Scenario 4: Sensitivity analysis of the collection rate**

**No Improvement of The Collection Rate**

11.11. Should the economic growth remain sluggish, the income base of the municipality of Rustenburg LM continues to erode and the household's pressure to pay the municipal bill continue to increase, one can expect a lower collection rate in future. To assess the impact of such adverse conditions will have on the municipality's finances, the model was adjusted by assuming the collection rate remaining the same as that of FY2021 i.e., 72.6% for the remainder of the planning period, as opposed to the Base Case assumption of an improvement in collection rate to reach a level of 90% by the end of the planning period. All other input variables and assumptions remain constant to illustrate the impact of a low collection rate in isolation.

11.12. The results (see [TABLE 11](#) below) indicate a significant decrease in the cash balance to a position where the municipality will not be able to: meet the minimum required liquidity levels, pay its creditors, or sustain its capital investment programme. This highlights the significance of the municipality ensuring an improvement in the collection rate over the planning period to a rate higher than 90%, along with the implementation of stricter credit control measures.

**Increase Collection Rate by 2 percentage points**

11.13. To assess the positive financial impact of an improvement in the collection rate over the planning period, a scenario was modelled whereby the annual collection rate was increased by 2 percentage points over the planning period, whilst keeping all other input variables and assumptions constant.

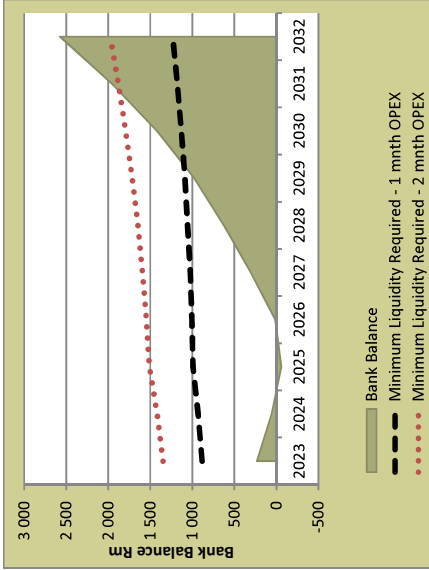
11.14. The results (see [TABLE 11](#) below) indicate a significant improvement in the cash balance to a position where the municipality will not only meet the minimum liquidity requirements, but also, service its debts and build up CRR to fund its capital investment programme.

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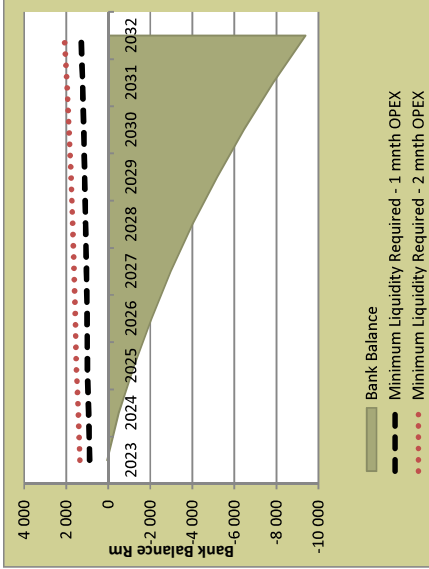
**TABLE 11: OUTCOME OF SENSITIVITY ANALYSIS ON COLLECTION RATE**

Items	Base Case	No improvement in collection rate	Increase collection rate
Average annual % increase in Revenue	5.5%	5,4%	5,6%
Average annual % increase in Expenditure	4.7%	6,6%	4,6%
Accounting Surplus accumulated during Planning Period (Rm)	R 613	-R 11 349	R 2 257
Operating Surplus accumulated during Planning Period (Rm)	-R 3 513	-R 15 474	-R 1 869
Cash generated by Operations during Planning Period (Rm)	R 2 764	-R 9 197	R 4 409
Average annual increase in Gross Consumer Debtors	3.2%	10,5%	1,9%
Capital investment programme during Planning Period (Rm)	R 4 927	R 4 927	R 4 927
External Loan Financing during Planning Period (Rm)	R 483	R 483	R 483
Cash and Cash Equivalents at the end of the Planning Period (Rm)	R 2 576	-R 9 386	R 4 220
No of Months Cash Cover at the end of the Planning Period (Rm)	4.0	-11,7	5,7
Liquidity Ratio at the end of the Planning Period	1.6: 1	0 : 1	2.4 : 1
Gearing at the end of the Planning Period	3.8%	3,8%	3,7%
Debt Service to Total Expense Ratio at the end of the Planning Period	0.8%	6,2%	0,8%
<b>Average Collection rate over 10-year period</b>	<b>86.5%</b>	<b>72.6%</b>	<b>88.5%</b>

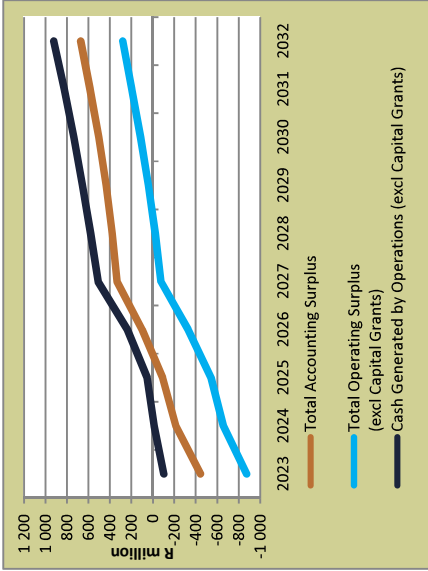
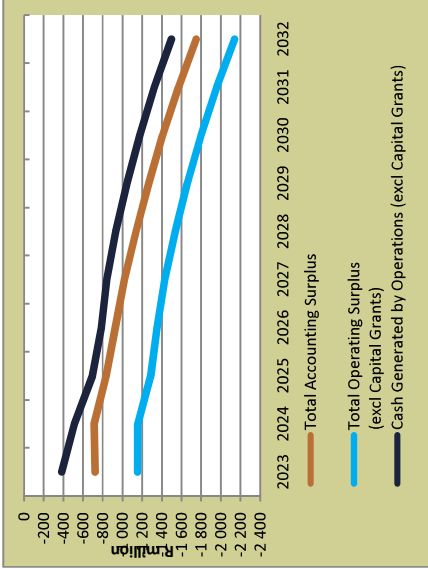
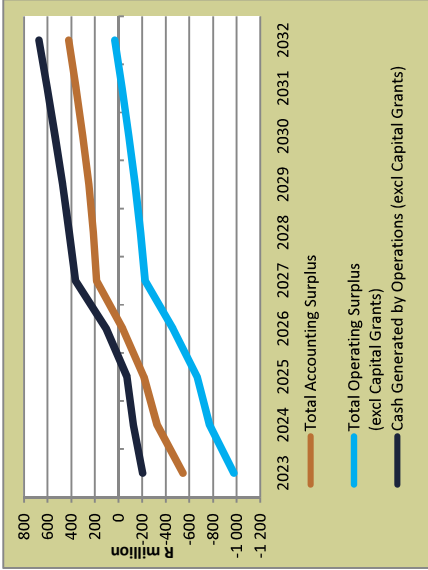
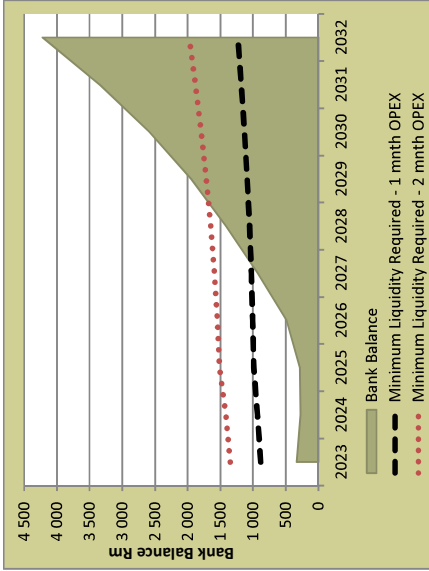
Base Case



