

2019/20 to 2021/22



MSUNDUZI MUNICIPALITY

KZN225

**MSUNDUZI MUNICIPALITY
KZN225**

**2019/20 TO 2021/22
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**COPIES OF THIS DOCUMENT CAN BE VIEWED:
IN THE FOYERS OF ALL MUNICIPAL BUILDINGS
ALL PUBLIC LIBRARIES WITHIN THE MUNICIPALITY
AT WWW.MSUNDUZI.GOV.ZA**

TABLE OF CONTENTS

Part 1 – Annual Budget

1.1	Mayor's Report	6
1.2	It was resolved to recommend to Full Council that:	6
1.3	Executive Summary	8
1.4	Operating Revenue Framework	10
1.5	Operating Expenditure Framework	26
1.6	Capital expenditure	28
1.7	Annual Budget Tables - Parent Municipality	29

Part 2 – Supporting Documentation

1.1	Overview of the annual budget process	57
1.2	Overview of alignment of annual budget with IDP	59
1.3	Measurable performance objectives and indicators	65
1.4	Overview of budget related-policies	70
1.5	Overview of budget assumptions	72
1.6	Overview of budget funding	74
1.7	Councillor and employee benefits	86
1.8	Monthly targets for revenue, expenditure and cash flow	89
1.9	Annual budgets and SDBIPs – internal departments	94
1.10	Contracts having future budgetary implications	94
1.11	Capital expenditure details	94
1.12	Other supporting documents	101
1.13	Municipal manager's quality certificate	104

List of Tables

Table 1	Consolidated Overview of the 2017/18 MTREF	9
Table 2	Summary of revenue classified by main revenue source	11
Table 3	Percentage growth in revenue by main revenue source	11
Table 4	Operating Transfers and Grant Receipts	12
Table 5	Comparison of proposed rates to levied for the 2019/20 financial year	15
Table 6	Proposed Water Tariffs	16
Table 7	MBRR Table SA14 – Household bills	25
Table 8	Summary of operating expenditure by type	26
Table 10	Repairs and maintenance per asset class	28
Table 51	2019/20 Medium-term capital budget per vote	29
Table 62	MBRR Table A1 - Budget	30
Table 7	MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)	31
Table 8	MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	32
Table 9	MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	33
Table 10	MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source	35
Table 11	MBRR Table A6 - Budgeted Financial Position	36
Table 12	MBRR Table A7 - Budgeted Cash Flow Statement	38
Table 13	MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation	38
Table 14	MBRR Table A9 - Asset Management	40
Table 15	MBRR Table A10 - Basic Service Delivery Measurement	45
Table 16	MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue	63
Table 17	MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure	63
Table 18	MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure	64
Table 20	MBRR Table SA8 - Performance indicators and benchmarks	67
Table 22	Breakdown of the operating revenue over the medium-term	74
Table 23	Analysis of estimated revenue projections	76
Table 25	Sources of capital revenue over the MTREF	77
Table 26	MBRR Table SA 17 - Detail of borrowings	78

2019/20 to 2021/22



Table 27 MBRR Table SA 18 - Capital transfers and grant receipts	79
Table 29 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation	81
Table 30 MBRR SA10 – Funding compliance measurement	82
Table 31 MBRR SA19 - Expenditure on transfers and grant programmes	85
Table 33 MBRR SA22 - Summary of councillor and staff benefits	86
Table 34 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)	87
Table 35 MBRR SA24 – Summary of personnel numbers	88
Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure	89
Table 37 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)	90
Table 38 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)	91
Table 39 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)	92
Table 40 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)	92
Table 41 MBRR SA30 - Budgeted monthly cash flow	93
Table 42 MBRR SA 34a - Capital expenditure on new assets by asset class	95
Table 43 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class	96
Table 44 MBRR SA34c - Repairs and maintenance expenditure by asset class	97
Table 45 MBRR SA36 - Detailed capital budget per municipal vote	98
Table 46 MBRR Table SA1 - Supporting detail to budgeted financial performance	101
Table 48 MBRR Table SA3 – Supporting detail to Statement of Financial Position	103

List of Figures

Figure 1 Main operational expenditure categories for the 2019/20 financial year	27
Figure 2 Expenditure by major type	34
Figure 3 Planning, budgeting and reporting cycle	65
Figure 5 Breakdown of operating revenue over the 2019/20 MTREF	75

ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kl	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
l	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant

2019/20 to 2021/22



RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

PART I – ANNUAL BUDGET

I.1 Mayor's Report

Presentation to be done during Council sitting

I.2 It was resolved to recommend to Full Council that:

The Municipal Council of Msunduzi Local Municipality will meet in the Council Chambers of Msunduzi City Hall to consider the draft annual budget for the financial year 2019/20 and the two outer years.

It was resolved

That the Annual Budget of the Municipality for the financial year 2019/20, multi-year and single-year capital appropriations as set out in Tables A2 – A5 of the report dated by the Chief Financial Officer, be APPROVED, as follows:

- (i) Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) as contained in Table A2.
 - (ii) Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) as contained in Table A3.
 - (iii) Budgeted Financial Performance (Revenue by Source and Expenditure by Type) as contained in Table A4; and
 - (iv) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- (b) That the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as set out in Tables A6 – A10 of the report by the Chief Financial Officer, be APPROVED, as follows:
- (i) Budgeted Financial Position as contained in Table A6.
 - (ii) Budgeted Cash Flows as contained in Table A7.
 - (iii) Cash Backed Reserves and Accumulated Surplus Reconciliation as contained in Table A8.
 - (iv) Asset Management as contained in Table A9; and
 - (v) Basic Service Delivery Measurement as contained in Table A10.
- (c) That with effect from 1 July 2019, the tariffs as set out on pages 9 - 16 of the report by the Chief Financial Officer, be APPROVED, as follows:
- (i) the tariffs for electricity
 - (ii) the tariffs for the supply of water



- (iii) the tariffs for sanitation services
 - (iv) the tariffs for solid waste services
 - (v) the tariffs for rates on different categories
- (d) That all the following budget related policies as per the Annexure (Annual Budget and Medium Term Revenue and Expenditure Framework 2019/20-2021/22 Book) submitted in terms of S7 of Municipal Budget and Reporting Regulations, be APPROVED;-
- a) Budget policy
 - b) Virement policy
 - c) Cash Management and Investment policy
 - d) Funding and Reserves policy
 - e) Credit Control and Debt Collection policy
 - f) Tariff policy
 - g) Indigent policy
 - h) Supply Chain Management policy
 - i) Assets Management policy
 - j) Grants policy
 - k) Insurance policy
 - l) Borrowing policy
 - m) Rates policy
 - n) Unauthorised, irregular or fruitless and wasteful expenditure policy
 - o) Infrastructure procurement and delivery management procedure manual
 - p) Contract management policy
 - q) Petty cash policy
 - r) Inventory management policy
 - s) Appointment of consultants policy
 - t) Commitments policy
 - u) Borrowing policy
 - v) Asset management guideline
 - w) General insurance policy
- (e) That with effect from 1 July 2019 the tariffs for other services, as set out on paragraph 5 of the report by the Chief Financial Officer, be APPROVED.
- (f) That authority be granted to the Municipal Manager to submit the Approved Annual budget and Medium Term Revenue and Expenditure Framework 2019/20 to 2021/22 as per the requirements of Department of Cooperative Governance and Traditional Affairs (COGTA)
- (g) That authority be granted to the Municipal Manager to publish the Approved Annual budget and Medium term Revenue and Expenditure Framework 2019/20 to 2021/22 in terms of Chapter 4 of the Municipal Systems Act of 2000 (as amended).

- (h) That authority be granted to the Municipal Manager to publish the budget related policies on the Internet and in all municipal buildings.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low - to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The City has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the City has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars were used to guide the compilation of the 2019/20 MTREF. The latest being circular no 94

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Umgeni Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2019/20 MTREF process. The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:
- The 2018/19 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2019/20 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition,

2019/20 to 2021/22



tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

While the municipality is optimistic about growth prospects in the next few year, there is no provision of such a growth in the municipality's revenue budget. Ordinarily, the municipality is expected to reflect such a growth in the revenue budget, however, the municipality chose to be cautious and conservative in this case. Taking into account, the MFMA provision that the budget must be funded from realistically anticipated revenue for collection, the municipality opted to use the current revenue base for the purposes of the MTREF but adjustments will be done in future when such a growth in the revenue base materialises. Therefore the constant % increases of revenue over the MTREF must not be read as meaning that the municipality is not anticipating growth in the revenue base of the MTREF. This is rather informed by a conservative or cautious approach in light of the prevailing economic conditions.

Overall, the municipality's operating expenditure has increased by 3.6% and that is informed by the municipality's decision to cap operational costs through doing business in cost effective measures. This is informed by the municipality's desire to ensure that it remains financially sustainable and for that to be achieved, the municipality must budget for credible and sufficient operational budget surpluses. As a result, the municipality's operational budget surplus has increased from R42.3 million to R105 million resulting to a projected cash surplus increase of R284.6 million.

The above-mentioned cash surplus is based on a conservative assumption of a 90% average debt collection, 95% contracted services and 95% expenditure for other items including employee related costs.

Table 1 Consolidated Overview of the 2017/18 MTREF

KZN225 Msunduzi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Revenue (excluding capital transfers and contributions)	1	4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,622	6,157,970	6,763,867
Total Expenditure		4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,328,507	5,739,555	6,250,412
Surplus/(Deficit)		(125,346)	(677,666)	(136,223)	103,126	42,297	42,297	42,297	276,115	418,416	513,456
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		303,484	441,231	146,625	404,341	429,010	429,010	429,010	439,342	446,236	473,589
Surplus/(Deficit) for the year		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045

Total operating revenue of R 5.605 billion has grown by 11.6 per cent or R 649.2 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue will increase by 10 cent (R 556.4 million) and 9.8 per cent (R 605.9 million) respectively, equating to a total revenue growth of R 1.809 billion over the MTREF when compared to the revenue budget of 2018/19 financial year.

Total operating expenditure for the 2019/20 financial year has been appropriated at R5.328 billion and results to a budgeted surplus of R276.1 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has grown overall by 8.5. per cent in the 2019/20 budget and by 7.7 and 7.6 per cent for each of the respective outer years of the MTREF.

The capital budget of R 555.4 million (R 439.3 million grant funding, borrowings of R5.6 million and R110.4 million internal funding) for 2019/20 is 40 million less when compared to the 2018/19 Adjustment Budget.

I.4 Operating Revenue Framework

In order for the Msunduzi Local Municipality to continue improving the quality of services that is provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 100 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

While the municipality is optimistic about growth prospects in the next few year, there is no provision of such a growth in the municipality's revenue budget. Ordinarily, the municipality is expected to reflect such a growth in the revenue budget, however, the municipality chose to be cautious and conservative in this case. Taking into account, the MFMA provision that the budget must be funded from realistically anticipated revenue for collection, the municipality opted to use the current revenue base for the purposes of the MTREF but adjustments will be done in future when such a growth in the revenue base materialises.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):



Table 2 Summary of revenue classified by main revenue source

KZN225 Msunduzi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges - electricity revenue	2	1,784,415	1,863,573	2,317,228	2,177,873	2,138,443	2,138,443	2,138,443	2,417,938	2,733,962	3,091,291
Service charges - water revenue	2	598,990	464,242	569,323	603,661	604,896	604,896	604,896	662,966	726,611	796,366
Service charges - sanitation revenue	2	126,183	121,806	135,960	137,072	126,057	126,057	126,057	145,475	154,204	163,456
Service charges - refuse revenue	2	84,201	88,928	100,293	106,276	116,206	116,206	116,206	111,324	118,003	125,083
Rental of facilities and equipment		20,264	26,144	19,799	35,220	26,252	26,252	26,252	27,827	29,496	31,266
Interest earned - external investments		68,435	54,664	39,130	39,956	26,857	26,857	26,857	14,603	15,333	16,100
Interest earned - outstanding debtors		60,214	96,347	164,249	118,141	182,773	182,773	182,773	193,740	205,364	217,686
Dividends received											
Fines, penalties and forfeits		72,894	18,046	280	75,203	15,154	15,154	15,154	16,064	17,028	18,050
Licences and permits		90	341	126	100	1,011	1,011	1,011	1,071	1,136	1,204
Agency services		28,531	16,051			543	543	543	576	611	647
Transfers and subsidies		466,156	497,277	458,535	672,679	669,406	669,406	669,406	672,023	734,742	795,945
Other revenue	2	62,910	83,984	73,015	165,019	132,212	132,212	132,212	140,145	148,554	157,467
Gains on disposal of PPE		21,665	213,080	54,889							
Total Revenue (excluding capital transfers and contributions)		4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,523	6,157,861	6,763,747

Table 3 Percentage growth in revenue by main revenue source

KZN225 Msunduzi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework						
		Budget Year 2018/19	% Increase	Budget Year 2019/20	% Increase	Budget Year +1 2020/21	% Increase	Budget Year +2 2021/22
Revenue By Source								
Property rates	2	915,564	31.15	1,200,772	6.00	1,272,818	6.00	1,349,187
Service charges - electricity revenue	2	2,138,443	13.07	2,417,938	13.07	2,733,962	13.07	3,091,291
Service charges - water revenue	2	604,896	9.60	662,966	9.60	726,611	9.60	796,366
Service charges - sanitation revenue	2	126,057	15.40	145,475	6.00	154,204	6.00	163,456
Service charges - refuse revenue	2	116,206	(4.20)	111,324	6.00	118,003	6.00	125,083
Rental of facilities and equipment		26,252	6.00	27,827	6.00	29,496	6.00	31,266
Interest earned - external investments		26,857	(45.63)	14,603	5.00	15,333	5.00	16,100
Interest earned - outstanding debtors		182,773	6.00	193,740	6.00	205,364	6.00	217,686
Dividends received								
Fines, penalties and forfeits		15,154	6.00	16,064	6.00	17,028	6.00	18,050
Licences and permits		1,011	6.00	1,071	6.00	1,136	6.00	1,204
Agency services		543	6.00	576	6.00	611	6.00	647
Transfers and subsidies		669,406	6.00	672,023	9.33	734,742	8.33	795,945
Other revenue	2	132,212	6.00	140,145	6.00	148,554	6.00	157,467
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		4,955,375		5,604,523		6,157,861		6,763,747

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the City. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totalled to R4.538 billion or 80 cent. This increased to R5.005 billion, R5.525 billion in 2020/21 and 2021/22 respectively. A notable trend is the increase in the total percentage revenue generated from rates and services charges. The table above excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

MSUNDUZI ANNUAL BUDGET

Property rates are the second largest revenue source totalling 17 per cent or R1.200 billion. Other revenue consists of various items such as fines, licences and permits, agency services, sale of produce, training recoveries, landing fees, passenger levy etc.

Operating grants and transfers totals R 672 million in the 2019/20 financial year and steadily increases to R 734.7 million by 2020/21, R796. million by 2021/22. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

KZN225 Msunduzi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		437,999	467,989	520,105	580,856	580,856	580,856	613,782	661,241	718,960
Local Government Equitable Share		395,786	432,307	468,430	505,853	505,853	505,853	546,052	593,281	645,960
Finance Management		1,600	1,625	1,700	1,700	1,700	1,700	1,700	1,700	1,964
Municipal Systems Improvement		482								
EPWP Incentive		4,032	3,913	8,022	2,867	2,867	2,867	4,200		
Water Services Operating Subsidy										
Public Transport Infrastructure		27,408	15,108	21,001	48,773	48,773	48,773	43,830	46,460	48,776
Energy Efficiency and Demand Management										
Operating costs-MIG		8,690	15,036	20,951	21,663	21,663	21,663	18,000	19,800	22,260
Neighbourhood Development Partnership Technical ass										
Provincial Government:		28,157	29,288	69,167	28,281	28,281	28,281	58,346	73,182	75,110
Provincial Government			1,075							
Expanded Public Works Grant										
Sport and Recreation										
Human Settlements		11,225	11,655	53,499	8,281	8,281	8,281	26,369	29,010	29,050
Arts and Culture- Community Library Services		6,618		612	643	643	643	10,061	21,587	22,786
Arts and Culture- Provincialisation		9,940	15,386	14,636	18,916	18,916	18,916			
Arts and Culture-Museum Subsidies		268	27	420	441	441	441	463	488	515
COGTA		106	1,145					21,453	22,097	22,760
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Operating Transfers and Grants	5	466,156	497,277	589,271	609,137	609,137	609,137	672,127	734,423	794,071

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. The regulations prescribing the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1 came into effect on 1 July 2009, whilst the rate ratio for Public Benefit Organizations came into effect on 1 July 2010. The Property Rates Policy of the Municipality has been amended accordingly.

2019/20 to 2021/22



The categories of rateable properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a 6.0 per cent increase from 1 July 2018 is contained below:

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a 100% rebate is granted on property values between R15 001 and R 100 000 is granted in terms of the City's own Property Rates Policy;
- For pensioners, disability grantees and child headed households, a maximum/total rebate of 40 per cent will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to R 3 700.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2019/20 financial year based on a 6.0 per cent increase from 1 July 2019 is contained in the tariffs of charges. The rate randage is bases on the new valuation role. Rates randages are as follows:

2019/20 to 2021/22



BUDGET AND TREASURY OFFICE Rates

	2018/19 Cents in the R	2019/20 Cents in the R	Inc.
1. The RATE RANGES , assessed in terms of the Local Government: Municipal Property Rates Act 6 of 2004 are as follows:			
(a) Vacant Land - No rebate granted	0.0243	0.0229	-6.0%
(b) Unauthorized Use (inclusive of surcharges)	0.0418	0.0393	-6.0%
(c) Residential Property	0.0134	0.0126	-6.0%
(d) Commercial Property (Previous Category: Other Property)	0.0236	0.0222	-6.0%
(e) Industrial Property (Previous Category: Other Property)	0.0236	0.0222	-6.0%
(f) Specialised Property ((Previous Category: Other Property)	0.0236	0.0222	-6.0%
(g) Agricultural Property	0.0033	0.0031	-6.0%
(h) Public Service Infrastructure	0.0033	0.0031	-6.0%
(i) Rural Communal Property	0.0182	0.0172	-6.0%
(j) Home Business Property (Now treated as Commercial Property)	0.0182	0.000	
(k) Sectional Title Garages – Separately Registered	0.0134	0.0126	-6.0%
(l) Mining	0.0236	0.0222	-6.0%
(m) Public Benefit Organisations Additional Rebate	0.0033 100%	0.0031 100%	-6.0%
(n) Public Service Property	0.0222	NEW	
(o) Multipurpose Property Applicable tariff will be charged in respect of the combination of categories above.			