No Improvement in Collection Rate



Increase Collection



## 12.RECOMMENDATIONS

We recommend the following, subject to discussions with Executive Management and Council of the Rustenburg LM, to be adopted for inclusion in a Long-Term Financial Plan.

The recommendations are based on the findings in the Independent Financial Analysis which concluded that the Rustenburg LM was historically financially sustainable but that the current negative trend of liquidity – if it were to continue unchecked – would threaten future financial sustainability. We recommend that the municipality implements an integrated strategy which prioritises the improvement of liquidity during the 10-year planning period.

### 12.1. OPERATIONS FRAMEWORK

Whereas the average Base Case Outcome does not yet comply with benchmark norms it is essential that the municipality commences with a financial strategy that aims to achieve the norms of the following parameters (detail and definitions are provided in Annexure 3: Ratio Analysis and Annexure 6: Viability Framework):

**TABLE 12: OPERATIONS FRAMEWORK**

	<u>MFMA Norm</u>	<u>Minimum</u>	<u>Healthy</u>	<u>Base Case 10-Year Average</u>
<b>FINANCIAL POSITION</b>				
<b>ASSET MANAGEMENT</b>				
Capital Expenditure / Total Expenditure	10% - 20%	10%	20%	5.4%
Repairs and Maintenance as % of PPE and Investment Property	8%	8%	8%	3.1%
<b>DEBTORS MANAGEMENT</b>				
Gross Consumer Debtors Growth	n.a.	n.a.	0%	3.3%
Payment Ratio / Collection Rate	95%	90%	95%+	86.6%
Net Debtors Days	30	60	30	11
<b>LIQUIDITY MANAGEMENT</b>				
Minimum Liquidity Level	1 – 3 months	1 months	3 months	1 month
Liquidity Ratio (Current Assets : Current Liabilities)	1.5:1 – 2.:1	1:1	2:1	0.7: 1
<b>LIABILITY MANAGEMENT</b>				
Debt Service as % of Total Operating Expenditure	6% - 8%	10%	7.5%	0.8%

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		<u>MFMA Norm</u>	<u>Minimum</u>	<u>Healthy</u>	<u>Base Case 10-Year Average</u>
	Total Debt (Borrowings) / Operating Revenue	45%	40%	35%	2.6%
	Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)	n.a.	1.3	1.5	10.5
<b>SUSTAINABILITY</b>					
	Net Financial Liabilities Ratio	n.a.	n.a.	< 60%	18.8%
	Operating Surplus Ratio	n.a.	n.a.	0% - 10%	-5.0%
	Asset Sustainability Ratio	n.a.	n.a.	> 90%	29.9%
<b>FINANCIAL PERFORMANCE</b>					
<b>EFFICIENCY</b>					
	Accounting Surplus R'000	Break even or >0	Break even	> 0	61 252
	Cash Operating Surplus R'000	n.a.	Break even	> 0	376 419
	Net Operating Surplus / Total Operating Revenue	>= 0%	Break even	> 0%	-5.0%
	Electricity Surplus / Total Electricity Revenue	0% - 15%	> 0%	> 15%	9.6%
	Water Surplus / Total Water Revenue	>= 0%	= 0%	> 0%	9.5%
<b>REVENUE MANAGEMENT</b>					
	% Increase in Billed Income p.a.	CPI	n.a.	n.a.	5.3%
	Operating Revenue Growth %	CPI	n.a.	n.a.	5.5%
	Annual Increase per Income Source: Equitable Share	n.a.	n.a.	n.a.	8.8%
	Annual Increase per Income Source: Property Rates	n.a.	n.a.	n.a.	3.4%
	Annual Increase per Income Source: Electricity Services	n.a.	n.a.	n.a.	5.6%
	Annual Increase per Income Source: Water Services	n.a.	n.a.	n.a.	4.4%
<b>EXPENDITURE MANAGEMENT</b>					
	Creditors Payment Period	30	30	30	2186
	Contribution per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)	25% - 40%	25% - 30%	25%	15.6%
	Contribution per Expenditure Item: Contracted Services	2% - 5%	2% - 5%	< 5%	8.2%
<b>GRANT DEPENDENCY</b>					
	Total Grants / Total Revenue	n.a.	n.a.	n.a.	24.0%
	Own Source Revenue to Total Operating Revenue	n.a.	n.a.	n.a.	79.9%
	Capital Grants to Total Capital Expenditure	n.a.	n.a.	n.a.	85.0%%

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### **12.2. PLANNING STRATEGIES**

The Rustenburg LM will assess the implication of its long-term planning processes on its financial sustainability.

### **12.3. ORGANISATIONAL STRATEGIES**

The Rustenburg LM will maintain an effective and efficient organisation and promote productivity of all its resources.

### **12.4. REVENUE RAISING STRATEGIES**

The Rustenburg LM will continue to work on diversifying and ensuring growth of its revenue base. The following revenue streams need to be maximised:

- Revenue from trading services
- Agency fees and fines
- Grants
- Donor funding
- Public-Private and Public-Public Partnerships

#### **12.4.1. Debtors Collection**

The historic assessment indicates Rustenburg LM's inability to generate cash from its operations, this was primarily due to the low collection rate which has deteriorated from its peak of 86% in FY2018 to 72.6% by FY2022. The Base Case assumes that the collection rate will improve to 90% by FY2023 and remain at this rate for the remainder of the 10-year planning period, resulting in an average collection rate of 86.5% over the planning period. The municipality should prevent further deterioration in the collection rate by prioritising decisions and actions that will support and maintain the collection rate of at least 86.5% without compromising operating surplus.

#### **12.4.2. Enhance Potential Revenue**

We recommend that:

- All consumers are captured, data is verified, billing is correct and monies due are collected
- Large consumers are billed correctly for all services used and payments made are correct
- Tariffs reflect cost, including depreciation, and that yields are safeguarded
- Zero based budgeting is applied
- Indigent support cases are verified independently

## **AGENDA: SPECIAL COUNCIL: 31 MAY 2023**

- Maintain indigent support levels at the minimum levels as funded by fiscal transfers

### **12.5. COST SAVING STRATEGIES**

The Rustenburg LM will align the expenditure budget not only to anticipated revenue growth, but very specifically to anticipated cash collections to generate both accounting and cash surpluses. Stringent expenditure management remains an important aim.

#### **12.5.1. Productivity**

Whereas the employee related expenses as a percentage of total expenditure are not excessive, the percentage of contracted services to Total Expenditure far exceeds any acceptable norms. There will be a need to become more efficient in future and work smarter. The Rustenburg LM must ensure that its employment of staff and contractors is linked to its expected income.

### **12.6. FINANCIAL MANAGEMENT STRATEGIES**

The sustainability and financial wellbeing of the Rustenburg LM is linked directly to sound financial management. In this regard the Rustenburg LM will continuously:

- Ensure that it complies with GRAP standards
- Review and update all policies and procedures annually
- Automate National Treasury reporting templates to ensure proper reporting
- Train and develop staff to minimize the use of the consultants
- Document processes to improve on the institutional memory
- Maintain an effective system of expenditure control, including procedures for approval authorization, withdrawal and payment of funds
- Prepare annual financial statements timeously and review performance and achievements
- Preserve and diversify its investment portfolio to maximize returns
- Ensure that multi-year forecasts are sustainable
- Aim for clean audits, but as a minimum launch a focussed approach to address aspects raised in the audit reports and improve the audit outcomes.

### **12.7. ASSET MANAGEMENT STRATEGIES**

The Rustenburg LM will ensure that its assets are properly accounted for and safeguarded. Leveraging on the municipal assets will drive the economic growth and sustainable development of the Rustenburg LM. In particular:

#### **12.7.1. Integrated Asset Management**

Integrated asset management aims to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers. This encompasses practices associated with considering management strategies as part of the asset lifecycle by minimizing long term costs. Such practices include management of assets, asset information (such as location and condition), demand forecasts, risk assessment and mitigation, maintenance, replacement, refurbishment and renewal programs and procedures.

We recommend that Rustenburg LM collates an asset register that serves the needs of both the Financial- and Infrastructure Services Directorates. This would be a first step in implementing integrated asset management. We recommend that it then actively proceeds to migrate (over several years) to implementing integrated asset management where expenditure on new infrastructure, replacement infrastructure and repairs and maintenance expenditure are optimized.

#### **12.7.2. Repairs and Maintenance**

Budgeted repairs and maintenance expenditure of infrastructure on average at 2.5% over the MTREF period is below the recommended benchmark of 8% of the carrying value of PPE. This needs to increase in future to safeguard the effectiveness of infrastructure and prevent environmental degradation as a result of infrastructure failures. Due to the financial challenges experienced by the municipality, the Base Case assumes a 2.7% repairs and maintenance to PPE, the municipality is advised to address its revenue collection and manage its other expenditure (cost containment procedures) in order to be able to generate funds to invest in the repair and maintenance of its aged infrastructure.

#### **12.7.3. Water Loss**

The non-revenue water loss of 48.66% recorded for FY2021 is high when compared to the NT recommended norm range of 15% to 30%. The municipality will benefit from a reduction of this loss and should implement an integrated water loss management programme that incorporates: efficient leakage recovery, assessment and repair of aged infrastructure, monitoring of water network activities, water pressure management, combating illegal connections; training and education of community on



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the preservation of water as a scarce resource and the impact of vandalism of water network infrastructure.

### **12.8. CAPITAL FINANCING STRATEGIES**

It is essential to prioritise the allocation of resources to strategic infrastructure assets as part of the long-term growth strategy. Public infrastructure such as roads and bulk services are key in terms of development and growth of the Rustenburg LM. For the Rustenburg LM to deliver on its core mandate and achieve its developmental goals it needs to explore different funding opportunities.

Notwithstanding the truism that municipal infrastructure has a long-term economic life and a general principle is that the future users of the infrastructure should contribute towards the payment for capital expenditure by servicing the loans taken up now for immediate implementation of that infrastructure, it is also true that the liquidity risks that Rustenburg LM exhibits limits its choices of infrastructure funding to capital grants. This strategy can be amended once liquidity has improved.

#### **12.8.1. Fund a Capital Replacement Reserve (“CRR”)**

We recommend that once liquidity improves, a CRR is cash backed and that tariffs are progressively increased to also include a depreciation charge that can be used to fund a cash backed CRR, which in turn can be applied towards the funding of the replacement of ageing infrastructure.

#### **12.8.2. Capital Funding**

The historical assessment indicates a funding of capital expenditure mainly by capital grants over the past six years. Considering the current financial position, the municipality was not in the position to access external borrowings. We recommend that the municipality maintain the funding mix that primarily funds capital funding expenditure through capital grants until such time the liquidity position improves and external borrowings are feasible.

#### **12.8.3. Capital Investment Prioritisation**

We recommend that the municipality maintain a balanced approach to the long-term capital investment programme which prioritises investments that contribute to economic growth and revenue generation and prioritise timeous investment in bulk infrastructure.

### **12.9. OPERATIONAL FINANCING STRATEGIES**

Operational efficiency will be improved by maximising the collection rates and managing the underlying items of current assets and current liabilities optimally.

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### **12.9.1. Focus on Core Functions**

The tightening of liquidity requires that the Rustenburg LM continuously assesses all the functions it delivers and re-focusses on its core functions even to the extent that it eliminates all unfunded mandates.

### **12.9.2. Creditors payment plan**

If the Rustenburg LM were to immediately pay all its creditors it would deplete its cash reserves considerably. It therefore stands to reason to consider negotiating realistic payment plans with major creditors over a longer term without further compromising the liquidity position.

## **12.10.FINANCIAL MANAGEMENT POLICIES**

The aim of the financial policies is to provide guidance in terms of financial management and ultimately to ensure sound and sustainable management of the fiscal affairs of the Rustenburg LM. The Rustenburg LM will review its policies annually and very specifically adopt the following:

### **12.10.1. Adopt a Liquidity Policy**

We recommend that Rustenburg LM adopts a Liquidity Policy that requires the Rustenburg LM to:

- Maintain a current ratio of at least 1.5:1.
- Maintain a cash backed liquidity reserve of at least one month's operational expenses in addition to unspent conditional grants, short term provisions and statutory reserves.