Table 5 Comparison of proposed rates to levied for the 2019/20 financial year

	2018/19	2019/20	
	Cents in the R	Cents in the R	% Incr
RATE RANGES AND CATEGORIES STILL TO BE FINALISED DUE TO THE RE-VALUATION PROCESS			
1. The Rate Ranges assessed in terms of the Local Government: Municipal Property Rates Act 6 of 2004 are as follows:			
(a) Vacant Land - no rebate granted	0.0243	0.0258	6.00%
(b) Unauthorised Use (Inclusive of surcharges)	0.0418	0.0443	6.00%
(c) Residential Property	0.0134	0.0142	6.00%
(d) Commercial Property (Previous Category: Other Property)	0.0236	0.0250	6.00%
(e) Industrial Property (Previous Category: Other Property)	0.0236	0.0250	6.00%
(f) Specialised Property (Previous Category: Other Property)	0.0236	0.0250	6.00%
(g) Agricultural Property	0.0033	0.0035	6.00%
(h) Public Service Infrastructure	0.0033	0.0035	6.00%
(i) Rural Communal Property	0.0182	0.0193	6.00%
(j) Home Business Property	0.0182	0.0193	6.00%
(k) Sectional Title Garages - Separately Registered	0.0134	0.0142	6.00%
(l) Mining Property	0.0236	0.0250	6.00%
(m) Public Benefit Organisations	0.0033	0.0035	6.00%
Additional Rebate	100%	100%	

I.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Council is working towards ensuring that water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Umgeni Water has increased its bulk tariffs with an average of 9.6 % from 1 July 2019.

Umgeni Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Umgeni Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise funds for infrastructure upgrades, hence the above inflation increase in the bulk cost of water.

An average tariff increase of 9.6% as from 1 July 2019 for water is proposed. The specific increases for different categories are detailed in the tariffs of charges and in the extract below.



Table 6 Proposed Water Tariffs

INFRASTRUCTURE SERVICES					
WATER DISTRIBUTION AND SANITATION MANAGEMENT					
Water Management					
			2018/19 Excl. Vat	2019/20 Excl. Vat	% Incr
Water Supply Tariffs					
1	Scale 2 (1) – Domestic				
	Basic Charge		R 21.14	R 22.41	6.00%
	0kl to 6kl		R 69.84	R 76.54	9.60%
	2 (2) – Domestic				
	7kl to 30kl per kl		R 23.50	R 25.75	9.60%
	2 (3) – Domestic				
	31kl to 60kl per kl		R 40.61	R 44.51	9.60%
	2 (4) _Domestic				
	61kl and over per kl		R 47.40	R 51.95	9.60%
	2 (5) _Domestic				
	Flat rate (unmetered households)		R 104.40	R 114.42	9.60%
2	Scale 3A – Flats, Simplexes				
	Basic Charge		R 21.14	R 22.41	6.00%
	Unit		R 22.15	R 24.28	9.60%
3	Scale 3B – Flats (Non-Rateable)				
	Basic Charge		R 21.14	R 22.41	6.00%
	Unit		R 30.48	R 33.40	9.60%
4	Scale 4A (1) – Commercial				
	Basic Charge		R 35.23	R 37.34	6.00%
	0 - 30 kl per kl		R 24.80	R 27.18	9.60%
	4A (2) – Commercial				
	31kl to 60kl per kl		R 27.63	R 30.29	9.60%
	4A (3) – Commercial				
	61kl to 100kl per kl		R 32.42	R 35.54	9.60%
	4A (4) – Commercial				
	101kl and over per kl		R 24.80	R 27.18	9.60%
5	Scale 4B – Commercial (Non-Rateable)				
	Basic Charge		R 35.23	R 37.34	6.00%
	Unit		R 30.59	R 33.52	9.60%
6	Scale 5 – Builders, Construction Sites				
	Basic Charge		R 35.23	R 37.34	6.00%
	Unit		R 31.01	R 33.98	9.60%
	Flat Rate - Unmetered Fire Mains		R 261.00	R 286.06	9.60%
7	Scale 6 – Religious Organisations				
	Basic Charge		R 35.23	R 37.34	6.00%
	Unit		R 24.59	R 26.95	9.60%
8	Scale 7 – Registered Welfare & Charitable Institutions & certain Sporting Bodies which are exempted from payment of rates. Including such organizations & institutions exempted by the City Council.				
	Basic Charge		R 35.23	R 37.34	6.00%
	Unit		R 24.59	R 26.95	9.60%
10	Scale 8 – Municipal Departments				
	Unit		R 23.48	R 25.73	9.60%
Indigent Benefit - Domestic Water supply only					
Qualifying indigent consumers will receive the first 6kl's of water free					
INTEREST RATE					
1	Interest rate per annum		11.25%	11.25%	-2.17%



MSUNDUZI ANNUAL BUDGET

I.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 9.41 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2019.

Considering the Eskom increases, the proposed consumer tariff had to be increased by 9.41 per cent to offset the additional bulk purchase cost from 1 July 2019.



INFRASTRUCTURE SERVICES Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale A: Domestic			
1. A.I Single-Phase Supplies from 5A up to 80A – Basic Charge per month	R 25.94	R 29.33	13.07%
Net Ampere Charge per amp per phase p.m.	R 9.60	R 10.86	13.07%
Energy Charge per kWh (cents)	R 94.94	R 107.35	13.07%
2. Scale A.3 Three Phase Supplies from 5A up to 100A Basic Charge per month	R 43.22	R 48.87	13.07%
Net Ampere Charge per amp per phase p.m.	R 7.07	R 8.00	13.07%
Energy Charge per kWh (cents)	R 94.94	R 107.35	13.07%
Scale S0: Domestic Indigent 20 Amp			
Qualifying Indigent consumers will receive the first 70kWh of electricity free. Conditional on being on Prepaid with 20 Amps Current limiting breaker			
3. Energy Charge only (cents) No Basic Charge	R 113.89	R 128.78	13.07%
Scale S1: Domestic Life Line Tariff 20 Amp			
4. Energy Charge only (cents) No Basic Charge	R 131.51	R 148.70	13.07%
Scale S2: Domestic Straight Line Tariff – 40 Amps 1 phase			
5.1 Energy Charge only (cents)	R 131.51	R 148.70	13.07%
Basic Charge (Included in the Municipal Bill/or deducted by Vending System) per month	R 0.00	R 0.00	
Scale S3.1: Domestic Straight Line Tariff – 60 Amps 1 phase			
5.2 Energy Charge only (cents)	R 152.33	R 172.24	13.07%
Basic Charge (Included in the Municipal Bill/or deducted by Vending System) per month	R 0.00	R 0.00	
Scale S3.2: High End Two Part Tariff – 60 to 100 Amps 1 phase ENERGY CHARGED FOR DOMESTIC DISCOUNTED BY 20%			
5.3 Energy Charge only (cents)	R 172.54	R 195.09	13.07%
Low End – Basic Charge – 20 to 40 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 107.75	R 121.83	13.07%
Medium End – Basic Charge – 60 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 134.69	R 152.30	13.07%
High End – Basic Charge – 80 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 168.36	R 190.36	13.07%



MSUNDUZI ANNUAL BUDGET

Scale S4: 3 Phase Two Part Tariff – 100 Amps 3 phase – For Domestic Only

5.4 Energy Charge only (cents)	R 172.54	R 195.09	13.07%
Low End – Basic Charge – 20 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 161.62	R 182.75	13.07%
Medium End – Basic Charge – 40 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 323.25	R 365.50	13.07%
High End – Basic Charge – 60 Amps supply (Included in the Municipal Bill/or deducted by Vending System) per month	R 505.07	R 571.09	13.07%



INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale TD1: Time of Use Domestic Single Phase			
Supply Metered by a Smart Meter (Conditional on Municipality rolling out Smart Meters to Community)			
6. Scale TD.1: Time of Use Domestic Single Phase			
Basic Charge per month	R 52.23	R 59.05	13.07%
Capacity charge per kVA per month	R 9.60	R 10.86	13.07%
Energy charge c/kWh (Periods as per table below - public holidays treated as normal day)			
High Demand: (June, July, August)			
Peak	R 334.31	R 378.01	13.07%
Standard	R 109.94	R 124.31	13.07%
Off Peak	R 65.36	R 73.90	13.07%
Low Demand: (Other Months)			
Peak	R 117.42	R 132.77	13.07%
Standard	R 84.69	R 95.75	13.07%
Off Peak	R 58.27	R 65.89	13.07%
Scale TD2: Time of Use Domestic Three Phase			
Supply Metered by a Smart Meter (Conditional on Municipality rolling out Smart Meters to Community)			
7. Scale TD.2: Time of Use Domestic Three Phase			
Basic Charge per month	R 81.13	R 91.74	13.07%
Capacity charge per kVA per month	R 6.94	R 7.85	13.07%
Energy charge c/kWh (Periods as per table below - public holidays treated as normal day)			
High Demand: (June, July, August)			
Peak	R 334.31	R 378.01	13.07%
Standard	R 109.94	R 124.31	13.07%
Off Peak	R 66.36	R 73.90	13.07%
Low Demand: (Other Months)			
Peak	R 115.25	R 130.31	13.07%
Standard	R 83.12	R 93.99	13.07%
Off Peak	R 57.19	R 64.67	13.07%



MSUNDUZI ANNUAL BUDGET

Scale B: Small Power Users ≤ 65 kVA

8. Scale B.1 Small Power Single-Phase ≤100A

Basic Charge per month	R 66.53	R 75.23	13.07%
Net Ampere Charge per amp per phase p.m.	R 20.19	R 22.83	13.07%
Energy Charge per kWh (cents)	R 104.22	R 117.84	13.07%

9. Scale B.3 Small Power Three-Phase ≤100A

Basic Charge per month	R 119.30	R 134.89	13.07%
Net Ampere Charge per amp per phase p.m.	R 17.03	R 19.26	13.07%
Energy Charge per kWh (cents)	R 104.22	R 117.84	13.07%

Scale C: Large Power users (Load greater than 65 kVA)

10. Scale C.1 Large Power at LV

Basic Charge per month	R 521.17	R 589.28	13.07%
Demand charge per kVA per month	R 200.25	R 226.42	13.07%
Energy charge per kWh (cents)	R 95.43	R 107.90	13.07%



INFRASTRUCTURE SERVICES Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale T1: Time of Use Large Customers - MV			
11. Scale T1: Time of use large customers at MV			
Basic Charge per month	R 2605.81	R 2946.39	13.07%
Demand charge per kVA per month (Peak and Standard periods only)	R 84.63	R 95.69	13.07%
Access charge per kVA per month Based on highest of notified or previous 12 months highest demand	R 37.85	R 42.80	13.07%
Energy charge c/kWh (Periods as per table below - public holidays treated as per table)			
High Demand: (June, July, August)			
Peak	R 319.02	R 360.72	13.07%
Standard	R 115.05	R 130.09	13.07%
Off Peak	R 69.77	R 84.28	13.07%
Low Demand: (Other Months)			
Peak	R 121.84	R 137.76	13.07%
Standard	R 92.10	R 104.14	13.07%
Off Peak	R 68.08	R 76.98	13.07%
Reactive energy charge A charge for all reactive energy which exceed 30% of the real energy (kWh) per half hour period in the peak and standard periods only (c/kvarh)			
	R 8.16	R 9.23	13.07%
Scale T2: Time Of Use Large customers at 400 V			
12. Scale T2: Time Of Use Large customer at LV			
Basic Charge per month	R 454.23	R 548.73	13.07%
Demand charge per kVA per month (Peak and Standard periods only)	R 93.10	R 105.27	13.07%
Access charge per kVA per month Based on highest of notified or previous 12 months highest demand	R 41.65	R 47.09	13.07%
Energy charge c/kWh (Periods as shown in table below - public holidays treated as normal day)			
High Demand: (June, July, August)			
Peak	R 334.98	R 378.77	13.07%
Standard	R 120.81	R 136.60	13.07%
Off Peak	R 78.26	R 88.49	13.07%
Low Demand: (Other Months)			
Peak	R 127.95	R 144.67	13.07%
Standard	R 96.70	R 109.34	13.07%
Off Peak	R 71.47	R 80.81	13.07%

MSUNDUZI ANNUAL BUDGET

Reactive energy charge

A charge for all reactive energy which exceed 30% of the real energy (kWh) per half hour period in the peak and standard periods only (c/kvarh)

R 7.94 R 8.98 13.07

The inadequate electricity bulk capacity and impact on service delivery and development remains a challenge for the City. The upgrading of the City's electricity network has therefore become a strategic priority, especially the substations and transmission lines. The City has embarked on an upgrade programme that will see the stabilising of the electricity distribution network.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariffs- as a result tariff increases would be unaffordable for the consumers. As part of the 2019/20 MTREF, funding has been allocated to electricity infrastructure upgrade and the main funding source is DBSA loan.

1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 6.0 per cent for sanitation from 1 July 2019 is proposed.

		2018/19 Excl. Vat	2019/20 Excl. Vat	% Incr
Based on the relevant Water Scale				
<u>Sewerage Tariffs</u>				
1	Scale 2 – Domestic/House	R 153.79	R 163.01	6.00%
2	Home Business	R 173.40	R 183.80	6.00%
3	Scale 3A – Flats/Simplexes per kl (From 2018/19 ALL Flats/Simplexes on Scale 3A will be charged on 80% of water consumed)	R 8.16	R 8.65	6.00%
4	Scale 4A – Business/Commercial per kl			
	0 - 400	R 8.34	R 8.84	6.00%
	401 - 1000	R 7.78	R 8.25	6.00%
	Greater than 1000	R 6.43	R 6.82	6.00%
NOTE: The Maximum Tariff is no Longer Applicable from 2018/19				
5	Vacant Land	R 153.79	R 163.01	6.00%
6	Scale 6 – Worship Places	R 293.39	R 310.99	6.00%
7	Scale 8M – Municipal Departments per kl	R 8.34	R 8.84	6.00%
8	Scale 3c, 4c, 7c – Registered Welfare & Charitable Institutions & certain Sporting Bodies which are exempted from payment of rates. Including such organizations & institutions exempted by the City Council. per kl	R 8.34	R 8.84	6.00%
9	Qualifying indigent consumers will receive 100% rebate in respect of the applicable charge.			
Note: Home Business				
Refers to a property previously rated as residential where an owner or lessee runs a small business from the premises and which is still primarily used as a place of residence by that owner or lessee and where special consent has been obtained in terms of the Town Planning scheme to run this business on the premises.				
INTEREST RATE				
1	Interest rate per annum	11.25%	11.25%	-2.17%



I.4.4 Waste Removal and Impact of Tariff Increases

A 6.0 per cent increase in the waste removal tariff is proposed from 1 July 2019

The following table compares current and proposed amounts payable from 1 July 2019:

			2018/19 Excl. Vat	2019/20 Excl. Vat	% Incr
Standard charges for Domestic and Commercial Refuse Removal Based on the relevant Electricity Scale					
Refuse Removal Tariffs					
1	Domestic	Single phase up to 80A	R 99.46	R 105.43	6.00%
		Three phase up to 100A	R 99.46	R 105.43	6.00%
		Prepayment Meter	R 99.46	R 105.42	6.00%
2	Home Business	Single phase up to 80A	R 150.78	R 159.83	6.00%
		Three phase up to 100A	R 150.78	R 159.83	6.00%
		Prepayment Meter	R 150.78	R 159.83	6.00%
3	Small Power Users - Business/Commercial	Single phase up to 80A	R 284.95	R 302.05	6.00%
		Three phase up to 100A	R 284.95	R 302.05	6.00%
4	Large Power Users – Business/Commercial	Supply taken at 400V	R 284.95	R 302.05	6.00%
		Supply taken at 6.6 or 11kV	R 284.95	R 302.05	6.00%
5	Flats/Simplexes		R 84.29	R 89.34	6.00%
6	Previously PHB Housing and Informal Settlements (MASS HOUSING) - per household per month		R 20.04	R 21.24	6.00%
7	Central Business District Main cbd bordered by East(Massukwane), Winston/Victoria, Bulwer, Boschoff, Alan Paton, Prince Alfred, Railway, Pine. Greytown Rd form East To Trichy, Balhambra Way from Greytown Road to Newholme Way, Khan Road from Greytown Road to Deccan Road, Mysore Road from Greytown Road to Bangalore Road, Alan Paton up till King Edward Ave.		R 378.95	R 401.68	6.00%
8	For areas not being billed but supplied with prepaid electricity meters to cover the cost of co-operative supplied refuse collection services.		R 15.90	R 16.85	6.00%
9	Qualifying indigent consumers will receive 100% rebate in respect of the applicable charge.				
Note: Home Business					
Refers to a property previously rated as residential where an owner or lessee runs a small business from the premises and which is still primarily used as a place of residence by that owner or lessee and where special consent has been obtained in terms of the Town Planning scheme to run this business on the premises.					
INTEREST RATE PER ANNUM			11.25%	11.25%	-2.17%

MSUNDUZI ANNUAL BUDGET

1.4.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 7 MBRR Table SA14 – Household bills