## **ACTION**

It is recommended that:

- The municipal council adopt the Long Term Financial Plan and implement its recommendations
- Regularly update the long-term financial plan with the latest information to remain relevant and realistic strategic tool that serves as input to the annual budgeting process.
- Obtain access to and institutionalise the internal use of the Long Term Financial Model, to timely do an integrated forecast of revenues, expenditures, cash flows, funding and financial position based on socio-economic drivers and policy choices of the municipality, assisting to model –

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- Rates and tariff increase.
- The impact of various stages of load shedding
- Catalytic infrastructure /investment programmes
- Affordability envelope for a “Capital Expenditure Framework”
- Capital funding mix
- Borrowing policy /strategy
- Liquidity policy and working capital management – including credit control, collection rates, creditors payment days, etc.
- Populations and economic growth forecasts, growth in indigent households
- Impact of various policy choices on household bills.

**ANNEXURE 1: INDEPENDENT FINANCIAL ASSESSMENT AGAINST THE  
BACKGROUND OF RUSTENBURG LOCAL MUNICIPALITY'S  
DEMOGRAPHIC, ECONOMIC & HOUSEHOLD INFRASTRUCTURE  
SITUATION**

**[SEE SEPARATE DOCUMENT]**

AGENDA: SPECIAL COUNCIL: 31 MAY 2023

ANNEXURE 2: BASE CASE SUMMARY PROJECTED FINANCIAL STATEMENTS

Municipal Financial Model  
Statement of Financial Position

Model year	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R thousands										
<b>Non-current assets:</b>	8 380 238	8 244 038	8 136 047	8 021 346	7 929 054	7 858 726	7 811 802	7 789 461	7 792 673	7 822 242
Property, plant and equipment	8 230 780	8 088 684	7 974 379	7 859 619	7 767 227	7 696 777	7 649 710	7 627 203	7 630 227	7 659 585
Intangible assets	2 541	1 972	1 384	1 443	1 543	1 665	1 808	1 974	2 162	2 372
Investment properties	146 733	153 189	160 083	160 083	160 083	160 083	160 083	160 083	160 083	160 083
Investments	185	193	201	201	201	201	201	201	201	201
Long-term receivables	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-	-
<b>Current assets:</b>	770 504	597 853	539 142	551 850	845 718	1 164 957	1 520 487	1 966 656	2 501 192	3 124 526
Inventories	46 060	46 581	48 435	46 470	46 910	48 305	49 949	51 833	53 939	56 253
Trade and other receivables	492 707	492 707	492 707	492 707	492 707	492 707	492 707	492 707	492 707	492 707
Cash & Short-term investments	231 738	58 566	-	12 673	306 102	623 946	977 831	1 422 116	1 954 547	2 575 566
<b>TOTAL ASSETS</b>	<b>9 150 742</b>	<b>8 841 891</b>	<b>8 675 189</b>	<b>8 573 196</b>	<b>8 774 772</b>	<b>9 023 683</b>	<b>9 332 289</b>	<b>9 756 117</b>	<b>10 293 865</b>	<b>10 946 767</b>
<b>Municipal Funds:</b>	6 519 537	6 191 778	5 977 651	5 942 239	6 127 990	6 341 339	6 594 089	6 896 498	7 255 673	7 677 338
Housing development fund & Other Cash Backed Reserves	-	-	-	-	-	-	-	-	-	-
Reserves (Not Cash Backed)	275 586	137 556	145 521	145 521	145 521	145 521	145 521	145 521	145 521	145 521
Accumulated surplus	6 243 952	6 054 222	5 832 131	5 796 718	5 982 470	6 195 818	6 448 568	6 750 977	7 110 152	7 531 817
<b>Non-current liabilities:</b>	744 363	721 953	704 818	696 979	706 043	726 554	801 801	920 687	1 073 671	1 273 140
Long-term liabilities (Interest Bearing)	245 828	201 482	160 927	129 907	99 702	72 380	91 143	144 813	223 855	340 806
Non-current provisions	498 535	520 471	543 892	567 072	606 342	654 174	710 659	775 874	849 816	932 334
<b>Current liabilities:</b>	1 886 841	1 928 160	1 992 719	1 933 978	1 940 738	1 955 790	1 936 399	1 938 932	1 964 521	1 996 289
Consumer deposits	65 730	71 645	77 624	84 019	91 398	99 585	108 661	118 904	130 355	143 185
Provisions	129 245	134 932	141 004	141 004	141 004	141 004	141 004	141 004	141 004	141 004
Trade and other payables	1 646 027	1 677 237	1 676 581	1 662 936	1 656 631	1 654 160	1 664 871	1 666 756	1 669 298	1 668 193
Bank overdraft	-	-	57 955	-	-	-	-	-	-	-
Current portion of interest bearing liabilities	45 839	44 346	40 555	46 020	52 705	61 072	31 863	22 267	34 864	53 908
<b>TOTAL MUNICIPAL FUNDS AND LIABILITIES</b>	<b>9 150 742</b>	<b>8 841 891</b>	<b>8 675 188</b>	<b>8 573 196</b>	<b>8 774 772</b>	<b>9 023 682</b>	<b>9 332 288</b>	<b>9 756 117</b>	<b>10 293 865</b>	<b>10 946 767</b>