KZN225 Msunduzi - Supporting Table SA14 Household bills

Description	Ref1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20 % incr.	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		530.00	593.50	629.11	667.80	667.80	667.80	6.0%	707.87	750.34	795.36
Electricity: Basic levy		27.03	32.65	33.23	35.53	35.53	35.53	13.1%	40.18	45.43	51.37
Electricity: Consumption		722.20	872.22	888.62	949.06	949.06	949.06	13.1%	1,073.10	1,213.36	1,371.94
Water: Basic levy		15.76	18.74	19.88	21.07	21.07	21.07	9.6%	23.10	25.31	27.74
Water: Consumption		360.96	433.68	498.72	490.41	563.95	554.55	9.6%	607.79	666.13	730.08
Sanitation		121.58	136.35	144.53	153.35	153.35	153.35	6.0%	162.55	172.30	182.64
Refuse removal		78.64	88.19	94.19	99.18	99.18	99.18	6.0%	105.14	111.44	118.13
Other											
sub-total		1,856.17	2,175.33	2,308.28	2,416.41	2,489.95	2,480.55	12.6%	2,719.72	2,984.32	3,277.27
VAT on Services											
Total large household bill:		1,856.17	2,175.33	2,308.28	2,416.41	2,489.95	2,480.55	12.6%	2,719.72	2,984.32	3,277.27
% increase/-decrease			17.2%	6.1%	4.7%	3.0%	(0.4%)		9.6%	9.7%	9.8%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		353.33	397.00	420.67	445.91	445.91	445.91	6.0%	472.66	501.02	531.09
Electricity: Basic levy		27.03	32.65	33.26	35.53	35.53	35.53	13.1%	40.18	45.43	51.37
Electricity: Consumption		361.10	436.10	444.00	474.37	474.37	474.37	13.1%	536.37	606.47	685.74
Water: Basic levy		15.76	18.74	19.88	21.07	21.07	21.07	9.6%	23.10	25.31	27.74
Water: Consumption		285.76	343.66	394.82	388.61	388.61	388.61	9.6%	425.92	466.81	511.62
Sanitation		121.58	136.36	144.54	153.35	153.35	153.35	6.0%	162.55	172.30	182.64
Refuse removal		78.64	88.19	93.48	99.18	99.18	99.18	6.0%	105.14	111.44	118.13
Other											
sub-total		1,243.20	1,452.70	1,550.65	1,618.03	1,618.03	1,618.03	9.1%	1,765.91	1,928.79	2,108.33
VAT on Services											
Total small household bill:		1,243.20	1,452.70	1,550.65	1,618.03	1,618.03	1,618.03	9.1%	1,765.91	1,928.79	2,108.33
% increase/-decrease			16.9%	6.7%	4.3%	-	-		9.1%	9.2%	9.3%
Monthly Account for Household - 'Indigent' Household receiving free basic services	3										
Rates and services charges:											
Property rates		176.67	198.33	210.00	222.60	222.60	222.60	6.0%	235.96	250.11	265.12
Electricity: Basic levy											
Electricity: Consumption		216.66	261.66	266.58	284.71	284.71	284.71	13.1%	321.92	363.99	411.57
Water: Basic levy		16.71	19.65	19.88	21.07	21.07	21.07	9.6%	23.10	25.31	27.74
Water: Consumption		210.56	252.98	290.92	332.52	332.52	332.52	9.6%	364.44	399.43	437.78
Sanitation											
Refuse removal											
Other											
sub-total		620.60	732.62	787.38	860.90	860.90	860.90	9.8%	945.41	1,038.85	1,142.21
VAT on Services		62.15									
Total small household bill:		682.75	732.62	787.38	860.90	860.90	860.90	9.8%	945.41	1,038.85	1,142.21
% increase/-decrease			7.3%	7.5%	9.3%	-	-		9.8%	9.9%	9.9%



I.5 Operating Expenditure Framework

The City's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Funded budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

- **Strict adherence to the principle of no project plans no budget. If there is no business plan no funding allocation can be made.**
-

The following table is a high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 8 Summary of operating expenditure by type

KZN225 Msunduzi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Revenue (excluding capital transfers and contributions)		4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,523	6,157,861	6,763,747
Expenditure By Type											
Employee related costs	2	942,876	990,111	1,120,868	1,274,330	1,267,167	1,267,167	1,267,167	1,445,368	1,524,800	1,642,897
Remuneration of councillors		41,763	43,574	45,020	48,573	48,573	48,573	48,573	51,488	54,577	57,852
Debt impairment	3	92,508	505,131	350,124	110,178	110,280	110,280	110,280	116,891	123,901	131,332
Depreciation & asset impairment	2	555,153	605,422	470,370	468,636	467,692	467,692	467,692	491,076	515,630	541,411
Finance charges		75,095	68,463	63,181	50,688	50,672	50,672	50,672	41,660	31,793	24,371
Bulk purchases	2	1,799,214	1,866,283	1,956,999	2,050,322	2,034,195	2,034,195	2,034,195	2,282,600	2,561,795	2,875,643
Other materials	8	156,434	46,025	69,227	63,797	56,400	56,400	56,400	55,714	57,896	59,939
Contracted services		170,156	556,503	622,403	606,222	600,899	600,899	600,899	586,347	619,946	655,446
Transfers and subsidies		238	36,447	25,891	45,328	58,437	58,437	58,437	58,900	50,012	53,748
Other expenditure	4, 5	412,697	201,572	167,375	210,837	218,719	218,719	218,719	196,905	197,085	205,006
Loss on disposal of PPE		13,658	99,923	41,015		43	43	43	43	45	46
Total Expenditure		4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,326,992	5,737,482	6,247,692

The budgeted allocation for employee related costs for the 2019/20 financial year totals R1.445 billion, which equals to 27 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 8 per cent for the 2019/20 and the two outer years.. In addition, expenditure against overtime was critically reviewed for inefficiencies and significantly streamlined with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget. A increase of 7.5% has been provided for.

The provision of debt impairment was determined based on an annual collection rate of 90 per cent, the results of the previous year risk profiling of debtors and the Debt Write-off Policy of the City. For the 2019/20 financial year this amount equates to R116.9 million and escalates to R131.3 million by 2021/22. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget ap-



MSUNDUZI ANNUAL BUDGET

proportions in this regard total R491 million for the 2018/19 financial year which equates to 9.5 per cent of the total operating expenditure. The asset register, the recent conditional assessment of assets, the current year's capital budget and the new year's proposed capital budget have been taken into account in determining the depreciation budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1 per cent (R41.7 million) of operating expenditure excluding annual redemption for 2019/20 and decreases to R24.4 million by 2021/22. As the capital portion of loans are repaid.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Umgeni Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other material comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and consumables. In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2019/20 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the City. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

For 2019/20, the appropriation against this item of expenditure is R97.3 million and increases to R99 million and R103 million for the two outer years.

Contracted Services and Other Material have been largely affected by the implementation of mSCOA and they form part of many operational projects as the municipality has adopted a project based budgeting as per mSCOA regulations. Repairs and Maintenance has also contributed to these items. Also included in contracted services are security costs.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved which is why it has decreased quite substantially.

The following table gives a breakdown of the main expenditure categories for the 2019/20 financial year.

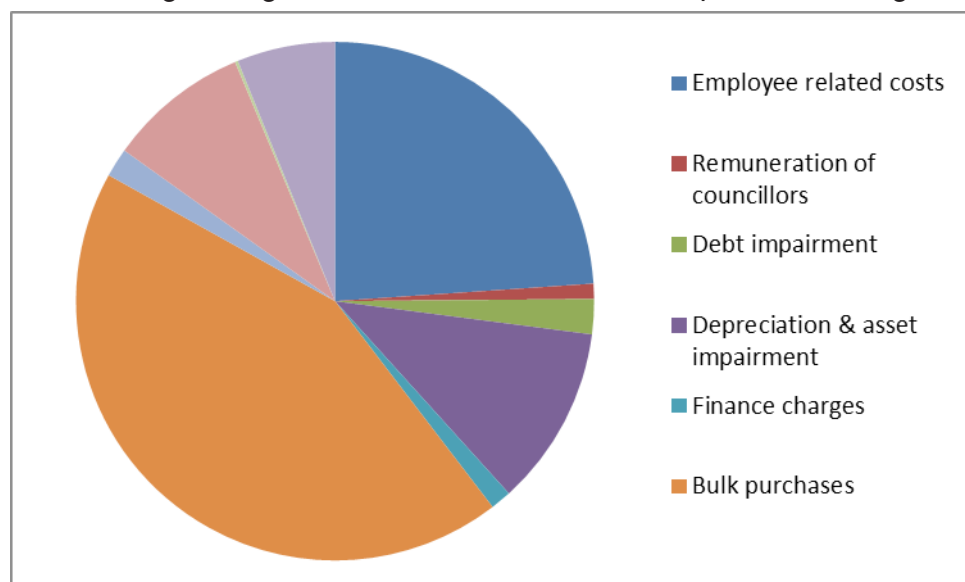


Figure 1 Main operational expenditure categories for the 2019/20 financial year



I.5.I Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2019/20 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the City. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. The provision for repairs and maintenance is below the norm due to a huge provision on capital budget being towards infrastructure renewal.

Over the years, operational repairs and maintenance has been identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. To this end, repairs and maintenance has been continually increasing in the municipality's budget over the past few years.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 10 Repairs and maintenance per asset class

KZN225 Msunduzi - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		127,246	133,888	-	187,469	187,469	187,469	60,146	61,903	63,750
Community Assets		17,218	17,639	-	9,433	9,433	9,433	21	67	69
Other assets		-	-	-	3,509	3,509	3,509	20,719	19,918	20,554
Machinery and Equipment		-	-	-	1,061	1,061	1,061	16,458	18,282	19,766
Total Repairs and Maintenance Expenditure	1	162,844	171,344	-	212,407	212,407	212,407	97,345	100,171	104,139
<i>R&M as a % of PPE</i>		2.1%	3.2%	0.0%	2.8%	2.9%	2.9%	1.3%	1.3%	1.3%
<i>R&M as % Operating Expenditure</i>		3.8%	3.4%	0.0%	4.3%	4.3%	4.3%	2.0%	1.9%	1.9%

For the 2019/20 financial year, 61 per cent of total repairs and maintenance will be spent on infrastructure assets. The total amount allocated to Repairs and Maintenance is R97.4 million.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. Details relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

I.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 51 2019/20 Medium-term capital budget per vote

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - City Manager		6,428	3,866	1,193	5,755	4,963	4,963	4,963	10,000	6,679	6,679
Vote 2 - City Finance		4,949	30,114	23,710	33,214	28,030	28,030	28,030	34,835	29,060	29,750
Vote 3 - Community Services and Social Equity		34,053	102,852	82,596	59,769	56,515	56,515	56,515	35,966	47,566	38,296
Vote 4 - Corporate Services		520	25,749	4,950	24,123	3,463	3,463	3,463	5,200	5,200	5,200
Vote 5 - Infrastructure Services		326,383	438,850	407,322	384,718	443,961	443,961	443,961	405,371	382,374	407,555
Vote 6 - Sustainable Development and City Enterprises		26,849	46,682	75,121	63,803	58,534	58,534	58,534	63,742	126,179	122,496
Capital multi-year expenditure sub-total	7	399,182	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976
Funded by:											
National Government		345,750	376,644	232,550	404,341	388,567	388,567	388,567	429,351	492,819	504,997
Provincial Government		15,613	24,611	131,196		37,548	37,548	37,548	9,991		
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	6		40,245	88,896	42,041	42,041	42,041	42,041	5,631		
Internally generated funds		121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,139	104,239	104,979
Total Capital Funding	7	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976

The total capital budget for 2019/20 is R555.1 million of which 79% (R439.3 million) is funded through conditional grants from national and provincial government, 20% (R110.1million) funded through internal reserves. About 68% (R377.5 million) of the total capital budget will go towards upgrading of existing assets while 28% (R155.4 million) is going to be spent on new assets and 4% (R22.2 million) is going to be spent on renewal of existing assets.

Further details relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90).

1.6.I Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. It needs to be noted that as part of the 2019/20 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

2019/20 to 2021/22



Table 62 MBRR Table A1 - Budget

KZN225 Msunduzi - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Financial Performance										
Property rates	739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges	2,593,789	2,538,549	3,122,793	3,024,881	2,985,603	2,985,603	2,985,603	3,337,703	3,732,780	4,176,196
Investment revenue	68,435	54,664	39,130	39,956	26,857	26,857	26,857	14,603	15,333	16,100
Transfers recognised - operational	466,156	497,277	458,535	672,679	669,406	669,406	669,406	672,023	734,742	795,945
Other own revenue	266,567	453,993	312,359	393,684	357,945	357,945	357,945	379,423	402,188	426,319
Total Revenue (excluding capital transfers and contributions)	4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,523	6,157,861	6,763,747
Employee costs	942,876	990,111	1,120,868	1,274,330	1,267,167	1,267,167	1,267,167	1,445,368	1,524,800	1,642,897
Remuneration of councillors	41,763	43,574	45,020	48,573	48,573	48,573	48,573	51,488	54,577	57,852
Depreciation & asset impairment	555,153	605,422	470,370	468,636	467,692	467,692	467,692	491,076	515,630	541,411
Finance charges	75,095	68,463	63,181	50,688	50,672	50,672	50,672	41,660	31,793	24,371
Materials and bulk purchases	1,955,648	1,912,308	2,026,226	2,114,119	2,090,595	2,090,595	2,090,595	2,338,314	2,619,691	2,935,583
Transfers and grants	238	36,447	25,891	45,328	58,437	58,437	58,437	58,900	50,012	53,748
Other expenditure	689,019	1,363,129	1,180,917	927,237	929,941	929,941	929,941	900,186	940,978	991,830
Total Expenditure	4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,326,992	5,737,482	6,247,692
Surplus/(Deficit)	(125,346)	(677,666)	(136,223)	103,126	42,297	42,297	42,297	277,531	420,380	516,056
Transfers and subsidies - capital (monetary allocated)	303,484	441,231	146,625	404,341	429,010	429,010	429,010	439,342	446,236	473,589
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645
Capital expenditure & funds sources										
Capital expenditure	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976
Transfers recognised - capital	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	-	40,245	88,896	42,041	42,041	42,041	42,041	5,631	-	-
Internally generated funds	121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,139	104,239	104,979
Total sources of capital funds	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976
Financial position										
Total current assets	2,298,945	1,860,482	1,969,567	2,702,979	1,508,845	1,508,845	1,508,845	1,437,510	1,565,368	1,761,971
Total non current assets	8,862,175	6,143,014	7,118,703	8,106,054	7,763,435	7,763,435	7,763,435	8,039,625	8,188,333	8,340,619
Total current liabilities	738,960	1,051,573	1,374,076	501,389	1,295,044	1,295,044	1,295,044	1,320,731	1,348,890	1,378,252
Total non current liabilities	1,263,991	1,268,708	1,253,158	1,187,496	1,182,802	1,182,802	1,182,802	1,202,464	1,223,280	1,244,505
Community wealth/Equity	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,940	7,181,531	7,479,832
Cash flows										
Net cash from (used) operating	564,585	375,682	475,972	844,710	674,691	674,691	674,691	645,181	751,311	828,201
Net cash from (used) investing	(476,769)	(651,571)	(609,271)	(571,382)	(595,676)	(595,676)	(595,676)	(527,357)	(567,205)	(579,477)
Net cash from (used) financing	48,875	(15,995)	(77,383)	(76,471)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
Cash/cash equivalents at the year end	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,887	608,890	786,266
Cash backing/surplus reconciliation										
Cash and investments available	969,624	679,176	473,068	739,427	461,119	461,119	461,119	499,887	608,890	786,266
Application of cash and investments	(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Balance - surplus (shortfall)	1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,244	298,285	470,600
Asset management										
Asset register summary (WDV)	6,198,788	7,170,057	8,003,467	8,011,347	8,011,347	8,011,347	8,011,347	8,299,933	8,461,656	8,627,608
Depreciation	555,153	605,422	470,370	468,636	467,692	467,692	467,692	492,025	516,580	542,365
Renewal and Upgrading of Existing Assets	297,657	515,763	427,390	459,995	477,794	477,794	477,794	400,178	423,130	442,670
Repairs and Maintenance	162,844	171,344	-	212,407	212,407	212,407	212,407	97,345	100,171	104,139
Free services										
Cost of Free Basic Services provided	143,094	151,511	159,928	168,346	168,346	168,346	183,953	183,953	201,029	219,715
Revenue cost of free services provided	402,279	411,638	412,671	442,431	442,431	442,431	124,035	124,035	131,535	139,493
Households below minimum service level										
Water:	21	18	18	18	18	18	18	18	18	18
Sanitation/sewage:	5	5	4	1	1	1	1	1	1	-
Energy:	13	13	14	8	-	-	-	-	-	-
Refuse:	44	44	44	41	41	41	41	41	41	41

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

MSUNDUZI ANNUAL BUDGET

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
- The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN225 Msunduzi - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref.	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
Revenue - Functional										
Governance and administration		1,096,976	1,177,987	1,314,579	1,883,552	1,835,341	1,835,341	1,810,066	1,922,426	2,048,187
Executive and council		9,864	3,913	8,115	3,074	2,921	2,921	4,257	60	64
Finance and administration		1,087,112	1,174,075	1,306,467	1,880,479	1,832,420	1,832,420	1,805,809	1,922,365	2,048,123
Internal audit		-	-	(3)	-	-	-	-	-	-
Community and public safety		126,441	321,160	114,025	154,390	156,442	156,442	109,380	117,116	123,847
Community and social services		24,735	35,742	28,615	28,593	31,603	31,603	24,887	26,710	28,214
Sport and recreation		24,067	15,520	11,184	10,054	9,490	9,490	10,384	11,006	11,919
Public safety		57,657	38,770	18,372	23,946	3,402	3,402	3,606	3,823	4,052
Housing		19,982	231,128	55,854	91,797	111,946	111,946	70,503	75,578	79,662
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		167,756	294,113	284,890	301,757	306,359	306,359	316,347	335,401	353,418
Planning and development		26,262	15,852	57,661	43,772	48,704	48,704	53,904	59,139	63,658
Road transport		141,481	278,242	227,108	257,949	257,557	257,557	262,339	276,153	289,644
Environmental protection		13	19	122	36	98	98	104	110	116
Trading services		2,987,564	2,942,648	3,177,992	3,680,521	3,650,948	3,650,948	4,057,142	4,499,267	5,004,895
Energy sources		1,851,114	1,928,075	1,972,393	2,235,473	2,192,816	2,192,816	2,484,433	2,796,740	3,158,966
Water management		843,076	711,698	855,836	1,063,455	1,071,524	1,071,524	1,165,717	1,269,596	1,384,058
Waste water management		190,518	185,039	219,431	222,240	226,953	226,953	242,423	257,492	274,730
Waste management		102,856	117,836	130,333	159,353	159,656	159,656	164,570	175,439	187,140
Other		59,194	47,112	51,390	26,919	56,226	56,226	58,902	62,437	66,183
Total Revenue - Functional		4,437,932	4,783,020	4,942,876	6,047,141	6,005,316	6,005,316	6,351,838	6,936,647	7,596,530
Expenditure - Functional										
Governance and administration		559,517	958,977	908,163	1,563,188	1,598,489	1,598,489	1,412,398	1,436,275	1,522,064
Executive and council		9,132	152,627	215,359	176,893	179,039	179,039	188,105	180,076	191,629
Finance and administration		550,384	785,737	679,958	1,372,747	1,398,358	1,398,358	1,210,210	1,241,376	1,314,820
Internal audit		-	20,613	12,846	13,548	21,092	21,092	14,083	14,822	15,615
Community and public safety		595,604	558,219	468,537	519,546	540,465	540,465	523,869	570,947	609,795
Community and social services		111,040	130,559	113,020	119,452	113,625	113,625	115,536	134,479	143,642
Sport and recreation		168,142	167,481	137,259	120,149	122,695	122,695	125,730	134,612	144,156
Public safety		218,704	160,982	152,734	173,255	178,814	178,814	183,470	197,397	212,426
Housing		68,928	94,678	60,454	106,300	125,119	125,119	98,865	104,184	109,287
Health		28,790	4,520	5,070	390	212	212	268	276	284
Economic and environmental services		342,443	339,510	338,302	270,651	247,618	247,618	251,002	264,034	278,032
Planning and development		47,220	72,584	73,017	84,831	85,345	85,345	81,395	86,829	92,662
Road transport		286,226	255,232	253,089	167,925	145,225	145,225	151,400	157,723	164,502
Environmental protection		8,996	11,694	12,196	17,896	17,047	17,047	18,206	19,482	20,868
Trading services		2,677,253	3,073,241	3,151,997	3,112,811	3,079,037	3,079,037	3,377,237	3,724,599	4,118,983
Energy sources		1,697,840	1,885,208	1,737,651	1,832,623	1,815,959	1,815,959	2,021,215	2,260,206	2,530,635
Water management		620,375	886,438	1,067,152	844,405	838,862	838,862	907,107	985,174	1,070,858
Waste water management		214,349	195,840	265,210	306,794	303,864	303,864	319,855	342,186	371,728
Waste management		144,689	105,755	81,985	128,989	120,351	120,351	129,060	137,034	145,761
Other		84,977	89,507	65,476	73,477	70,475	70,475	70,459	74,177	78,011
Total Expenditure - Functional		4,259,793	5,019,454	4,932,474	5,539,673	5,536,084	5,536,084	5,634,965	6,070,031	6,606,885
Surplus/(Deficit) for the year		178,139	(236,435)	10,402	507,467	469,233	469,233	716,873	866,616	989,645



Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, however this is not the case for Water, Waste water and the Waste management functions, As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

KZN225 Msunduzi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote										
Vote 1 - City Manager	1	9,864	-	89	0	54	54	57	60	64
Vote 2 - City Finance		1,082,892	1,162,602	1,292,219	1,841,339	1,347,787	1,347,787	1,777,146	1,891,689	2,014,768
Vote 3 - Community Services and Social Equity		209,134	213,712	199,491	239,388	204,076	204,076	210,737	224,707	239,520
Vote 4 - Corporate Services		4,219	5,676	9,383	2,094	5,076	5,076	6,542	2,482	2,631
Vote 5 - Infrastructure Services		3,026,338	3,106,589	3,280,433	3,801,264	3,607,561	3,607,561	4,173,277	4,620,168	5,130,069
Vote 6 - Sustainable Development and City Enterprises		105,483	294,440	161,260	163,056	219,831	219,831	184,080	197,541	209,477
Total Revenue by Vote	2	4,437,932	4,783,020	4,942,876	6,047,141	5,384,385	5,384,385	6,351,838	6,936,647	7,596,530
Expenditure by Vote to be appropriated										
Vote 1 - City Manager	1	9,132	166,773	176,239	207,764	180,434	180,434	177,602	172,608	182,867
Vote 2 - City Finance		541,071	371,290	275,761	967,155	545,345	545,345	691,436	730,835	772,978
Vote 3 - Community Services and Social Equity		651,059	768,570	668,362	735,819	696,413	696,413	742,913	794,150	849,662
Vote 4 - Corporate Services		38,103	193,613	258,379	173,158	195,182	195,182	289,335	273,901	291,254
Vote 5 - Infrastructure Services		2,818,790	3,237,035	3,336,666	3,156,872	2,985,764	2,985,764	3,451,918	3,800,671	4,195,730
Vote 6 - Sustainable Development and City Enterprises		201,637	282,174	217,067	298,906	309,939	309,939	281,761	297,867	314,393
Total Expenditure by Vote	2	4,259,793	5,019,454	4,932,474	5,539,673	4,913,078	4,913,078	5,634,965	6,070,031	6,606,885
Surplus/(Deficit) for the year	2	178,139	(236,435)	10,402	507,467	471,307	471,307	716,873	866,616	989,645

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

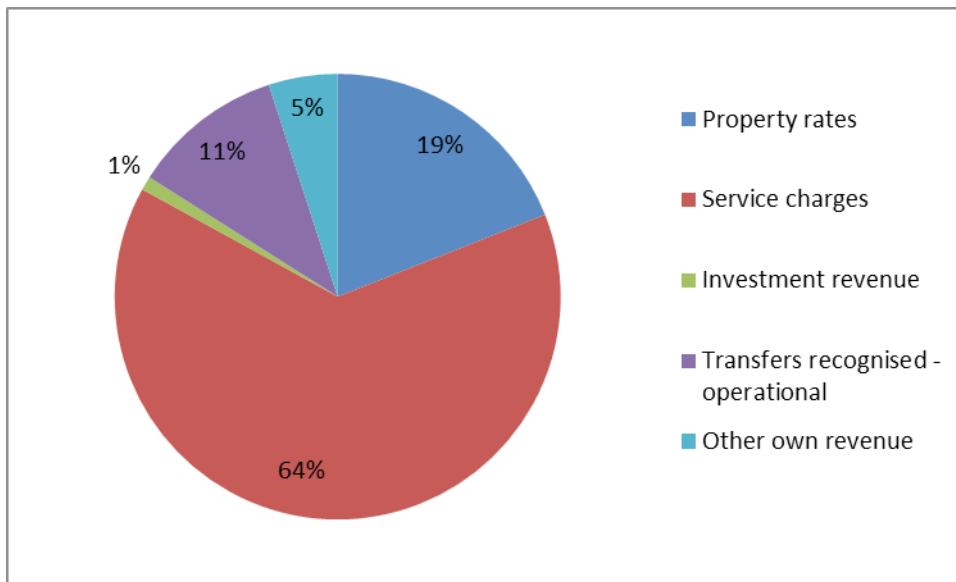
1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the City. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the City's trading services.

MSUNDUZI ANNUAL BUDGET

Table 9 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN225 Msunduzi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges - electricity revenue	2	1,784,415	1,863,573	2,317,228	2,177,873	2,138,443	2,138,443	2,138,443	2,417,938	2,733,962	3,091,291
Service charges - water revenue	2	598,990	464,242	569,323	603,661	604,896	604,896	604,896	662,966	726,611	796,366
Service charges - sanitation revenue	2	126,183	121,806	135,950	137,072	126,057	126,057	126,057	145,475	154,204	163,456
Service charges - refuse revenue	2	84,201	88,928	100,293	106,276	116,206	116,206	116,206	111,324	118,003	125,083
Rental of facilities and equipment		20,264	26,144	19,799	35,220	26,252	26,252	26,252	27,827	29,496	31,266
Interest earned - external investments		68,435	54,664	39,130	39,956	26,857	26,857	26,857	14,603	15,333	16,100
Interest earned - outstanding debtors		60,214	96,347	164,249	118,141	182,773	182,773	182,773	193,740	205,364	217,686
Dividends received											
Fines, penalties and forfeits		72,894	18,046	280	75,203	15,154	15,154	15,154	16,064	17,028	18,050
Licences and permits		90	341	126	100	1,011	1,011	1,011	1,071	1,136	1,204
Agency services		28,531	16,051			543	543	543	576	611	647
Transfers and subsidies		466,156	497,277	458,535	672,679	669,406	669,406	669,406	672,023	734,742	795,945
Other revenue	2	62,910	83,984	73,015	165,019	132,212	132,212	132,212	140,145	148,554	157,467
Gains on disposal of PPE		21,665	213,080	54,889							
Total Revenue (excluding capital transfers and contributions)		4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,523	6,157,861	6,763,747
Expenditure By Type											
Employee related costs	2	942,876	990,111	1,120,868	1,274,330	1,267,167	1,267,167	1,267,167	1,445,368	1,524,800	1,642,897
Remuneration of councillors		41,763	43,574	45,020	48,573	48,573	48,573	48,573	51,488	54,577	57,852
Debt impairment	3	92,508	505,131	350,124	110,178	110,280	110,280	110,280	116,891	123,901	131,332
Depreciation & asset impairment	2	555,153	605,422	470,370	468,636	467,692	467,692	467,692	491,076	515,630	541,411
Finance charges		75,095	68,463	63,181	50,688	50,672	50,672	50,672	41,660	31,793	24,371
Bulk purchases	2	1,799,214	1,866,283	1,956,999	2,050,322	2,034,195	2,034,195	2,034,195	2,282,600	2,561,795	2,875,643
Other materials	8	156,434	46,025	69,227	63,797	56,400	56,400	56,400	55,714	57,896	59,939
Contracted services		170,156	556,503	622,403	606,222	600,899	600,899	600,899	586,347	619,946	655,446
Transfers and subsidies		238	36,447	25,891	45,328	58,437	58,437	58,437	58,900	50,012	53,748
Other expenditure	4, 5	412,697	201,572	167,375	210,837	218,719	218,719	218,719	196,905	197,085	205,006
Loss on disposal of PPE		13,658	99,923	41,015		43	43	43	43	45	46
Total Expenditure		4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,326,992	5,737,482	6,247,692
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		303,484	441,231	146,625	404,341	429,010	429,010	429,010	439,342	446,236	473,589
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645
Taxation											
Surplus/(Deficit) after taxation		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	716,873	866,616	989,645



Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R5.604 billion in 2019/20 and escalates to R6.764 billion by 2021/22. This represents an increase of 17.1% over the MTREF.
2. Revenue to be generated from property rates is R1.2 billion in the 2019/20 financial year and increases to R1.3 billion by 2021/22 which represents a 7.7 per cent increase of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Service charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R3.337 billion for the 2019/20 financial year and increasing to R4.176 billion by 2021/22. For the 2019/20 financial year, services charges amount to 60 % of the total revenue base and grows by 125% over the entire MTREF. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
4. The following graph illustrates the major expenditure items per type.

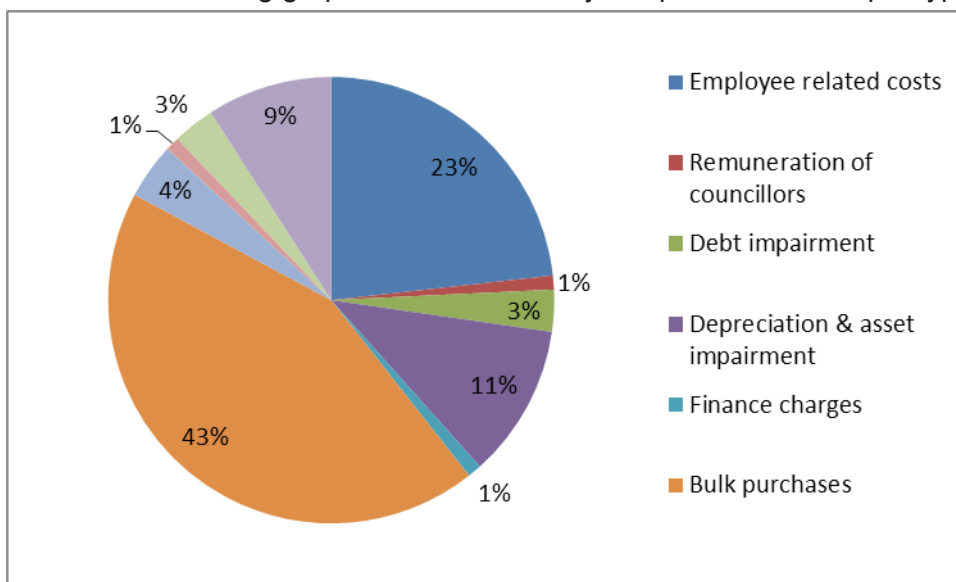


Figure 2 Expenditure by major type

MSUNDUZI ANNUAL BUDGET

- Bulk purchases have steadily increased over the 2019/20 to 2021/22 period escalating from R2.283 billion to R2.876 billion. This increase can be attributed to the annual increase in the cost of bulk electricity from Eskom and water from Umgeni Water.
- Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

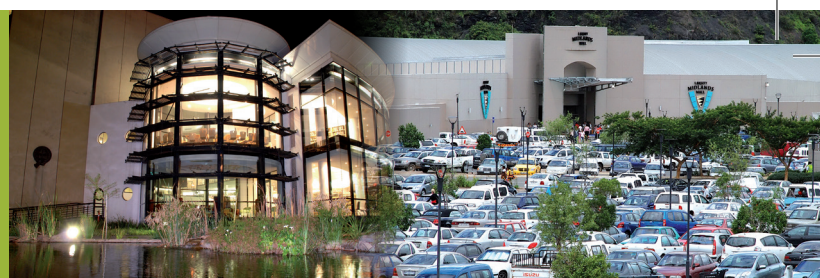
Table 10 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - City Manager		7,193	3,866	1,193	5,755	4,963	4,963	4,963	10,000	6,679	6,679
Vote 2 - City Finance		36,932	30,114	23,710	33,214	28,030	28,030	28,030	34,835	29,060	29,750
Vote 3 - Community Services and Social Equity		52,137	102,852	82,596	59,769	56,515	56,515	56,515	35,966	47,566	38,296
Vote 4 - Corporate Services		6,460	25,749	4,950	24,123	3,463	3,463	3,463	5,200	5,200	5,200
Vote 5 - Infrastructure Services		348,642	438,850	407,322	384,718	443,961	443,961	443,961	405,371	382,374	407,555
Vote 6 - Sustainable Development and City Enterprises		31,604	46,682	75,121	63,803	58,534	58,534	58,534	63,742	126,179	122,496
Capital multi-year expenditure sub-total	7	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976
Capital Expenditure - Functional											
Governance and administration		44,125	61,849	29,972	130,705	36,556	36,556	36,556	51,135	41,939	43,129
Executive and council		7,193	3,707	999	81,716	8,381	8,381	8,381	2,179	1,293	1,293
Finance and administration		36,932	57,979	28,973	48,989	28,135	28,135	28,135	48,707	40,532	41,722
Internal audit			164			40	40	40	250	115	115
Community and public safety		66,334	119,183	66,164	53,803	73,662	73,662	73,662	28,707	50,900	38,760
Community and social services		11,074	40,840	10,801	12,512	47,850	47,850	47,850	22,407	33,000	23,200
Sport and recreation		39,844	50,890	29,669	20,627	14,032	14,032	14,032	1,500	1,300	1,500
Public safety		9,401	1,960	5,109	3,375	5,143	5,143	5,143	800	4,500	500
Housing		6,014	25,493	20,585	17,289	6,637	6,637	6,637	4,000	12,100	13,560
Health											
Economic and environmental services		155,742	291,476	271,330	123,238	278,093	278,093	278,093	286,539	327,916	335,849
Planning and development		23,232	15,201	53,736	65,751	30,670	30,670	30,670	51,800	104,545	99,232
Road transport		130,915	275,024	217,281	56,977	245,544	245,544	245,544	234,379	221,871	236,117
Environmental protection		1,594	1,251	313	509	1,879	1,879	1,879	360	1,500	500
Trading services		214,411	173,199	226,940	260,202	201,217	201,217	201,217	180,492	167,803	182,538
Energy sources		99,059	79,786	108,121	97,494	56,769	56,769	56,769	28,331	14,370	13,900
Water management		74,723	61,138	59,634	65,690	86,379	86,379	86,379	100,054	93,676	97,448
Waste water management		37,191	23,781	25,570	64,858	55,169	55,169	55,169	45,106	52,258	59,891
Waste management		3,438	8,494	33,615	32,160	2,900	2,900	2,900	7,000	7,500	11,300
Other		2,357	2,407	486	3,435	5,939	5,939	5,939	8,240	8,500	9,700
Total Capital Expenditure - Functional	3	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976
Funded by:											
National Government		345,750	376,644	232,550	404,341	388,567	388,567	388,567	429,351	492,819	504,997
Provincial Government		15,613	24,611	131,196		37,548	37,548	37,548	9,991		
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	6		40,245	88,896	42,041	42,041	42,041	42,041	5,631		
Internally generated funds		121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,139	104,239	104,979
Total Capital Funding	7	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,113	597,058	609,976

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

2019/20 to 2021/22



In relation to multi-year appropriations for 2019/20, an amount of R489 million has been allocated which is 88% of the total capital budget.

3. Single-year capital expenditure has been appropriated at R65 million for the 2019/20 financial year.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, borrowing and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R439.3 million, internal funding of R110 million has been set aside for the 2019/20 budget year and borrowings of R5.6 million.