AGENDA: SPECIAL COUNCIL: 31 MAY 2023

Municipal Financial Model  
Statement of Financial Performance

Model year	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R thousands										
<b>Revenue</b>										
Property rates	521 937	529 605	537 135	540 951	555 125	573 229	594 915	619 881	647 732	678 085
Service Charges	4 592 898	4 829 591	5 033 748	5 248 056	5 473 542	5 724 577	6 008 810	6 327 572	6 680 844	7 068 603
Service charges - electricity										
Service charges - water	553 616	577 338	601 880	627 914	646 799	665 930	688 039	713 008	740 719	771 046
Service charges - sanitation	204 884	221 366	239 009	258 100	276 859	298 116	322 078	349 005	379 071	412 506
Service charges - refuse	154 906	161 466	168 187	175 217	185 326	196 768	209 614	223 966	239 862	257 373
Service charges - other	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Rental of facilities and equipment	14 180	14 800	15 460	16 397	17 589	18 939	20 462	22 172	24 082	26 206
Interest earned - external investments	38 570	15 548	3 360	23	743	18 414	39 295	63 830	95 353	133 521
Interest earned - outstanding debtors	428 086	446 922	467 033	16 395	18 179	20 016	21 931	23 923	25 985	28 108
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	9 399	9 813	10 254	10 876	11 666	12 562	13 571	14 706	15 973	17 382
Licences and permits	11 288	11 795	12 315	12 881	13 905	15 144	16 608	18 304	20 238	22 413
Agency services	110 424	115 282	120 469	127 770	137 057	147 580	159 442	172 772	187 656	204 208
Transfers and subsidies (operating)	1 127 277	1 269 477	1 421 222	1 499 405	1 589 611	1 691 624	1 806 126	1 933 991	2 075 861	2 231 806
Other revenue	(407 463)	(430 030)	(448 477)	24 360	26 131	28 137	30 398	32 940	35 778	38 933
Gain on disposal of PPE	6 448	6 715	6 994	7 133	7 397	7 800	8 339	9 015	9 828	10 783
Revaluation of assets gain / (loss)	-	-	-	-	-	-	-	-	-	-
Total revenue before Capital Grants	6 453 045	6 819 518	7 179 513	7 504 246	7 850 944	8 258 023	8 719 897	9 239 106	9 818 931	10 460 046
Capital Grants	431 688	442 361	452 383	427 400	409 952	388 987	392 776	390 028	389 587	390 524
Public & developers contributions	-	0	-	-	-	-	-	-	-	-
Total Revenue after Capital Grants	6 884 733	7 261 879	7 631 896	7 931 646	8 260 896	8 657 010	9 112 673	9 629 134	10 208 518	10 850 572
<b>Operating expenditure</b>										
Employee related costs	905 598	943 179	1 170 666	1 232 266	1 302 054	1 380 259	1 467 114	1 562 829	1 667 573	1 781 452
Remuneration of councillors	70 958	74 081	77 414	80 713	84 477	88 707	93 402	98 561	104 181	110 254
Debt impairment	1 201 763	1 072 587	921 362	805 793	630 501	659 554	692 563	729 658	770 794	816 012
Depreciation and asset impairment	607 419	585 096	567 305	555 759	555 442	556 652	557 580	558 545	559 817	561 624
Finance charges	33 685	28 771	24 366	25 672	19 608	18 416	18 393	20 308	29 282	45 489
Bulk purchases	3 366 453	3 563 159	3 695 173	3 816 811	3 959 605	4 120 379	4 303 025	4 508 188	4 735 245	4 984 218
Inventory Consumed	583 144	596 953	595 948	592 842	594 572	610 918	630 287	652 562	677 618	705 321
Repairs and maintenance		-	-	-	-	-	-	-	-	-
Contracted services	483 127	551 732	608 952	655 906	708 562	766 913	831 481	902 894	981 557	1 068 002
Transfers and subsidies	20 292	21 164	22 073	23 336	24 795	26 447	28 304	30 382	32 690	35 240
Other expenditure	147 573	152 917	162 764	177 960	195 529	215 417	237 775	262 798	290 587	321 294
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Total Expenditure	7 430 012	7 589 638	7 846 023	7 987 059	8 075 144	8 443 662	8 859 923	9 326 724	9 849 343	10 428 907
Suplus (Shortfall) for the year	(545 280)	(327 759)	(214 127)	(35 413)	185 751	213 348	252 750	302 410	359 175	421 665

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Municipal Financial Model  
Cash Flow Statement

Model year	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R thousands										
<b>Cash flows from Operating Activities</b>										
<b>Surplus/Deficit for the year including Capital Grants</b>										
Surplus/Deficit for the year excluding Capital Grants & Contributions	(545 280)	(327 759)	(214 127)	(35 413)	185 751	213 348	252 750	302 410	359 175	421 665
Capital Grants & Contributions	(976 867)	(770 120)	(666 510)	(462 812)	(224 200)	(185 639)	(140 026)	(87 616)	(30 412)	31 141
	431 688	442 361	452 383	427 400	409 952	398 987	392 776	350 028	386 587	390 524
<b>Adjustments for non-cash items:</b>										
Depreciation, amortisation and impairment loss	607 419	586 096	567 305	555 759	555 442	556 652	557 580	558 545	558 817	561 624
Revaluation on investment property (gain) / loss	—	—	—	—	—	—	—	—	—	—
Increase / (Release from) current provisions & non-interest bearing liabilities	(44 281)	5 687	6 072	—	—	—	—	—	—	—
Increase / (Release from) other non-current provisions & non-interest bearing liabilities	266 124	21 936	23 421	23 180	39 270	47 832	56 485	65 215	73 942	82 518
(Increase) / (Release from non-current interest bearing assets	511	(8)	(9)	—	—	—	—	—	—	—
Capitalised interest	—	—	—	—	—	—	—	—	0	—
<b>Operating surplus before working capital changes:</b>										
	284 494	284 951	382 663	543 527	780 463	817 833	866 815	926 170	962 933	1 065 807
<b>Change in W/C Investment</b>										
(Increase)/decrease in inventories	(57 752)	30 688	(1 511)	(12 679)	(7 745)	(2 576)	(923)	2	(564)	(2 420)
(Increase)/decrease accounts receivable	8 053	(521)	145	(34)	(440)	(1 395)	(1 645)	(1 884)	(2 106)	(2 314)
Increase/(decrease) in trade payables	(68 353)	(0)	(0)	(0)	0	(0)	0	(0)	0	(0)
	2 548	31 209	(1 656)	(12 645)	(7 305)	(1 481)	721	1 885	1 542	(105)
<b>Net cash flow from Operating activities</b>										
	226 742	315 639	381 152	530 848	772 718	814 957	865 892	926 171	962 369	1 063 387
<b>Cash flows from Investing Activities</b>										
Capital expenditure	(434 541)	(444 972)	(454 384)	(442 394)	(463 150)	(486 324)	(510 656)	(536 204)	(563 028)	(591 192)
Decrease/(Increase) in non-current receivables	2 304	—	—	—	—	—	—	—	—	—
(Additions) / Disposals of investment property	(37 969)	(3 916)	(4 922)	1 325	—	—	—	—	—	—
<b>Net cash flow from Investing activities</b>										
	(469 435)	(448 888)	(459 305)	(441 059)	(463 150)	(486 324)	(510 656)	(536 204)	(563 028)	(591 192)
<b>Cash flows from Financing Activities</b>										
New loans raised	—	—	—	15 000	22 500	33 750	50 625	75 938	113 906	170 859
Loans repaid	(44 422)	(45 839)	(44 346)	(40 555)	(46 020)	(52 705)	(61 072)	(31 863)	(22 267)	(34 864)
(Decrease) / Increase in consumer deposits	5 477	5 915	5 979	6 384	7 380	8 166	9 087	10 243	11 450	12 830
<b>Net cash flow from Financing activities</b>										
	(38 955)	(39 923)	(38 367)	(19 161)	(16 140)	(10 789)	(1 350)	54 318	103 090	148 825
<b>Change in Cash</b>										
	(281 648)	(173 172)	(116 521)	70 628	293 428	317 844	353 886	444 285	532 431	621 020
<b>Cash/(Overdraft), Beginning</b>										
	513 386	231 738	58 566	(57 955)	12 673	306 102	623 946	977 831	1 422 116	1 954 547
<b>Cash/(Overdraft), Ending</b>										
	231 738	58 566	(57 955)	12 673	306 102	623 946	977 831	1 422 116	1 954 547	2 575 566

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## ANNEXURE 3: RATIO ANALYSIS

YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>FINANCIAL POSITION</b>										
<b>ASSET MANAGEMENT</b>										
R29	Capital Expenditure / Total Expenditure	10% - 20%	5.5%	5.5%	5.5%	5.4%	5.4%	5.4%	5.4%	5.4%
R27	Repairs and Maintenance as % of PPE and Investment Property	8%	2.2%	2.4%	2.6%	2.8%	3.0%	3.2%	3.4%	3.5%
<b>DEBTORS MANAGEMENT</b>										
R4	Gross Consumer Debtors Growth		14.8%	9.3%	5.3%	2.0%	-0.9%	-0.4%	0.1%	0.6%
R5	Payment Ratio / Collection Rate	95%	76.2%	79.6%	83.1%	86.6%	90.0%	90.0%	90.0%	90.0%
	Net Debtors Days	30	14	12	12	11	11	11	10	9
<b>LIQUIDITY MANAGEMENT</b>										
R49	Cash Coverage Ratio (excl. Working Capital)		0.6 : 1	0.1 : 1	0 : 1	0 : 1	0.7 : 1	1.4 : 1	2.1 : 1	3 : 1
R50	Cash Coverage Ratio (incl. Working Capital)		0.3 : 1	0.1 : 1	0 : 1	0 : 1	0.3 : 1	0.6 : 1	0.9 : 1	1.2 : 1
R51	Cash Surplus / Shortfall on Minimum Liquidity Requirements		-R 653.6 m	-R 879.0 m	-R 998.2 m	-R 999.5 m	-R 727.3 m	-R 438.8 m	-R 121.0 m	R 281.1 m
R1	Liquidity Ratio (Current Assets : Current Liabilities)	1:1.5 - 1:2.1	0.4 : 1	0.3 : 1	0.3 : 1	0.3 : 1	0.4 : 1	0.6 : 1	0.8 : 1	1 : 1
<b>LIABILITY MANAGEMENT</b>										
R45	Debt Service as % of Total Operating Expenditure	6% - 8%	1.1%	1.0%	0.9%	0.8%	0.8%	0.8%	0.9%	0.6%
R6	Total Debt (Borrowings) / Operating Revenue	45%	4.5%	3.6%	2.8%	2.3%	1.9%	1.6%	1.4%	1.8%
										0.8%
										3.8%



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<u>YEAR</u>		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R7	Repayment Capacity Ratio	1.51	0.86	0.56	0.35	0.20	0.17	0.15	0.18	0.27	0.39
R46	Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)	2.9 : 1	4.2 : 1	5.5 : 1	8 : 1	11.8 : 1	11.5 : 1	10.9 : 1	17.8 : 1	19.3 : 1	13.2 : 1
SUSTAINABILITY											
	Net Financial Liabilities Ratio	< 60%	28.8%	30.1%	27.7%	22.9%	18.4%	14.0%	9.7%	5.5%	1.4%
	Operating Surplus Ratio	0% - 10%	28.8%	-11.3%	-9.3%	-2.9%	-2.2%	-1.6%	-0.9%	-0.3%	0.3%
	Asset Sustainability Ratio	> 90%	24.1%	25.0%	25.7%	29.0%	30.4%	31.8%	33.4%	35.0%	36.6%
FINANCIAL PERFORMANCE											
EFFICIENCY											
R42	Net Operating Surplus / Total Operating Revenue	>= 0%	-15.1%	-11.3%	-9.3%	-6.2%	-2.9%	-2.2%	-1.6%	-0.3%	0.3%
R43	Electricity Surplus / Total Electricity Revenue	0% - 15%	8.5%	7.9%	8.2%	8.8%	9.3%	9.7%	10.6%	11.0%	11.4%
R44	Water Surplus / Total Water Revenue	>= 0%	-2.7%	0.9%	5.3%	9.9%	12.6%	13.0%	13.8%	14.2%	14.6%
REVENUE MANAGEMENT											
R8	Increase in Billed Income p.a. (R'm)		R 475.8 m	R 245.0 m	R 212.3 m	R 240.9 m	R 270.5 m	R 307.4 m	R 345.4 m	R 382.8 m	R 420.4 m
R9	% Increase in Billed Income p.a.	CPI	10.2%	4.8%	4.0%	4.1%	4.5%	4.9%	5.2%	5.5%	5.7%
R12	Operating Revenue Growth %	CPI	5.3%	5.7%	5.3%	4.6%	5.2%	5.6%	6.0%	6.3%	6.5%
R14	Contribution per Income Source: Equitable Share		14.6%	15.4%	16.3%	16.8%	17.0%	17.3%	17.5%	17.7%	17.9%

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<u>YEAR</u>		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R15	Contribution per Income Source: Conditional Operating Grants										
R16	Property Rates	2.9%	3.2%	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.4%	3.4%
R17	Contribution per Income Source: Electricity Services	8.1%	7.8%	7.5%	7.2%	7.1%	6.9%	6.8%	6.7%	6.6%	6.5%
R18	Contribution per Income Source: Water Services	57.0%	56.7%	56.1%	55.8%	55.6%	55.3%	54.9%	54.6%	54.2%	53.8%
R19	Contribution per Income Source: Interest on Investments	8.6%	8.5%	8.4%	8.4%	8.2%	8.1%	7.9%	7.7%	7.5%	7.4%
R20	Annual Increase per Income Source: Equitable Share	0.6%	0.2%	0.0%	0.0%	0.0%	0.2%	0.5%	0.7%	1.0%	1.3%
R21	Annual Increase per Income Source: Property Rates	16.4%	11.5%	11.6%	5.8%	6.3%	6.7%	7.1%	7.4%	7.6%	7.8%
R22	Annual Increase per Income Source: Electricity Services	7.3%	1.5%	1.4%	0.7%	2.6%	3.3%	3.8%	4.2%	4.5%	4.7%
R23	Annual Increase per Income Source: Water Services	12.3%	5.2%	4.0%	4.0%	4.2%	4.6%	4.9%	5.3%	5.5%	5.8%
R24	Annual Increase per Income Source: Interest on Investments	6.3%	4.3%	4.3%	4.3%	3.0%	3.0%	3.3%	3.6%	3.9%	4.1%
R47	Cash Generated by Operations / Own Revenue	67.2%	-59.7%	-78.4%	-99.3%	3193.4%	2377.4%	113.4%	62.4%	49.4%	40.0%
R48	Cash Generated by Operations / Total Operating Revenue	4.3%	5.7%	6.6%	8.8%	12.3%	12.4%	12.5%	12.7%	12.8%	12.9%
		3.5%	4.6%	5.3%	7.1%	9.8%	9.9%	9.9%	10.0%	10.1%	10.2%
EXPENDITURE MANAGEMENT											
	Creditors Payment Period	30	1284	4070	10487	2874	960	571	403	310	249
R30	Contribution per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)	25% - 40%									
		12.4%	12.7%	15.0%	15.6%	16.2%	16.4%	16.7%	16.8%	17.0%	17.2%
	Contribution per Expenditure Item: Contracted Services	2% - 5%									
		6.3%	6.9%	7.3%	7.8%	8.3%	8.6%	8.9%	9.2%	9.4%	9.7%
R31	Contribution per Expenditure Item: Electricity Services										
		42.8%	44.3%	44.5%	45.4%	46.4%	46.1%	45.9%	45.7%	45.5%	45.2%