Table 11 MBRR Table A6 - Budgeted Financial Position

KZN225 Msunduzi - Table A6 Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
ASSETS											
Current assets											
Cash		82,425	9,493	42,737	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Call investment deposits	1	887,199	669,683	430,330	639,427	361,119	361,119	361,119	399,887	508,890	686,266
Consumer debtors	1	1,112,206	1,013,847	1,346,514	1,512,750	819,137	819,137	819,137	835,519	852,230	869,274
Other debtors		142,291	92,522	64,834	376,447	83,875	83,875	83,875	66,724	68,198	69,695
Current portion of long-term receivables		8,318	8,799	8,359	43	-	-	-	-	-	-
Inventory	2	66,505	66,138	76,793	74,312	144,714	144,714	144,714	35,380	36,050	36,736
Total current assets		2,298,945	1,860,482	1,969,567	2,702,979	1,508,845	1,508,845	1,508,845	1,437,510	1,565,368	1,761,971
Non current assets											
Long-term receivables		9,447	9,945	9,945	9,455	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		581,797	720,224	718,292	356,914	723,578	723,578	723,578	738,050	752,811	767,867
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	7,932,507	5,308,174	6,283,922	7,486,874	7,014,505	7,014,505	7,014,505	7,154,795	7,297,891	7,443,849
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		39,882	50,603	41,752	27,283	25,352	25,352	25,352	146,780	137,631	128,903
Other non-current assets		298,542	54,068	64,792	225,528	-	-	-	-	-	-
Total non current assets		8,862,175	6,143,014	7,118,703	8,106,054	7,763,435	7,763,435	7,763,435	8,039,625	8,188,333	8,340,619
TOTAL ASSETS		11,161,119	8,003,496	9,088,270	10,809,033	9,272,280	9,272,280	9,272,280	9,477,135	9,753,701	10,102,589
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	89,205	79,715	84,512	83,217	84,512	84,512	84,512	79,056	75,103	71,348
Consumer deposits		93,516	101,382	103,714	113,354	103,714	103,714	103,714	108,899	114,344	120,062
Trade and other payables	4	549,548	839,897	1,149,340	304,818	979,473	979,473	979,473	999,063	1,019,044	1,039,425
Provisions		6,690	30,580	36,509	127,345	127,345	127,345	127,345	133,712	140,398	147,418
Total current liabilities		738,960	1,051,573	1,374,076	501,389	1,295,044	1,295,044	1,295,044	1,320,731	1,348,890	1,378,252
Non current liabilities											
Borrowing		571,250	535,739	451,226	349,414	451,226	451,226	451,226	459,547	465,476	471,519
Provisions		692,740	732,969	801,932	838,082	731,576	731,576	731,576	742,917	757,804	772,987
Total non current liabilities		1,263,991	1,268,708	1,253,158	1,187,496	1,182,802	1,182,802	1,182,802	1,202,464	1,223,280	1,244,505
TOTAL LIABILITIES		2,002,950	2,320,281	2,627,233	1,688,886	2,477,847	2,477,847	2,477,847	2,523,195	2,572,169	2,622,758
NET ASSETS	5	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,940	7,181,531	7,479,832
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		8,877,579	5,388,326	6,129,402	8,967,234	6,510,648	6,510,648	6,510,648	6,717,696	6,940,559	7,234,037
Reserves	4	280,590	294,890	331,635	152,914	283,785	283,785	283,785	236,244	240,972	245,795
TOTAL COMMUNITY WEALTH/EQUITY	5	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,940	7,181,531	7,479,832

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

2019/20 to 2021/22



Table 12 MBRR Table A7 - Budgeted Cash Flow Statement

KZN225 Msunduzi - Table A7 Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		667,847	789,145	854,117	810,753	824,008	824,008	824,008	960,617	1,018,254	1,079,350
Service charges		2,109,869	2,142,938	2,253,415	2,722,393	2,687,042	2,687,042	2,687,042	2,670,162	2,986,224	3,340,957
Other revenue		486,708	89,402	253,032	247,998	180,911	180,911	180,911	148,876	157,809	167,277
Government - operating	1	466,156	497,277	534,424	672,679	671,406	671,406	671,406	672,023	734,742	795,945
Government - capital	1	303,484	436,141	393,921	404,341	425,277	425,277	425,277	439,342	446,236	473,589
Interest		148,692	123,345	231,265	146,284	191,459	191,459	191,459	169,595	179,625	190,249
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(3,543,100)	(3,604,497)	(3,955,130)	(4,063,723)	(4,196,304)	(4,196,304)	(4,196,304)	(4,329,714)	(4,704,882)	(5,157,099)
Finance charges		(75,072)	(68,463)	(63,181)	(50,688)	(50,672)	(50,672)	(50,672)	(41,660)	(31,793)	(24,371)
Transfers and Grants	1	(29,606)	(25,891)	(25,891)	(45,328)	(58,437)	(58,437)	(58,437)	(44,060)	(34,904)	(37,696)
NET CASH FROM/(USED) OPERATING ACTIVITIES		564,585	375,682	475,972	844,710	674,691	674,691	674,691	645,181	751,311	828,201
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	(481)	(183)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	373	-	-	-	-	-	-	-	-
Payments											
Capital assets		(476,769)	(651,463)	(609,088)	(571,382)	(595,676)	(595,676)	(595,676)	(527,357)	(567,205)	(579,477)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(476,769)	(651,571)	(609,271)	(571,382)	(595,676)	(595,676)	(595,676)	(527,357)	(567,205)	(579,477)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	50,000	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		6,486	7,865	2,332	6,903	-	-	-	-	-	-
Payments											
Repayment of borrowing		42,389	(73,861)	(79,715)	(83,375)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET CASH FROM/(USED) FINANCING ACTIVITIES		48,875	(15,995)	(77,383)	(76,471)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET INCREASE/ (DECREASE) IN CASH HELD		136,691	(291,884)	(210,681)	196,856	(4,360)	(4,360)	(4,360)	38,768	109,003	177,376
Cash/cash equivalents at the year begin:	2	832,933	969,624	677,739	465,479	465,479	465,479	465,479	461,119	499,887	608,890
Cash/cash equivalents at the year end:	2	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,887	608,890	786,266

Table 13 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN225 Msunduzi - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,887	608,890	786,266
Other current investments > 90 days		-	1,437	6,009	77,092	(0)	(0)	(0)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		969,624	679,176	473,068	739,427	461,119	461,119	461,119	499,887	608,890	786,266
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Surplus(shortfall)		1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,244	298,285	470,600

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the City are fairly stable over the MTREF period.
4. The City has embarked on an extensive debt collection drive to reduce the already high debtor's book.
5. The 2019/20 MTREF has been informed by the planning principle of ensuring adequate cash reserves over



MSUNDUZI ANNUAL BUDGET

the medium-term.

6. Projected cash and cash equivalents totals to R499.9 million as at the end of the 2019/20 financial year and increases to R786.3 billion by 2021/22.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be “funded”.
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the MTREF period 2019/20 to 2021/22 the budgeted surplus is stable and constant.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2019/20 MTREF is sufficiently funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to retain a surplus throughout the MTREF period.

2019/20 to 2021/22



Table 14 MBRR Table A9 - Asset Management

KZN225 Msunduzi - Table A9 Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
Total New Assets	1	185,312	132,351	167,503	111,387	117,672	117,672	143,050	179,558	174,320
<i>Roads Infrastructure</i>		34,983	2,747	15,103	1,293	1,516	1,516	3,800	1,650	1,650
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		27,836	10,171	48,684	40,854	41,028	41,028	35,200	66,450	66,924
<i>Water Supply Infrastructure</i>		3,412	-	-	3,290	3,968	3,968	-	-	-
<i>Sanitation Infrastructure</i>		8,377	-	-	13,269	13,617	13,617	-	-	-
<i>Solid Waste Infrastructure</i>		-	149	-	-	-	-	17,000	18,101	19,549
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		74,607	13,068	63,787	58,706	60,129	60,129	56,000	86,201	88,122
Community Facilities		169	-	337	3,112	4,132	4,132	10,016	29,000	17,200
Sport and Recreation Facilities		34,335	5,106	-	10,458	11,384	11,384	-	-	-
Community Assets		34,504	5,106	337	13,570	15,516	15,516	10,016	29,000	17,200
Heritage Assets		7,290	24,329	18,344	4,042	4,866	4,866	11,884	10,500	11,350
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties										
Operational Buildings		5,183	-	2,885	-	-	-	-	-	-
Housing		-	-	-	5,123	5,902	5,902	-	-	-
Other Assets		5,183		2,885	5,123	5,902	5,902			
Biological or Cultivated Assets										
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		29,287	195	8,968	282	374	374	16,200	19,500	19,500
Intangible Assets		29,287	195	8,968	282	374	374	16,200	19,500	19,500
Computer Equipment			19,862	34,960	2,325	2,536	2,536	10,683	11,703	15,803
Furniture and Office Equipment		9,149	50,762	4,305	7,118	7,450	7,450	9,187	5,895	5,845
Machinery and Equipment		24,823	10,859	33,840	9,698	10,176	10,176	12,080	16,760	16,500
Transport Assets		469	337	78	10,524	10,722	10,722			
Land		-	7,833	-	-	-	-	17,000	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	297,657	515,763	251,586	387,397	314,315	314,315	19,532	24,338	19,032
<i>Roads Infrastructure</i>		108,918	98,714	32,198	169,403	142,551	142,551	7,600	5,300	4,500
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		66,802	51,961	44,447	56,974	47,943	47,943	-	-	-
<i>Water Supply Infrastructure</i>		71,046	48,980	-	35,120	29,553	29,553	-	-	-
<i>Sanitation Infrastructure</i>		28,814	-	1,198	54,751	46,072	46,072	-	-	-
<i>Solid Waste Infrastructure</i>		1,057	30,714	19,377	5,856	4,928	4,928	2,000	6,907	7,459
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		276,637	230,368	97,221	322,104	271,047	271,047	9,600	12,207	11,959
Community Facilities		910	8,707	3,705	13,771	1,588	1,588	-	-	-
Sport and Recreation Facilities		2,823	28,616	24,871	-	-	-	-	-	-
Community Assets		3,733	37,323	28,576	13,771	1,588	1,588			
Heritage Assets		311	16,066	15,408						
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties										
Operational Buildings		13,702	-	-	1,586	1,335	1,335	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		13,702			1,586	1,335	1,335			
Biological or Cultivated Assets										
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	49,937	40,346	40,346	-	-	-
Intangible Assets					49,937	40,346	40,346			
Computer Equipment			1,950							
Furniture and Office Equipment		2,019	5,781					500		
Machinery and Equipment		300	15,350					9,432	12,132	7,072
Transport Assets		954	177,628	110,382						
Land		-	31,297	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

MSUNDUZI ANNUAL BUDGET

KZN225 Msunduzi - Table A9 Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Renewal of Existing Assets	2	297,657	515,763	251,586	387,397	314,315	314,315	19,532	24,338	19,032
<i>Roads Infrastructure</i>		108,918	98,714	32,198	169,403	142,551	142,551	7,600	5,300	4,500
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		66,802	51,961	44,447	56,974	47,943	47,943	-	-	-
<i>Water Supply Infrastructure</i>		71,046	48,980	-	35,120	29,553	29,553	-	-	-
<i>Sanitation Infrastructure</i>		28,814	-	1,198	54,751	46,072	46,072	-	-	-
<i>Solid Waste Infrastructure</i>		1,057	30,714	19,377	5,856	4,928	4,928	2,000	6,907	7,459
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		276,637	230,368	97,221	322,104	271,047	271,047	9,600	12,207	11,959
Community Facilities		910	8,707	3,705	13,771	1,588	1,588	-	-	-
Sport and Recreation Facilities		2,823	28,616	24,871	-	-	-	-	-	-
Community Assets		3,733	37,323	28,576	13,771	1,588	1,588			
Heritage Assets		311	16,066	15,408						
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties										
Operational Buildings		13,702	-	-	1,586	1,335	1,335	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		13,702			1,586	1,335	1,335			
Biological or Cultivated Assets										
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	49,937	40,346	40,346	-	-	-
Intangible Assets					49,937	40,346	40,346			
Computer Equipment		-	1,950	-	-	-	-	-	-	-
Furniture and Office Equipment		2,019	5,781	-	-	-	-	500	-	-
Machinery and Equipment		300	15,350	-	-	-	-	9,432	12,132	7,072
Transport Assets		954	177,628	110,382	-	-	-	-	-	-
Land		-	31,297	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	175,803	72,598	163,479	163,479	349,955	398,791	423,638
<i>Roads Infrastructure</i>		-	-	90,518	53,201	121,015	121,015	108,700	141,824	147,625
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	6,325	-	-	-	56,290	56,926	67,968
<i>Water Supply Infrastructure</i>		-	-	50,484	4,352	9,527	9,527	19,000	12,000	6,480
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	4,263	8,295	18,160	18,160	14,356	13,000	16,653
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure				151,590	65,848	148,707	148,707	198,346	223,749	238,725
Community Facilities		-	-	149	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	1,633	1,000	2,189	2,189	-	-	-
Community Assets				1,782	1,000	2,189	2,189			
Heritage Assets				8,423				14,144	16,130	18,049
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties										
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets										
Biological or Cultivated Assets										
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets										
Computer Equipment		-	-	-	-	-	-	600	-	-
Furniture and Office Equipment		-	-	-	-	-	-	100	-	-
Machinery and Equipment		-	-	1,389	5,750	12,588	12,588	-	-	-
Transport Assets		-	-	-	-	-	-	136,765	158,912	166,864
Land		-	-	12,620	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

2019/20 to 2021/22



KZN225 Msunduzi - Table A9 Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Capital Expenditure	4	482,969	648,114	594,892	571,382	595,466	595,466	512,536	602,688	616,990
<i>Roads Infrastructure</i>		143,901	101,461	137,819	223,897	265,081	265,081	120,100	148,774	153,775
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		94,638	62,132	99,456	97,828	88,971	88,971	91,490	123,376	134,891
<i>Water Supply Infrastructure</i>		74,458	48,980	50,484	42,761	43,048	43,048	19,000	12,000	6,480
<i>Sanitation Infrastructure</i>		37,191	-	1,198	68,020	59,689	59,689	-	-	-
<i>Solid Waste Infrastructure</i>		1,057	30,863	23,640	14,151	23,088	23,088	33,356	38,008	43,661
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		351,245	243,435	312,597	446,657	479,877	479,877	263,946	322,157	338,807
Community Facilities		1,079	8,707	4,191	16,883	5,720	5,720	10,016	29,000	17,200
Sport and Recreation Facilities		37,158	33,723	26,504	11,458	13,573	13,573	-	-	-
Community Assets		38,236	42,429	30,695	28,347	19,293	19,293	10,016	29,000	17,200
Heritage Assets		7,602	40,394	42,174	4,042	4,866	4,866	26,028	26,630	29,399
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		18,885	-	2,885	1,586	1,335	1,335	-	-	-
Housing		-	-	-	5,123	5,902	5,902	-	-	-
Other Assets		18,885	-	2,885	6,709	7,236	7,236	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		29,287	195	8,968	50,219	40,720	40,720	16,200	19,500	19,500
Intangible Assets		29,287	195	8,968	50,219	40,720	40,720	16,200	19,500	19,500
Computer Equipment		-	21,812	34,960	2,325	2,536	2,536	11,283	11,703	15,803
Furniture and Office Equipment		11,168	56,543	4,305	7,118	7,450	7,450	9,787	5,895	5,845
Machinery and Equipment		25,123	26,209	35,228	15,448	22,764	22,764	21,512	28,892	23,572
Transport Assets		1,424	177,966	110,460	10,524	10,722	10,722	136,765	158,912	166,864
Land		-	39,130	12,620	-	-	-	17,000	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		482,969	648,114	594,892	571,382	595,466	595,466	512,536	602,688	616,990

MSUNDUZI ANNUAL BUDGET

KZN225 Msunduzi - Table A9 Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
ASSET REGISTER SUMMARY - PPE (WDV)	5	8,046,968	8,385,437	8,003,467	8,011,347	8,011,347	8,011,347	8,166,842	8,575,185	9,003,944
<i>Roads Infrastructure</i>		1,804,593	2,995,368	3,646,036	2,201,419	1,680,599	1,680,599	3,547,006	3,724,357	3,910,575
<i>Storm water Infrastructure</i>		148,613	156,435	164,256	162,997	162,997	162,997	171,147	179,704	188,689
<i>Electrical Infrastructure</i>		700,386	1,275,053	1,338,806	1,256,467	1,256,467	1,256,467	1,319,290	1,385,255	1,454,518
<i>Water Supply Infrastructure</i>		873,333	912,163	957,771	1,149,674	1,149,674	1,149,674	1,207,158	1,267,515	1,330,891
<i>Sanitation Infrastructure</i>		588,640	470,205	493,715	650,125	650,125	650,125	682,632	716,763	752,601
<i>Solid Waste Infrastructure</i>		579,408	15,673	16,457	35,522	35,522	35,522	37,298	39,163	41,121
<i>Rail Infrastructure</i>		27,837	1,408	1,479	-	-	-	1,552	1,630	1,712
<i>Coastal Infrastructure</i>		4,624	4,867	5,110	-	-	-	5,366	5,634	5,916
<i>Information and Communication Infrastructure</i>		4,743	5,022	5,301	5,580	5,580	5,580	5,859	6,152	6,460
Infrastructure		4,732,178	5,836,194	6,628,931	5,461,783	4,940,964	4,940,964	6,977,308	7,326,173	7,692,482
Community Assets		462,387	294,811	309,552	34,508	34,508	34,508	20,998	22,048	23,150
Heritage Assets		119,787	126,091	132,396	247,912	247,912	247,912	15,236	15,997	16,797
Investment properties		282,710	226,212	230,737	720,224	720,224	720,224	254,387	267,106	280,462
Other Assets		246,995	283,455	289,125	334,721	334,721	334,721	318,760	334,698	351,433
Biological or Cultivated Assets										
Intangible Assets		764	804	844	26,539	26,539	26,539	931	977	1,026
Computer Equipment		47,309	49,799	52,289	1,227	1,227	1,227	57,649	60,531	63,558
Furniture and Office Equipment		75,086	56,298	59,113	16,019	16,019	16,019	65,172	68,431	71,852
Machinery and Equipment		2,009,508	1,437,830	211,328	577,334	577,334	577,334	172,009	186,432	185,744
Transport Assets		70,244	73,941	89,152	590,929	1,111,749	1,111,749	284,394	292,791	317,440
Land					150	150	150			
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	8,046,968	8,385,437	8,003,467	8,011,347	8,011,347	8,011,347	8,166,842	8,575,185	9,003,944
EXPENDITURE OTHER ITEMS		717,135	776,766	470,370	680,098	680,098	680,098	588,067	615,421	645,124
Depreciation	7	554,292	605,422	470,370	467,691	467,692	467,692	491,076	515,630	541,414
Repairs and Maintenance by Asset Class	3	162,844	171,344	-	212,407	212,407	212,407	96,991	99,791	103,712
<i>Roads Infrastructure</i>		47,029	49,483	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		50,160	52,779	-	55,411	55,411	55,411	60,126	61,873	63,710
<i>Water Supply Infrastructure</i>		15,460	16,267	-	8,427	8,427	8,427	-	-	-
<i>Sanitation Infrastructure</i>		6,125	6,445	-	121,923	121,923	121,923	-	-	-
<i>Solid Waste Infrastructure</i>		8,472	8,915	-	1,708	1,708	1,708	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		127,246	133,888	-	187,469	187,469	187,469	60,126	61,873	63,710
Community Facilities		17,218	17,639	-	4,043	4,043	4,043	21	67	69
Sport and Recreation Facilities		-	-	-	5,390	5,390	5,390	-	-	-
Community Assets		17,218	17,639	-	9,433	9,433	9,433	21	67	69
Heritage Assets		18,379	19,816	-	-	-	-	-	-	-
<i>Revenue Generating</i>		-	-	-	-	-	-	-	-	-
<i>Non-revenue Generating</i>		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
<i>Operational Buildings</i>		-	-	-	3,509	3,509	3,509	20,460	19,652	20,258
<i>Housing</i>		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	3,509	3,509	3,509	20,460	19,652	20,258
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
<i>Servitudes</i>		-	-	-	-	-	-	-	-	-
<i>Licences and Rights</i>		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	1,061	1,061	1,061	16,383	18,199	19,675
Transport Assets		-	-	-	10,935	10,935	10,935	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		717,135	776,766	470,370	680,098	680,098	680,098	588,067	615,421	645,124
Renewal and upgrading of Existing Assets as % of total capex		61.6%	79.6%	71.8%	80.5%	80.2%	80.2%	72.1%	70.2%	71.7%
Renewal and upgrading of Existing Assets as % of deprecn		53.7%	85.2%	90.9%	98.4%	102.2%	102.2%	75.2%	82.1%	81.8%
R&M as a % of PPE		2.4%	2.4%	0.0%	2.8%	3.0%	3.0%	1.3%	1.3%	1.3%
Renewal and upgrading and R&M as a % of PPE		6.0%	8.0%	5.0%	8.0%	9.0%	9.0%	6.0%	6.0%	6.0%



Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The City has allocated 45.3% of the total capital budget to the renewal and upgrading of existing assets, and also increased the budget for repairs and maintenance. When the budgets for repairs and maintenance, renewal of assets and upgrading of assets are added together, they amount to 8% of the PPE. Repairs and Maintenance alone as a % of PPE has increased from 2.4% to 3.9% in 2019/20. The municipality will gradually increase this provision until the acceptable 8% is achieved.

MSUNDUZI ANNUAL BUDGET

Table 15 MBRR Table A10 - Basic Service Delivery Measurement

KZN225 Msunduzi - Table A10 Basic service delivery measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Household service targets										
Water:										
Piped water inside dwelling	1	80,873	81,128	81,490	84,782	84,782	84,782	84,782	84,782	84,782
Piped water inside yard (but not in dwelling)		63,301	63,899	63,899	67,481	67,481	67,481	67,481	67,481	67,481
Using public tap (at least min.service level)	2	3,116	4,710	6,396	6,654	6,654	6,654	6,654	6,654	6,654
Other water supply (at least min.service level)	4	6,352	4,758	3,072	3,196	3,196	3,196	3,196	3,196	3,196
<i>Minimum Service Level and Above sub-total</i>		153,642	154,495	154,857	162,113	162,113	162,113	162,113	162,113	162,113
Using public tap (< min.service level)	3	6,396	6,396	6,396	6,654	6,654	6,654	6,654	6,654	6,654
Other water supply (< min.service level)	4	3,955	2,740	2,740	1,851	1,851	1,851	1,851	1,851	1,851
No water supply		10,351	9,136	9,136	9,136	9,136	9,136	9,136	9,136	9,136
<i>Below Minimum Service Level sub-total</i>		20,702	18,272	18,272	17,641	17,641	17,641	17,641	17,641	17,641
Total number of households	5	174,344	172,767	173,129	179,754	179,754	179,754	179,754	179,754	179,754
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		84,973	85,096	85,149	91,589	91,589	91,589	91,589	91,589	91,589
Flush toilet (with septic tank)		8,372	8,372	8,319	8,655	8,655	8,655	8,655	8,655	8,655
Chemical toilet		7,076	7,076	7,076	7,362	7,362	7,362	7,362	7,362	7,362
Pit toilet (ventilated)		58,695	58,695	59,427	61,828	61,828	61,828	61,828	61,828	61,828
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		159,116	159,239	159,971	169,434	169,434	169,434	169,434	169,434	169,434
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		4,877	4,754	4,022	1,184	1,184	1,184	1,184	1,184	1,184
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		4,877	4,754	4,022	1,184	1,184	1,184	1,184	1,184	1,184
Total number of households	5	163,993	163,993	163,993	170,618	170,618	170,618	170,618	170,618	169,434
Energy:										
Electricity (at least min.service level)		127,123	126,487	123,471	135,271	135,271	135,271	135,271	135,271	135,271
Electricity - prepaid (min.service level)		24,203	24,839	26,285	27,347	27,347	27,347	27,347	27,347	27,347
<i>Minimum Service Level and Above sub-total</i>		151,326	151,326	149,756	162,618	162,618	162,618	162,618	162,618	162,618
Electricity (< min.service level)		-	-	1,570	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	8,000	-	-	-	-	-
Other energy sources		12,667	12,667	12,667	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		12,667	12,667	14,237	8,000	-	-	-	-	-
Total number of households	5	163,993	163,993	163,993	170,618	162,618	162,618	162,618	162,618	162,618
Refuse:										
Removed at least once a week		120,000	120,000	120,000	129,848	129,848	129,848	129,848	129,848	129,848
<i>Minimum Service Level and Above sub-total</i>		120,000	120,000	120,000	129,848	129,848	129,848	129,848	129,848	129,848
Removed less frequently than once a week		43,993	43,993	43,993	40,770	40,770	40,770	40,770	40,770	40,770
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		43,993	43,993	43,993	40,770	40,770	40,770	40,770	40,770	40,770
Total number of households	5	163,993	163,993	163,993	170,618	170,618	170,618	170,618	170,618	170,618
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)	7	25,099	23,884	23,884	39,476	-	-	-	-	-
Sanitation (free minimum level service)		25,099	23,884	23,884	39,476	39,476	39,476	39,476	39,476	39,476
Electricity/other energy (50kwh per household per month)		2,800	2,800	2,800	3,265	3,265	3,265	3,265	3,265	3,265
Refuse (removed at least once a week)		5,182	5,182	5,182	6,078	6,078	6,078	6,078	6,078	6,078
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)	8	126,943	134,410	141,878	149,345	149,345	149,345	163,682	179,395	196,617
Sanitation (free sanitation service to indigent households)		9,507	10,066	10,625	11,184	11,184	11,184	11,855	12,567	13,321
Electricity/other energy (50kwh per indigent household per month)		1,562	1,654	1,745	1,837	1,837	1,837	2,009	2,159	2,233
Refuse (removed once a week for indigent households)		5,082	5,381	5,680	5,979	5,979	5,979	6,338	6,718	7,121
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		143,094	151,511	159,928	168,346	168,346	168,346	183,884	200,840	219,293
Highest level of free service provided per household										
Property rates (R value threshold)		150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		115	122	136	115	122	136	136	136	136
Electricity (kwh per household per month)		70	70	70	70	70	70	70	70	70
Refuse (average litres per week)		200	200	200	200	200	200	200	200	200
Revenue cost of subsidised services provided (R'000)										
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	9	15	15	15	15	15	15	15	15	15
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		401,640	410,961	411,958	441,681	441,681	441,681	468,182	496,273	526,050
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		625	661	698	735	735	735	805	883	968
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other	6	-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		402,279	411,638	412,671	442,431	442,431	442,431	469,003	497,171	527,032

2019/20 to 2021/22



Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The City continues to make steady progress with the eradication of backlogs:
 - a) Water services – backlog reduction households as from 2012/13 to 2021/22. These households are largely found in reception areas and will need to be moved to formal areas so that they can receive services.
 - b) Sanitation services – backlog will be reduced by over 2000 households over the MTREF. The number of households with no toilet provision projects a decline as from 2012/13 up to 2020/21.
 - a. Sanitation services – backlog will be reduced by over 2000 households over the MTREF. The number of households with no toilet provision projects a decline as from 2012/13 up to 2021/22.
 - b. Electricity services – backlog reduction of households without the supply. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised
 - c. Refuse services – backlog projects a downward trend of households without a service as from 2012/13 up to 2021/22.

MSUNDUZI ANNUAL BUDGET

Consolidated Budget Tables

KZN225 Msunduzi - Table A1 Consolidated Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Financial Performance										
Property rates	739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges	2,593,789	2,538,549	3,122,793	3,024,881	2,985,603	2,985,603	2,985,603	3,337,703	3,732,780	4,176,196
Investment revenue	68,435	54,664	39,130	39,956	26,857	26,857	26,857	14,702	15,442	16,220
Transfers recognised - operational	466,156	497,277	458,535	672,679	669,406	669,406	669,406	672,023	734,742	795,945
Other own revenue	266,567	453,993	312,359	393,684	357,945	357,945	357,945	379,423	402,188	426,319
Total Revenue (excluding capital transfers and contributions)	4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,622	6,157,970	6,763,867
Employee costs	942,876	990,111	1,120,868	1,274,330	1,267,167	1,267,167	1,267,167	1,455,869	1,536,352	1,655,604
Remuneration of councillors	41,763	43,574	45,020	48,573	48,573	48,573	48,573	51,488	54,577	57,852
Depreciation & asset impairment	555,153	605,422	470,370	468,636	467,692	467,692	467,692	492,025	516,580	542,365
Finance charges	75,095	68,463	63,181	50,688	50,672	50,672	50,672	41,660	31,793	24,371
Materials and bulk purchases	1,955,648	1,912,308	2,026,226	2,114,119	2,090,595	2,090,595	2,090,595	2,338,356	2,619,738	2,935,634
Transfers and grants	238	36,447	25,891	45,328	58,437	58,437	58,437	46,379	36,741	39,680
Other expenditure	689,019	1,363,129	1,180,917	927,237	929,941	929,941	929,941	902,729	943,774	994,906
Total Expenditure	4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,328,507	5,739,555	6,250,412
Surplus/(Deficit)	(125,346)	(677,666)	(136,223)	103,126	42,297	42,297	42,297	276,115	418,416	513,456
Transfers and subsidies - capital (monetary allocation)	303,484	441,231	146,625	404,341	429,010	429,010	429,010	439,342	446,236	473,589
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Capital expenditure & funds sources										
Capital expenditure	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272
Transfers recognised - capital	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	-	40,245	88,896	42,041	42,041	42,041	42,041	5,631	-	-
Internally generated funds	121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,398	104,505	105,275
Total sources of capital funds	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272
Financial position										
Total current assets	2,298,945	1,860,482	1,969,567	2,702,979	1,508,845	1,508,845	1,508,845	1,437,364	1,565,078	1,761,519
Total non current assets	8,862,175	6,143,014	7,118,703	8,106,054	7,763,435	7,763,435	7,763,435	8,039,625	8,188,333	8,340,619
Total current liabilities	738,960	1,051,573	1,374,076	501,389	1,295,044	1,295,044	1,295,044	1,320,731	1,348,890	1,378,252
Total non current liabilities	1,263,991	1,268,708	1,253,158	1,187,496	1,182,802	1,182,802	1,182,802	1,202,464	1,223,280	1,244,505
Community wealth/Equity	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,794	7,181,241	7,479,380
Cash flows										
Net cash from (used) operating	564,585	375,682	475,972	844,710	674,691	674,691	674,691	645,280	751,420	828,320
Net cash from (used) investing	(476,769)	(651,571)	(609,271)	(571,382)	(595,676)	(595,676)	(595,676)	(527,603)	(567,458)	(579,758)
Net cash from (used) financing	48,875	(15,995)	(77,383)	(76,471)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
Cash/cash equivalents at the year end	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814
Cash backing/surplus reconciliation										
Cash and investments available	969,624	679,176	473,068	739,427	461,119	461,119	461,119	499,741	608,600	785,814
Application of cash and investments	(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Balance - surplus (shortfall)	1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,098	297,995	470,148
Asset management										
Asset register summary (WDV)	6,198,788	7,170,057	8,003,467	8,011,347	8,011,347	8,011,347	8,011,347	8,299,933	8,461,656	8,627,608
Depreciation	555,153	605,422	470,370	468,636	467,692	467,692	467,692	492,025	516,580	542,365
Renewal and Upgrading of Existing Assets	297,657	515,763	427,390	459,995	477,794	477,794	477,794	400,436	423,396	442,966
Repairs and Maintenance	162,844	171,344	-	212,407	212,407	212,407	212,407	97,345	100,171	104,139
Free services										
Cost of Free Basic Services provided	143,094	151,511	159,928	168,346	168,346	168,346	183,953	183,953	201,029	219,715
Revenue cost of free services provided	402,279	411,638	412,671	442,431	442,431	442,431	124,035	124,035	131,535	139,493
Households below minimum service level										
Water:	21	18	18	18	18	18	18	18	18	18
Sanitation/sew erage:	5	5	4	1	1	1	1	1	1	-
Energy:	13	13	14	8	-	-	-	-	-	-
Refuse:	44	44	44	41	41	41	41	41	41	41

2019/20 to 2021/22



KZN225 Msunduzi - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional										
<i>Governance and administration</i>		1,096,976	1,177,987	1,314,579	1,883,552	1,835,341	1,835,341	1,810,165	1,922,534	2,048,306
Executive and council		9,864	3,913	8,115	3,074	2,921	2,921	4,257	60	64
Finance and administration		1,087,112	1,174,075	1,306,467	1,880,479	1,832,420	1,832,420	1,805,908	1,922,474	2,048,242
Internal audit		-	-	(3)	-	-	-	-	-	-
<i>Community and public safety</i>		126,441	321,160	114,025	154,390	156,442	156,442	109,380	117,116	123,847
Community and social services		24,735	35,742	28,615	28,593	31,603	31,603	24,887	26,710	28,214
Sport and recreation		24,067	15,520	11,184	10,054	9,490	9,490	10,384	11,006	11,919
Public safety		57,657	38,770	18,372	23,946	3,402	3,402	3,606	3,823	4,052
Housing		19,982	231,128	55,854	91,797	111,946	111,946	70,503	75,578	79,662
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		167,756	294,113	284,890	301,757	306,359	306,359	316,347	335,401	353,418
Planning and development		26,262	15,852	57,661	43,772	48,704	48,704	53,904	59,139	63,658
Road transport		141,481	278,242	227,108	257,949	257,557	257,557	262,339	276,153	289,644
Environmental protection		13	19	122	36	98	98	104	110	116
<i>Trading services</i>		2,987,564	2,942,648	3,177,992	3,680,521	3,650,948	3,650,948	4,057,142	4,499,267	5,004,895
Energy sources		1,851,114	1,928,075	1,972,393	2,235,473	2,192,816	2,192,816	2,484,433	2,796,740	3,158,966
Water management		843,076	711,698	855,836	1,063,455	1,071,524	1,071,524	1,165,717	1,269,596	1,384,058
Waste water management		190,518	185,039	219,431	222,240	226,953	226,953	242,423	257,492	274,730
Waste management		102,856	117,836	130,333	159,353	159,656	159,656	164,570	175,439	187,140
<i>Other</i>	4	59,194	47,112	51,390	26,919	56,226	56,226	58,902	62,437	66,183
Total Revenue - Functional	2	4,437,932	4,783,020	4,942,876	6,047,141	6,005,316	6,005,316	6,351,937	6,936,756	7,596,650
Expenditure - Functional										
<i>Governance and administration</i>		559,517	958,977	908,163	1,563,188	1,598,489	1,598,489	1,417,089	1,441,413	1,527,676
Executive and council		9,132	152,627	215,359	176,893	179,039	179,039	189,361	181,451	193,135
Finance and administration		550,384	785,737	679,958	1,372,747	1,398,358	1,398,358	1,213,645	1,245,140	1,318,926
Internal audit		-	20,613	12,846	13,548	21,092	21,092	14,083	14,822	15,615
<i>Community and public safety</i>		595,604	558,219	468,537	519,546	540,465	540,465	520,693	567,881	606,903
Community and social services		111,040	130,559	113,020	119,452	113,625	113,625	115,536	134,479	143,642
Sport and recreation		168,142	167,481	137,259	120,149	122,695	122,695	125,730	134,612	144,156
Public safety		218,704	160,982	152,734	173,255	178,814	178,814	180,294	194,331	209,534
Housing		68,928	94,678	60,454	106,300	125,119	125,119	98,865	104,184	109,287
Health		28,790	4,520	5,070	390	212	212	268	276	284
<i>Economic and environmental services</i>		342,443	339,510	338,302	270,651	247,618	247,618	251,002	264,034	278,032
Planning and development		47,220	72,584	73,017	84,831	85,345	85,345	81,395	86,829	92,662
Road transport		286,226	255,232	253,089	167,925	145,225	145,225	151,400	157,723	164,502
Environmental protection		8,996	11,694	12,196	17,896	17,047	17,047	18,206	19,482	20,868
<i>Trading services</i>		2,677,253	3,073,241	3,151,997	3,112,811	3,079,037	3,079,037	3,377,237	3,724,599	4,118,983
Energy sources		1,697,840	1,885,208	1,737,651	1,832,623	1,815,959	1,815,959	2,021,215	2,260,206	2,530,635
Water management		620,375	886,438	1,067,152	844,405	838,862	838,862	907,107	985,174	1,070,858
Waste water management		214,349	195,840	265,210	306,794	303,864	303,864	319,855	342,186	371,728
Waste management		144,689	105,755	81,985	128,989	120,351	120,351	129,060	137,034	145,761
<i>Other</i>	4	84,977	89,507	65,476	73,477	70,475	70,475	70,459	74,177	78,011
Total Expenditure - Functional	3	4,259,793	5,019,454	4,932,474	5,539,673	5,536,084	5,536,084	5,636,480	6,072,104	6,609,605
Surplus/(Deficit) for the year		178,139	(236,435)	10,402	507,467	469,233	469,233	715,458	864,652	987,045