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<u>YEAR</u>		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
R32	Contribution per Expenditure Item: Water Services		7.2%	7.1%	6.9%	6.7%	6.6%	6.5%	6.4%	6.2%	6.0%
R33	Contribution per Expenditure Item: Repairs & Maintenance		2.4%	2.5%	2.6%	2.7%	2.8%	2.8%	2.8%	2.8%	2.8%
R34	Contribution per Expenditure Item: Depreciation and Asset Impairment		7.7%	7.3%	6.8%	6.6%	6.5%	6.2%	6.0%	5.7%	5.1%
R35	Contribution per Expenditure Item: External Interest Charged		0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.4%
R36	Annual Increase per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)		19.2%	4.2%	22.7%	5.2%	5.6%	5.9%	6.2%	6.5%	6.8%
R37	Annual Increase per Expenditure Item: Electricity Services		11.2%	5.8%	3.7%	3.3%	3.7%	4.1%	4.4%	4.8%	5.3%
R38	Annual Increase per Expenditure Item: Water Services		3.4%	0.7%	-0.4%	-0.8%	0.0%	2.5%	2.8%	3.1%	3.6%
R39	Annual Increase per Expenditure Item: Repairs & Maintenance		121.2%	8.6%	5.7%	5.6%	5.4%	5.3%	5.3%	5.3%	5.4%
R40	Annual Increase per Expenditure Item: Depreciation		7.3%	-3.7%	-3.0%	-2.0%	-0.1%	0.2%	0.2%	0.2%	0.3%
R41	Annual Increase per Expenditure Item: External Interest Charged		-43.3%	-14.6%	-15.3%	5.4%	-23.6%	-6.1%	-0.1%	10.4%	55.3%
GRANT DEPENDENCY											
R10	Total Grants / Total Revenue		22.6%	23.6%	24.5%	24.3%	24.2%	24.1%	24.1%	24.1%	24.2%
R11	Own Source Revenue to Total Operating Revenue		82.5%	81.4%	80.2%	80.0%	79.8%	79.5%	79.3%	78.9%	78.7%
	Capital Grants to Total Capital Expenditure		99.3%	99.4%	99.6%	96.6%	88.5%	82.0%	76.9%	69.2%	66.1%

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These ratios are calculated from the output of the model and can at best only approximate the calculation based on actual accounts.

### **DEFINITIONS**

#### ***Liquidity Ratios***

Current Ratio	<i>Current Assets / Current Liabilities</i>
Quick Liquidity Ratio	<i>(Current Assets - Debtors &gt; 30 days) / Current Liabilities</i>
Minimum Liquidity Level (or Cost Coverage)	<i>((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Gain and Loss on Disposal of Assets)</i>
Overdraft to Total Income	<i>Overdraft / Total Operating Revenue</i>

#### ***Operational Ratios***

Accounting Surplus	<i>Total Operating Revenue + Conditional Grants - Total Operating Expenditure</i>
Cash Operating Surplus	<i>Total Operating Revenue - Total Operating Expenditure + Working Capital</i>
Cash from Operations as a % of own Revenue	<i>Operating Cash / Operating Revenue</i>
Repairs and Maintenance to PPE	<i>Total Repairs and Maintenance Expenditure / Carrying Value of PPE x 100</i>
Debtors Payment Ratio	<i>(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off) / Billed Revenue x 100</i>
Staff Costs	<i>Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x 100</i>

#### ***External Gearing Ratios***

External Loan Liability Paid Coverage Ratio	<i>(Total Operating Revenue - Total Operating Expenditure (excluding non-cash items)) / Capital Cost (Interest Paid and Redemption)</i>
External Interest and Capital Paid to Total Expenditure	<i>Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100</i>
External Gearing Ratio (or Debt as a % of Own Revenue)	<i>(Overdraft + Current Finance Lease Obligation + Non Finance Lease Obligation + Short Term Borrowings + Long Term Borrowings) / Total Operating Revenue</i>

#### ***Other Ratios***

Level of Grant Dependency	<i>(Total Grants) / (Total Operating Revenue)</i>
Operating Surplus Ratio	<i>(Operating Revenue - Operating Expenditure) / Operating Revenue</i>
Net Financial Liabilities Ratio	<i>(Total Liabilities - Current Assets) / Operating Revenue (excl Capital Grants)</i>
Asset Sustainability Ratio	<i>Capex for Replacement / Depreciation</i>

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ANNEXURE 4: ASSETS EARMARKED FOR REPLACEMENT

The asset register of the municipality was analysed mechanistically (without engineering judgement) and a replacement schedule of the Annual Replacement Cost (“ARC”) of different asset classes was determined. This was done with reference to the information in the municipality’s asset registers. Asset categories such as “Investment Property”, “Land”, “Heritage Assets”, “Intangible Assets” and “WIP” were excluded from the assessment. The values in the Tables below are in nominal Rand values, escalated to the date of replacement.

TABLE 4.1: RUSTENBURG: ESTIMATED ANNUAL REPLACEMENT COST AS EXTRACTED FROM THE ASSET REGISTERS (RM NOMINAL)

#	DESCRIPTION	TOTAL	2021/22 and before	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
1	Bins and Containers	9.9	2.69	2.26	1.73	0.00	0.70	0.42	0.45	0.76	0.93	0.00	0.00
2	Buildings	105.1	11.99	11.04	0.99	0.00	0.00	0.00	1.47	54.92	0.05	0.00	24.63
3	Electricity	31 279.0	15 611.03	419.95	201.36	1 929.84	2 102.00	1 685.27	193.05	198.41	8 160.06	217.60	560.44
4	Furniture and office equipment	145.1	28.65	1.28	41.83	6.13	2.08	55.55	6.90	0.64	0.67	1.09	0.27
5	Investment Property	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Land	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Office Equipment	113.7	41.95	20.96	8.77	3.45	9.18	3.95	4.47	7.47	4.21	9.29	0.00
8	Other Library	7.9	4.26	0.48	0.32	0.75	0.00	1.09	0.96	0.00	0.00	0.00	0.00
9	Other machinery and equipment	152.4	66.28	19.82	31.69	0.79	1.37	0.04	0.91	28.10	0.97	2.42	0.00
10	Roads ( roads, pavements, bridges & storm water)	3 649.1	698.54	2.49	5.41	0.40	41.01	34.19	217.91	183.19	31.97	1 974.30	459.73
11	Sewerage	2 836.6	0.73	0.00	1.38	43.60	0.00	7.17	0.94	5.08	147.39	2 630.27	0.00
12	Transport Assets	393.9	80.15	33.54	78.95	0.00	6.39	7.06	22.83	98.84	30.67	34.60	0.88
13	Water	2 979.3	7.42	1.02	48.95	0.88	23.43	11.55	6.57	2 719.07	111.20	43.22	6.03
Total AR Cost as per Asset Register Rm		41 672.0	16 553.7	512.8	421.4	1 985.8	2 186.2	1 806.3	456.5	3 296.5	8 488.1	4 912.8	1 052.0

We have amended the estimated replacement costs. This was achieved by:

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- Assuming that the actual remaining life of assets will exceed the life recorded for some of the assets in the asset register,
- Assuming that only a percentage of assets will be replaced when their estimated useful life expires,
- Spreading replacement not done in the past over several future years, and
- Smoothing the constant 2022 value over the Planning Period and reverting these back to nominal values.

The outcome of this analysis is presented in the Table below:

**TABLE 4.2: RUSTENBURG: SPREAD, REVISED, REDUCED AND SMOOTHED ESTIMATED ASSET REPLACEMENT COST (RM NOMINAL)**

	1	2	3	4	5	6	7	8	9	10
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>TOTAL</b>	<b>2022 and before</b>									
ARC (Rm Nominal) Original	16 553.7	512.8	421.4	1 985.8	2 186.2	1 806.3	456.5	3 296.5	8 488.1	4 912.8
ARC (Rm Nominal) Revised & Spread		1 724.9	1 649.8	2 909.5	3 067.6	2 748.4	1 646.0	4 183.3	8 102.9	5 040.0
ARC (Rm Constant 2022)		1 612.1	1 441.0	2 375.0	2 340.3	1 959.6	1 096.8	2 605.2	4 716.0	2 741.4
ARC (Rm Constant)(Smoothed)		2 195.3	2 195.3	2 195.3	2 195.3	2 195.3	2 195.3	2 195.3	2 195.3	2 195.3
ARC (Rm Nominal)(Smoothed)		2 349.0	2 513.4	2 689.4	2 877.6	3 079.1	3 294.6	3 525.2	3 772.0	4 036.0
										4 318.6

**ANNEXURE 6: VIABILITY FRAMEWORK**

1. A proposed framework is provided below, within which to manage liquidity, operational performance and external gearing and is aligned to MFMA Circular No. 71.
2. The municipality is advised to include these ratios in the relevant revised financial policies:

**Liquidity Ratios**

3. Standard Liquidity Ratio (The ability to fully provide for current liabilities with current assets.)

Minimum norm: 1:1  
Healthy norm: 2:1  
MFMA norm: 1.5 – 2:1

4. Quick Liquidity Ratio (The ability to provide for current liabilities with liquid current assets therefore current assets including only 30-day debtors.)

Minimum norm: 1:1  
Healthy norm: 2:1  
MFMA norm: None

5. Minimum Liquidity Level (Holding sufficient cash and investments to fully provide for the sum of unspent conditional grants, short term provisions, ceded investments, cash backed reserves and provisions and at least one month of operating expenditure (excluding non-cash expenses).

Minimum norm: 1:1  
Healthy norm: 1:1 plus an additional month's operational expenditure  
MFMA norm: 1 – 3 months

*MFMA calculation excludes cash backed reserves and short-term provisions; however, an additional ratio is stipulated in Circular 71 regarding the Level of Cash Backed Reserves.*

6. Overdraft to Total Income (Preferably a municipality should not have an overdraft facility at all at year end, however should an overdraft facility be used it should not exceed 5% of Total Income.)

Maximum norm: 5%

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Healthy norm: 0%

MFMA: None

7. Other ratios as stipulated below are to be managed at levels applicable to the Municipality and although industry benchmarks exist it is more prudent to set objectives given the current financial context of the Municipality. The following ratios are recommended for consideration and it would be prudent to report hereon on a quarterly basis to the Finance Committee:

### Operational Ratios

8. Total Accounting Surplus (The ability to post an accounting operational surplus where Total Income exceeds Total Expenditure with a positive margin.)

Minimum norm: Break-even of the above calculation

Healthy norm: Positive margin that is maintained

MFMA norm: Break-even or >0

9. Cash Operating Surplus (The ability to generate surplus cash from operational performance therefore Total Income less conditional transfers less total expenditure excluding non-cash items adjusted for changes in working capital should be positive.)

Minimum norm: Break-even of the above calculation

Healthy norm: Positive margin that is maintained

MFMA norm: None

10. Repairs and maintenance to Total Expenditure (The ability of the municipality to effectively maintain the infrastructure assets from which it derives its primary income.)

Minimum norm: 5%

Healthy norm: 7%

MFMA norm: 8%

*MFMA calculation differs in using the Property, Plant and Equipment (carrying value) as the base of the ratio instead of Total Expenditure.*

11. Consumer Collection Levels (For a municipality to maintain its viability it should maintain its collection levels at least above 90%. Growth in gross consumer debtors including debts written off in the financial year as a percentage of billed income including equitable share, will provide the non-collection level therefore the difference will indicate the consumer collection level.)

Minimum norm: 90%



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Healthy norm: 95%+

MFMA norm: 95%

12. Staff Costs, Allowances and Wages (The level of staff costs, allowances and wages to total operational expenditure needs to be effectively managed to ensure that costs aren't considered too high, but also that the municipality is not under capacitated and employment levels are too low.)

Minimum norm: 25%

Healthy norm: 25% to 30%

MFMA norm: 25% to 40%

### **External Gearing Ratios**

13. Proposed External Gearing ratios are subject to Liquidity ratios being within recommended levels.

14. External Loan Liability Paid Coverage Ratio (The ability to at least cover the External Interest and Capital Payable with the cash generated from operations before interest.)

Minimum norm: 1:1

Healthy norm: 2:1

MFMA norm: None

15. External Interest and Capital Paid to Total Expenditure (The percentage of Total Expenditure utilised to service external loan repayments.)

Maximum norm: 10%

Healthy norm: 7.5%

MFMA norm: 6% - 8%

16. External Gearing Ratio (The level to which the municipality has geared itself is calculated as Total External Interest-Bearing Debt as a percentage of Total Income less conditional grant funding.)

Maximum: 40%

Healthy norm: 35%

MFMA norm: 45%