MSUNDUZI ANNUAL BUDGET

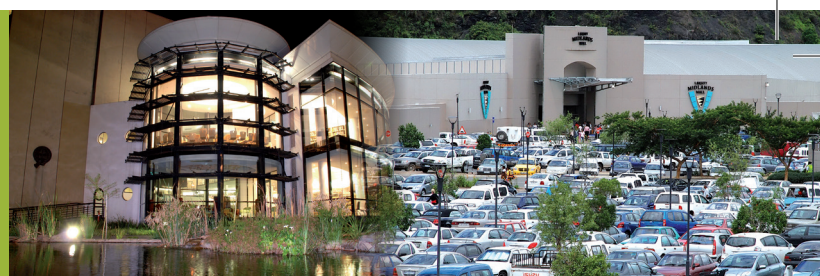
KZN225 Msunduzi - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote										
Vote 1 - City Manager	1	9,864	-	89	0	54	54	57	60	64
Vote 2 - City Finance		1,082,892	1,162,602	1,292,219	1,841,339	1,347,787	1,347,787	1,777,245	1,891,798	2,014,888
Vote 3 - Community Services and Social Equity		209,134	213,712	199,491	239,388	204,076	204,076	210,737	224,707	239,520
Vote 4 - Corporate Services		4,219	5,676	9,383	2,094	5,076	5,076	6,542	2,482	2,631
Vote 5 - Infrastructure Services		3,026,338	3,106,589	3,280,433	3,801,264	3,607,561	3,607,561	4,173,277	4,620,168	5,130,069
Vote 6 - Sustainable Development and City Enterprises		105,483	294,440	161,260	163,056	219,831	219,831	184,080	197,541	209,477
Total Revenue by Vote	2	4,437,932	4,783,020	4,942,876	6,047,141	5,384,385	5,384,385	6,351,937	6,936,756	7,596,650
Expenditure by Vote to be appropriated										
Vote 1 - City Manager	1	9,132	166,773	176,239	207,764	180,434	180,434	177,602	172,608	182,867
Vote 2 - City Finance		541,071	371,290	275,761	967,155	545,345	545,345	691,436	730,835	772,978
Vote 3 - Community Services and Social Equity		651,059	768,570	668,362	735,819	696,413	696,413	742,913	794,150	849,662
Vote 4 - Corporate Services		38,103	193,613	258,379	173,158	195,182	195,182	289,335	273,901	291,254
Vote 5 - Infrastructure Services		2,818,790	3,237,035	3,336,666	3,156,872	2,985,764	2,985,764	3,451,918	3,800,671	4,195,730
Vote 6 - Sustainable Development and City Enterprises		201,637	282,174	217,067	298,906	309,939	309,939	283,276	299,940	317,113
Total Expenditure by Vote	2	4,259,793	5,019,454	4,932,474	5,539,673	4,913,078	4,913,078	5,636,480	6,072,104	6,609,605
Surplus/(Deficit) for the year	2	178,139	(236,435)	10,402	507,467	471,307	471,307	715,458	864,652	987,045

KZN225 Msunduzi - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges - electricity revenue	2	1,784,415	1,863,573	2,317,228	2,177,873	2,138,443	2,138,443	2,138,443	2,417,938	2,733,962	3,091,291
Service charges - water revenue	2	598,990	464,242	569,323	603,661	604,896	604,896	604,896	662,966	726,611	796,366
Service charges - sanitation revenue	2	126,183	121,806	135,950	137,072	126,057	126,057	126,057	145,475	154,204	163,456
Service charges - refuse revenue	2	84,201	88,928	100,293	106,276	116,206	116,206	116,206	111,324	118,003	125,083
Rental of facilities and equipment	1	20,264	26,144	19,799	35,220	26,252	26,252	26,252	27,827	29,496	31,266
Interest earned - external investments	1	68,435	54,664	39,130	39,956	26,857	26,857	26,857	14,702	15,442	16,220
Interest earned - outstanding debtors	1	60,214	96,347	164,249	118,141	182,773	182,773	182,773	193,740	205,364	217,686
Dividends received											
Fines, penalties and forfeits	1	72,894	18,046	280	75,203	15,154	15,154	15,154	16,064	17,028	18,050
Licences and permits	1	90	341	126	100	1,011	1,011	1,011	1,071	1,136	1,204
Agency services	1	28,531	16,051			543	543	543	576	611	647
Transfers and subsidies	1	466,156	497,277	458,535	672,679	669,406	669,406	669,406	672,023	734,742	795,945
Other revenue	2	62,910	83,984	73,015	165,019	132,212	132,212	132,212	140,145	148,554	157,467
Gains on disposal of PPE		21,665	213,080	54,889							
Total Revenue (excluding capital transfers and contributions)		4,134,447	4,341,789	4,796,251	5,032,038	4,955,375	4,955,375	4,955,375	5,604,622	6,157,970	6,763,867
Expenditure By Type											
Employee related costs	2	942,876	990,111	1,120,868	1,274,330	1,267,167	1,267,167	1,267,167	1,455,869	1,536,352	1,655,604
Remuneration of councillors		41,763	43,574	45,020	48,573	48,573	48,573	48,573	51,488	54,577	57,852
Debt impairment	3	92,508	505,131	350,124	110,178	110,280	110,280	110,280	116,891	123,901	131,332
Depreciation & asset impairment	2	555,153	605,422	470,370	468,636	467,692	467,692	467,692	492,025	516,580	542,365
Finance charges		75,095	68,463	63,181	50,688	50,672	50,672	50,672	41,660	31,793	24,371
Bulk purchases	2	1,799,214	1,866,283	1,956,999	2,050,322	2,034,195	2,034,195	2,034,195	2,282,600	2,561,795	2,875,643
Other materials	8	156,434	46,025	69,227	63,797	56,400	56,400	56,400	55,756	57,943	59,990
Contracted services		170,156	556,503	622,403	606,222	600,899	600,899	600,899	587,242	620,921	666,528
Transfers and subsidies		238	36,447	25,891	45,328	58,437	58,437	58,437	46,379	36,741	39,680
Other expenditure	4, 5	412,697	201,572	167,375	210,837	218,719	218,719	218,719	198,552	198,907	207,000
Loss on disposal of PPE		13,658	99,923	41,015		43	43	43	43	45	46
Total Expenditure		4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	4,913,078	5,328,507	5,739,555	6,250,412
Surplus/(Deficit)		(125,346)	(677,666)	(136,223)	103,126	42,297	42,297	42,297	276,115	418,416	513,456
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		303,484	441,231	146,625	404,341	429,010	429,010	429,010	439,342	446,236	473,589
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Taxation											
Surplus/(Deficit) after taxation		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045

2019/20 to 2021/22



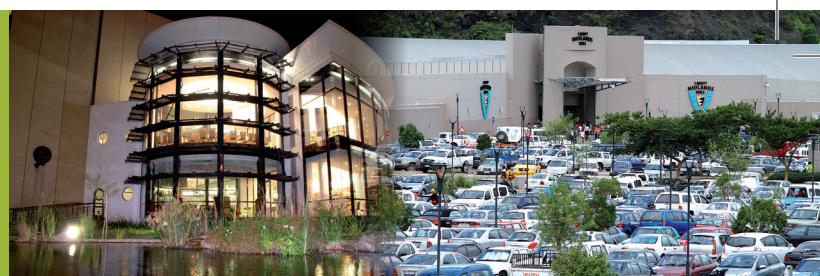
Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - City Manager		6,428	3,866	321	1,888	3,500	3,500	3,500	5,132	5,132	5,132
Vote 2 - City Finance		4,949	30,114	8,968	26,124	20,000	20,000	20,000	22,500	18,550	18,600
Vote 3 - Community Services and Social Equity		34,053	102,852	20,105	24,604	18,610	18,610	18,610	22,975	41,566	35,596
Vote 4 - Corporate Services		-	25,749	824	21,085	1,000	1,000	1,000	700	200	200
Vote 5 - Infrastructure Services		325,935	438,850	391,833	334,528	422,382	422,382	422,382	377,870	378,274	402,855
Vote 6 - Sustainable Development and City Enterprises		26,047	46,682	72,410	9,666	44,494	44,494	44,494	60,790	121,945	119,442
Capital multi-year expenditure sub-total	7	397,412	648,114	494,461	417,894	509,986	509,986	509,986	489,966	565,667	581,824
Single-year expenditure to be appropriated	2										
Vote 1 - City Manager		765	-	872	3,867	1,463	1,463	1,463	4,869	1,548	1,548
Vote 2 - City Finance		31,983	-	14,742	7,090	8,030	8,030	8,030	12,335	10,510	11,150
Vote 3 - Community Services and Social Equity		18,085	-	62,492	35,165	37,905	37,905	37,905	12,991	6,000	2,700
Vote 4 - Corporate Services		6,460	-	4,127	3,038	2,463	2,463	2,463	4,500	5,000	5,000
Vote 5 - Infrastructure Services		22,707	-	15,489	50,191	21,580	21,580	21,580	27,501	4,100	4,700
Vote 6 - Sustainable Development and City Enterprises		5,557	-	2,711	54,137	14,040	14,040	14,040	3,210	4,500	3,350
Capital single-year expenditure sub-total		85,557	-	100,432	153,488	85,480	85,480	85,480	65,406	31,658	28,448
Total Capital Expenditure - Vote		482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272
Capital Expenditure - Functional											
Governance and administration		44,125	61,849	29,972	130,705	36,556	36,556	36,556	51,135	41,939	43,129
Executive and council		7,193	3,707	999	81,716	8,381	8,381	8,381	2,179	1,293	1,293
Finance and administration		36,932	57,979	28,973	48,989	28,135	28,135	28,135	48,707	40,532	41,722
Internal audit		-	164	-	-	40	40	40	250	115	115
Community and public safety		66,334	119,183	66,164	53,803	73,662	73,662	73,662	28,966	51,166	39,056
Community and social services		11,074	40,840	10,801	12,512	47,850	47,850	47,850	22,407	33,000	23,200
Sport and recreation		39,844	50,890	29,669	20,627	14,032	14,032	14,032	1,500	1,300	1,500
Public safety		9,401	1,960	5,109	3,375	5,143	5,143	5,143	1,058	4,766	796
Housing		6,014	25,493	20,585	17,289	6,637	6,637	6,637	4,000	12,100	13,560
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		155,742	291,476	271,330	123,238	278,093	278,093	278,093	286,539	327,916	335,849
Planning and development		23,232	15,201	53,736	65,751	30,670	30,670	30,670	51,800	104,545	99,232
Road transport		130,915	275,024	217,281	56,977	245,544	245,544	245,544	234,379	221,871	236,117
Environmental protection		1,594	1,251	313	509	1,879	1,879	1,879	360	1,500	500
Trading services		214,411	173,199	226,940	260,202	201,217	201,217	201,217	180,492	167,803	182,538
Energy sources		99,059	79,786	108,121	97,494	56,769	56,769	56,769	28,331	14,370	13,900
Water management		74,723	61,138	59,634	65,690	86,379	86,379	86,379	100,054	93,676	97,448
Waste water management		37,191	23,781	25,570	64,858	55,169	55,169	55,169	45,106	52,258	59,891
Waste management		3,438	8,494	33,615	32,160	2,900	2,900	2,900	7,000	7,500	11,300
Other		2,357	2,407	486	3,435	5,939	5,939	5,939	8,240	8,500	9,700
Total Capital Expenditure - Functional	3	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272
Funded by:											
National Government		345,750	376,644	232,550	404,341	388,567	388,567	388,567	429,351	492,819	504,997
Provincial Government		15,613	24,611	131,196	-	37,548	37,548	37,548	9,991	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	6		40,245	88,896	42,041	42,041	42,041	42,041	5,631	-	-
Internally generated funds		121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,398	104,505	105,275
Total Capital Funding	7	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272

MSUNDUZI ANNUAL BUDGET

KZN225 Msunduzi - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
ASSETS											
Current assets											
Cash		82,425	9,493	42,737	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Call investment deposits	1	887,199	669,683	430,330	639,427	361,119	361,119	361,119	399,741	508,600	685,814
Consumer debtors	1	1,112,206	1,013,847	1,346,514	1,512,750	819,137	819,137	819,137	835,519	852,230	869,274
Other debtors		142,291	92,522	64,834	376,447	83,875	83,875	83,875	66,724	68,198	69,695
Current portion of long-term receivables		8,318	8,799	8,359	43	-	-	-	-	-	-
Inventory	2	66,505	66,138	76,793	74,312	144,714	144,714	144,714	35,380	36,050	36,736
Total current assets		2,298,945	1,860,482	1,969,567	2,702,979	1,508,845	1,508,845	1,508,845	1,437,364	1,565,078	1,761,519
Non current assets											
Long-term receivables		9,447	9,945	9,945	9,455	-	-	-	-	-	-
Investments											
Investment property		581,797	720,224	718,292	356,914	723,578	723,578	723,578	738,050	752,811	767,867
Investment in Associate											
Property, plant and equipment	3	7,932,507	5,308,174	6,283,922	7,486,874	7,014,505	7,014,505	7,014,505	7,154,795	7,297,891	7,443,849
Biological											
Intangible		39,882	50,603	41,752	27,283	25,352	25,352	25,352	146,780	137,631	128,903
Other non-current assets		298,542	54,068	64,792	225,528	-	-	-	-	-	-
Total non current assets		8,862,175	6,143,014	7,118,703	8,106,054	7,763,435	7,763,435	7,763,435	8,039,625	8,188,333	8,340,619
TOTAL ASSETS		11,161,119	8,003,496	9,088,270	10,809,033	9,272,280	9,272,280	9,272,280	9,476,989	9,753,410	10,102,138
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	89,205	79,715	84,512	83,217	84,512	84,512	84,512	79,056	75,103	71,348
Consumer deposits		93,516	101,382	103,714	113,354	103,714	103,714	103,714	108,899	114,344	120,062
Trade and other payables	4	549,548	839,897	1,149,340	304,818	979,473	979,473	979,473	999,063	1,019,044	1,039,425
Provisions		6,690	30,580	36,509		127,345	127,345	127,345	133,712	140,398	147,418
Total current liabilities		738,960	1,051,573	1,374,076	501,389	1,295,044	1,295,044	1,295,044	1,320,731	1,348,890	1,378,252
Non current liabilities											
Borrowing		571,250	535,739	451,226	349,414	451,226	451,226	451,226	459,547	465,476	471,519
Provisions		692,740	732,969	801,932	838,082	731,576	731,576	731,576	742,917	757,804	772,987
Total non current liabilities		1,263,991	1,268,708	1,253,158	1,187,496	1,182,802	1,182,802	1,182,802	1,202,464	1,223,280	1,244,505
TOTAL LIABILITIES		2,002,950	2,320,281	2,627,233	1,688,886	2,477,847	2,477,847	2,477,847	2,523,195	2,572,169	2,622,758
NET ASSETS	5	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,794	7,181,241	7,479,380
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		8,877,579	5,388,326	6,129,402	8,967,234	6,510,648	6,510,648	6,510,648	6,717,550	6,940,269	7,233,585
Reserves	4	280,590	294,890	331,635	152,914	283,785	283,785	283,785	236,244	240,972	245,795
TOTAL COMMUNITY WEALTH/EQUITY	5	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,794	7,181,241	7,479,380

2019/20 to 2021/22



KZN225 Msunduzi - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		667,847	789,145	854,117	810,753	824,008	824,008	824,008	960,617	1,018,254	1,079,350
Service charges		2,109,869	2,142,938	2,253,415	2,722,393	2,687,042	2,687,042	2,687,042	2,670,162	2,986,224	3,340,957
Other revenue		486,708	89,402	253,032	247,998	180,911	180,911	180,911	148,876	157,809	167,277
Government - operating	1	466,156	497,277	534,424	672,679	671,406	671,406	671,406	672,023	734,742	795,945
Government - capital	1	303,484	436,141	393,921	404,341	425,277	425,277	425,277	439,342	446,236	473,589
Interest		148,692	123,345	231,265	146,284	191,459	191,459	191,459	169,694	179,733	190,368
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(3,543,100)	(3,604,497)	(3,955,130)	(4,063,723)	(4,196,304)	(4,196,304)	(4,196,304)	(4,329,714)	(4,704,882)	(5,157,099)
Finance charges		(75,072)	(68,463)	(63,181)	(50,688)	(50,672)	(50,672)	(50,672)	(41,660)	(31,793)	(24,371)
Transfers and Grants	1	-	(29,606)	(25,891)	(45,328)	(58,437)	(58,437)	(58,437)	(44,060)	(34,904)	(37,696)
NET CASH FROM/(USED) OPERATING ACTIVITIES		564,585	375,682	475,972	844,710	674,691	674,691	674,691	645,280	751,420	828,320
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	(183)	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	(481)	(183)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	373	-	-	-	-	-	-	-	-
Payments											
Capital assets		(476,769)	(651,463)	(609,088)	(571,382)	(595,676)	(595,676)	(595,676)	(527,603)	(567,458)	(579,758)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(476,769)	(651,571)	(609,271)	(571,382)	(595,676)	(595,676)	(595,676)	(527,603)	(567,458)	(579,758)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	50,000	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		6,486	7,865	2,332	6,903	-	-	-	-	-	-
Payments											
Repayment of borrowing		42,389	(73,861)	(79,715)	(83,375)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET CASH FROM/(USED) FINANCING ACTIVITIES		48,875	(15,995)	(77,383)	(76,471)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET INCREASE/ (DECREASE) IN CASH HELD		136,691	(291,884)	(210,681)	196,856	(4,360)	(4,360)	(4,360)	38,622	108,859	177,214
Cash/cash equivalents at the year begin:	2	832,933	969,624	677,739	465,479	465,479	465,479	465,479	461,119	499,741	608,600
Cash/cash equivalents at the year end:	2	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814

KZN225 Msunduzi - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814
Other current investments > 90 days		-	1,437	6,009	77,092	(0)	(0)	(0)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		969,624	679,176	473,068	739,427	461,119	461,119	461,119	499,741	608,600	785,814
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Surplus(shortfall)		1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,098	297,995	470,148

MSUNDUZI ANNUAL BUDGET

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	185,312	132,351	167,503	111,387	117,672	117,672	143,308	179,824	174,616
<i>Roads Infrastructure</i>		34,983	2,747	15,103	1,293	1,516	1,516	3,800	1,650	1,650
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		27,836	10,171	48,684	40,854	41,028	41,028	35,200	66,450	66,924
<i>Water Supply Infrastructure</i>		3,412	-	-	3,290	3,968	3,968	-	-	-
<i>Sanitation Infrastructure</i>		8,377	-	-	13,269	13,617	13,617	-	-	-
<i>Solid Waste Infrastructure</i>		-	149	-	-	-	-	17,000	18,101	19,549
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		74,607	13,068	63,787	58,706	60,129	60,129	56,000	86,201	88,122
Community Facilities		169	-	337	3,112	4,132	4,132	10,275	29,266	17,496
Sport and Recreation Facilities		34,335	5,106	-	10,458	11,384	11,384	-	-	-
Community Assets		34,504	5,106	337	13,570	15,516	15,516	10,275	29,266	17,496
Heritage Assets		7,290	24,329	18,344	4,042	4,866	4,866	11,884	10,500	11,350
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		5,183	-	2,885	-	-	-	-	-	-
Housing		-	-	-	5,123	5,902	5,902	-	-	-
Other Assets		5,183	-	2,885	5,123	5,902	5,902	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		29,287	195	8,968	282	374	374	16,200	19,500	19,500
Intangible Assets		29,287	195	8,968	282	374	374	16,200	19,500	19,500
Computer Equipment		-	19,862	34,960	2,325	2,536	2,536	10,683	11,703	15,803
Furniture and Office Equipment		9,149	50,762	4,305	7,118	7,450	7,450	9,187	5,895	5,845
Machinery and Equipment		24,823	10,859	33,840	9,698	10,176	10,176	12,080	16,760	16,500
Transport Assets		469	337	78	10,524	10,722	10,722	-	-	-
Land		-	7,833	-	-	-	-	17,000	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	297,657	515,763	251,586	387,397	314,315	314,315	19,532	24,338	19,032
<i>Roads Infrastructure</i>		108,918	98,714	32,198	169,403	142,551	142,551	7,600	5,300	4,500
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		66,802	51,961	44,447	56,974	47,943	47,943	-	-	-
<i>Water Supply Infrastructure</i>		71,046	48,980	-	35,120	29,553	29,553	-	-	-
<i>Sanitation Infrastructure</i>		28,814	-	1,198	54,751	46,072	46,072	-	-	-
<i>Solid Waste Infrastructure</i>		1,057	30,714	19,377	5,856	4,928	4,928	2,000	6,907	7,459
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		276,637	230,368	97,221	322,104	271,047	271,047	9,600	12,207	11,959
Community Facilities		910	8,707	3,705	13,771	1,588	1,588	-	-	-
Sport and Recreation Facilities		2,823	28,616	24,871	-	-	-	-	-	-
Community Assets		3,733	37,323	28,576	13,771	1,588	1,588	-	-	-
Heritage Assets		311	16,066	15,408	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		13,702	-	-	1,586	1,335	1,335	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		13,702	-	-	1,586	1,335	1,335	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	49,937	40,346	40,346	-	-	-
Intangible Assets		-	-	-	49,937	40,346	40,346	-	-	-
Computer Equipment		-	1,950	-	-	-	-	-	-	-
Furniture and Office Equipment		2,019	5,781	-	-	-	-	500	-	-
Machinery and Equipment		300	15,350	-	-	-	-	9,432	12,132	7,072
Transport Assets		954	177,628	110,382	-	-	-	-	-	-
Land		-	31,297	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	175,803	72,598	163,479	163,479	349,955	398,791	423,638
<i>Roads Infrastructure</i>		-	-	90,518	53,201	121,015	121,015	108,700	141,824	147,825
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	6,325	-	-	-	56,290	56,926	67,968
<i>Water Supply Infrastructure</i>		-	-	50,484	4,352	9,527	9,527	19,000	12,000	6,480
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	4,263	8,295	18,160	18,160	14,356	13,000	16,653
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	151,590	65,848	148,701	148,701	198,346	223,749	238,725
Community Facilities		-	-	149	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	1,633	1,000	2,189	2,189	-	-	-
Community Assets		-	-	1,782	1,000	2,189	2,189	-	-	-
Heritage Assets		-	-	8,423	-	-	-	14,144	16,130	18,049
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	600	-	-
Furniture and Office Equipment		-	-	-	-	-	-	100	-	-
Machinery and Equipment		-	-	1,389	5,750	12,588	12,588	-	-	-
Transport Assets		-	-	-	-	-	-	136,765	158,912	166,864
Land		-	-	12,620	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

2019/20 to 2021/22



KZN225 Msunduzi - Table A9 Consolidated Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
Total Capital Expenditure	4	482,969	648,114	594,892	571,382	595,466	595,466	512,795	602,954	617,286
<i>Roads Infrastructure</i>		143,901	101,461	137,819	223,897	265,081	265,081	120,100	148,774	153,775
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		94,638	62,132	99,456	97,828	88,971	88,971	91,490	123,376	134,891
<i>Water Supply Infrastructure</i>		74,458	48,980	50,484	42,761	43,048	43,048	19,000	12,000	6,480
<i>Sanitation Infrastructure</i>		37,191	-	1,198	68,020	59,689	59,689	-	-	-
<i>Solid Waste Infrastructure</i>		1,057	30,863	23,640	14,151	23,088	23,088	33,356	38,008	43,661
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
Infrastructure		351,245	243,435	312,597	446,657	479,877	479,877	263,946	322,157	338,807
Community Facilities		1,079	8,707	4,191	16,883	5,720	5,720	10,275	29,266	17,496
Sport and Recreation Facilities		37,158	33,723	26,504	11,458	13,573	13,573	-	-	-
Community Assets		38,236	42,429	30,695	28,341	19,293	19,293	10,275	29,266	17,496
Heritage Assets		7,602	40,394	42,174	4,042	4,866	4,866	26,028	26,630	29,399
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		18,885	-	2,885	1,586	1,335	1,335	-	-	-
Housing		-	-	-	5,123	5,902	5,902	-	-	-
Other Assets		18,885	-	2,885	6,709	7,236	7,236	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		29,287	195	8,968	50,219	40,720	40,720	16,200	19,500	19,500
Intangible Assets		29,287	195	8,968	50,219	40,720	40,720	16,200	19,500	19,500
Computer Equipment		-	21,812	34,960	2,325	2,536	2,536	11,283	11,703	15,803
Furniture and Office Equipment		11,168	56,543	4,305	7,118	7,450	7,450	9,787	5,895	5,845
Machinery and Equipment		25,123	26,209	35,228	15,448	22,764	22,764	21,512	28,892	23,572
Transport Assets		1,424	177,966	110,460	10,524	10,722	10,722	136,765	158,912	166,864
Land		-	39,130	12,620	-	-	-	17,000	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		482,969	648,114	594,892	571,382	595,466	595,466	512,795	602,954	617,286
ASSET REGISTER SUMMARY - PPE (WDV)	5	6,198,788	7,170,057	7,991,953	7,644,520	7,644,520	7,644,520	8,026,400	8,427,720	8,849,106
<i>Roads Infrastructure</i>		1,804,593	2,995,368	3,646,036	3,375,601	3,378,101	3,378,101	3,547,006	3,724,357	3,910,575
<i>Storm water Infrastructure</i>		148,613	156,435	164,256	162,997	162,997	162,997	171,147	179,704	188,689
<i>Electrical Infrastructure</i>		700,386	1,275,053	1,338,806	1,256,467	1,256,467	1,256,467	1,319,290	1,385,255	1,454,518
<i>Water Supply Infrastructure</i>		873,333	912,163	957,771	1,149,674	1,149,674	1,149,674	1,207,158	1,267,515	1,330,891
<i>Sanitation Infrastructure</i>		588,640	470,205	493,715	650,125	650,125	650,125	682,632	716,763	752,601
<i>Solid Waste Infrastructure</i>		579,408	15,673	16,457	35,522	35,522	35,522	37,298	39,163	41,121
<i>Rail Infrastructure</i>		27,837	1,408	1,479	1,552	1,552	1,552	1,552	1,630	1,712
<i>Coastal Infrastructure</i>		4,624	4,867	5,110	5,366	5,366	5,366	5,366	5,634	5,916
<i>Information and Communication Infrastructure</i>		4,743	5,022	5,301	5,580	5,580	5,580	5,859	6,152	6,460
Infrastructure		4,732,178	5,836,194	6,628,931	6,642,884	6,645,384	6,645,384	6,977,308	7,326,173	7,692,482
Community Assets		462,387	294,811	309,552	19,998	19,998	19,998	20,998	22,048	23,150
Heritage Assets		119,787	126,091	132,396	14,510	14,510	14,510	15,236	15,997	16,797
Investment properties		282,710	226,212	230,737	242,273	242,273	242,273	254,387	267,106	280,462
Other Assets		246,995	283,455	289,125	303,581	303,581	303,581	318,760	334,698	351,433
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Intangible Assets		764	804	844	886	886	886	931	977	1,026
Computer Equipment		47,309	49,799	52,289	54,904	54,904	54,904	57,649	60,531	63,558
Furniture and Office Equipment		75,086	56,298	59,113	62,069	62,069	62,069	65,172	68,431	71,852
Machinery and Equipment		161,328	222,451	211,328	221,895	219,395	219,395	230,365	241,883	253,977
Transport Assets		70,244	73,941	77,638	81,520	81,520	81,520	85,596	89,875	94,369
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	6,198,788	7,170,057	7,991,953	7,644,520	7,644,520	7,644,520	8,026,400	8,427,720	8,849,106

MSUNDUZI ANNUAL BUDGET

KZN225 Msunduzi - Table A9 Consolidated Asset Management

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CAPITAL EXPENDITURE										
EXPENDITURE OTHER ITEMS		717,997	776,766	470,370	681,043	680,098	680,098	589,370	616,751	646,505
Depreciation	7	555,153	605,422	470,370	468,636	467,692	467,692	492,025	516,580	542,365
Repairs and Maintenance by Asset Class	3	162,844	171,344	-	212,407	212,407	212,407	97,345	100,171	104,139
Roads Infrastructure		47,029	49,483	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		50,160	52,779	-	55,411	55,411	55,411	60,146	61,903	63,750
Water Supply Infrastructure		15,460	16,267	-	8,427	8,427	8,427	-	-	-
Sanitation Infrastructure		6,125	6,445	-	121,923	121,923	121,923	-	-	-
Solid Waste Infrastructure		8,472	8,915	-	1,708	1,708	1,708	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		127,246	133,888	-	187,469	187,469	187,469	60,146	61,903	63,750
Community Facilities		17,218	17,639	-	4,043	4,043	4,043	21	67	69
Sport and Recreation Facilities		-	-	-	5,390	5,390	5,390	-	-	-
Community Assets		17,218	17,639	-	9,433	9,433	9,433	21	67	69
Heritage Assets		18,379	19,816	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	3,509	3,509	3,509	20,719	19,918	20,554
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	3,509	3,509	3,509	20,719	19,918	20,554
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	1,061	1,061	1,061	16,458	18,282	19,766
Transport Assets		-	-	-	10,935	10,935	10,935	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		717,997	776,766	470,370	681,043	680,098	680,098	589,370	616,751	646,505
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		61.6%	79.6%	71.8%	80.5%	80.2%	80.2%	72.1%	70.2%	71.7%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		53.6%	85.2%	90.9%	98.2%	102.2%	102.2%	75.1%	81.9%	81.6%
<i>R&M as a % of PPE</i>		2.1%	3.2%	0.0%	2.8%	2.9%	2.9%	1.3%	1.2%	1.2%
<i>Renewal and upgrading and R&M as a % of PPE</i>		7.0%	10.0%	5.0%	9.0%	9.0%	9.0%	6.0%	6.0%	6.0%

2019/20 to 2021/22



KZN225 Msunduzi - Table A10 Consolidated basic service delivery measurement

Description	RefL	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Household service targets										
Water:										
Piped water inside dwelling		80,873	81,128	81,490	84,782	84,782	84,782	84,782	84,782	84,782
Piped water inside yard (but not in dwelling)		63,301	63,899	63,899	67,481	67,481	67,481	67,481	67,481	67,481
Using public tap (at least min.service level)	2	3,116	4,710	6,396	6,654	6,654	6,654	6,654	6,654	6,654
Other water supply (at least min.service level)	4	6,352	4,758	3,072	3,196	3,196	3,196	3,196	3,196	3,196
<i>Minimum Service Level and Above sub-total</i>		153,642	154,495	154,857	162,113	162,113	162,113	162,113	162,113	162,113
Using public tap (< min.service level)	3	6,396	6,396	6,396	6,654	6,654	6,654	6,654	6,654	6,654
Other water supply (< min.service level)	4	3,955	2,740	2,740	1,851	1,851	1,851	1,851	1,851	1,851
No water supply		10,351	9,136	9,136	9,136	9,136	9,136	9,136	9,136	9,136
<i>Below Minimum Service Level sub-total</i>		20,702	18,272	18,272	17,641	17,641	17,641	17,641	17,641	17,641
Total number of households	5	174,344	172,767	173,129	179,754	179,754	179,754	179,754	179,754	179,754
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		84,973	85,096	85,149	91,589	91,589	91,589	91,589	91,589	91,589
Flush toilet (with septic tank)		8,372	8,372	8,319	8,655	8,655	8,655	8,655	8,655	8,655
Chemical toilet		7,076	7,076	7,076	7,362	7,362	7,362	7,362	7,362	7,362
Pit toilet (ventilated)		58,695	58,695	59,427	61,828	61,828	61,828	61,828	61,828	61,828
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		159,116	159,239	159,971	169,434	169,434	169,434	169,434	169,434	169,434
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		4,877	4,754	4,022	1,184	1,184	1,184	1,184	1,184	1,184
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		4,877	4,754	4,022	1,184	1,184	1,184	1,184	1,184	1,184
Total number of households	5	163,993	163,993	163,993	170,618	170,618	170,618	170,618	170,618	169,434
Energy:										
Electricity (at least min.service level)		127,123	126,487	123,471	135,271	135,271	135,271	135,271	135,271	135,271
Electricity - prepaid (min.service level)		24,203	24,839	26,285	27,347	27,347	27,347	27,347	27,347	27,347
<i>Minimum Service Level and Above sub-total</i>		151,326	151,326	149,756	162,618	162,618	162,618	162,618	162,618	162,618
Electricity (< min.service level)		-	-	1,570	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	8,000	-	-	-	-	-
Other energy sources		12,667	12,667	12,667	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		12,667	12,667	14,237	8,000	-	-	-	-	-
Total number of households	5	163,993	163,993	163,993	170,618	162,618	162,618	162,618	162,618	162,618
Refuse:										
Removed at least once a week		120,000	120,000	120,000	129,848	129,848	129,848	129,848	129,848	129,848
<i>Minimum Service Level and Above sub-total</i>		120,000	120,000	120,000	129,848	129,848	129,848	129,848	129,848	129,848
Removed less frequently than once a week		43,993	43,993	43,993	40,770	40,770	40,770	40,770	40,770	40,770
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		43,993	43,993	43,993	40,770	40,770	40,770	40,770	40,770	40,770
Total number of households	5	163,993	163,993	163,993	170,618	170,618	170,618	170,618	170,618	170,618
Households receiving Free Basic Service										
Water (6 kilolitres per household per month)		25,099	23,884	23,884	39,476	-	-	-	-	-
Sanitation (free minimum level service)		25,099	23,884	23,884	39,476	39,476	39,476	39,476	39,476	39,476
Electricity/other energy (50kwh per household per month)		2,800	2,800	2,800	3,265	3,265	3,265	3,265	3,265	3,265
Refuse (removed at least once a week)		5,182	5,182	5,182	6,078	6,078	6,078	6,078	6,078	6,078
Cost of Free Basic Services provided - Formal Settlements (R'000)										
Water (6 kilolitres per indigent household per month)		126,943	134,410	141,878	149,345	149,345	149,345	163,682	179,395	196,617
Sanitation (free sanitation service to indigent households)		9,507	10,066	10,625	11,184	11,184	11,184	11,855	12,567	13,321
Electricity/other energy (50kwh per indigent household per month)		1,562	1,654	1,745	1,837	1,837	1,837	2,009	2,159	2,233
Refuse (removed once a week for indigent households)		5,082	5,381	5,680	5,979	5,979	5,979	6,338	6,718	7,121
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		143,094	151,511	159,928	168,346	168,346	168,346	183,884	200,840	219,293
Highest level of free service provided per household										
Property rates (R value threshold)		150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		115	122	136	115	122	136	136	136	136
Electricity (kwh per household per month)		70	70	70	70	70	70	70	70	70
Refuse (average litres per week)		200	200	200	200	200	200	200	200	200
Revenue cost of subsidised services provided (R'000)										
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		15	15	15	15	15	15	15	15	15
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		401,640	410,961	411,958	441,681	441,681	441,681	468,182	496,273	526,050
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		625	661	698	735	735	735	805	883	968
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided		402,279	411,638	412,671	442,431	442,431	442,431	469,003	497,171	527,032

I Part 2 – Supporting Documentation

II Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2018) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2019. Key dates applicable to the process were:

- **30 August 2019** Annual Performance Report submitted to Auditor-General as per S46 MSA
- **10 October 2019** the first sitting of the IDP representative forum
- **02 to 30 November 2019** Zonal IDP/ Budget Izimbizo convened by the Mayor
- **20 to 24 January 2019** conducted public hearings on proposed rates and tariffs for 2019/20 budget year

1.1.2 IDP and Service Delivery and Budget Implementation Plan

The City's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;



- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2019/20 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2019/20 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- City growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 59,66,67,70 and 74 have been taken into consideration in the planning and prioritisation process.

1.1.4 Community Consultation

Ward Committees were utilised to facilitate the community consultation process which included open public briefing sessions. The applicable dates and venues were published in all the local newspapers. Sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the submission to EXCO for finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The City is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;

1.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and



strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Spatial Planning and Land Use Management Act (SPLUMA);
- Provincial Growth and Development Strategy (PGDS);
- State of the Province address 2015
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- National Development Plan (Vision 2030)
- The National 14 Government Outcomes
- State of National Address 2017

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's strategic Goals for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Goals

- a) A well-serviced city;
- b) An accessible, connected city;
- c) A clean, green city;
- d) A friendly, safe city, and
- e) An economically prosperous city.
- f) A financially viable and well-governed city

In order to ensure integrated and focused service delivery between all spheres of government it was important for the City to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the six strategic goals:

1. Basic Service Delivery:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;



MSUNDUZI ANNUAL BUDGET

- Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide city planning services; and
 - Maintaining the infrastructure of the City.
2. Local Economic Development:
- Ensuring there is a clear structural plan for the City;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Cross cutting issues:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective city cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
4. Good Governance and Public Participation:
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
 - Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
4. Financial Viability and Financial Management:
- Publishing the outcomes of all tender processes on the municipal website
 - Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
5. Municipal Transformation and Organisational Development:
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the City. The five-year programme responds to the development challenges and opportunities faced by the City by identifying the key performance areas to achieve the six the strategic goals mentioned above.

2019/20 to 2021/22



In addition to the five-year IDP, the City undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the City so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the City's IDP, associated sectoral plans and strategies, and the allocation of resources of the City and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into eight strategic focus areas/objectives as outlined below:

- Building a Capable and developmental Municipality
- Back-to-Basics: cleaning, Repairing , enforcing and Responding
- Improved Infrastructure Efficiency-Planning, Budgeting, Spending, Implementing, Maintaining
- Financial Sustainability
- Growing the Regional Economy
- Serving as a Provincial Capital
- Creating a Learning City and City of Learning
- Spatial Effectiveness and Justice: Increasing Densities and Improving Mobility
-

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the City;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.
-

The 2019/20 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MSUNDUZI ANNUAL BUDGET

Table 16 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

KZN225 Msunduzi - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Financial Viability and Management	Financially viable and well governed City			1,205,095	1,277,400	1,354,044	1,357,043	1,357,043	1,357,043	1,668,740	1,768,864	1,874,996	
Basic Service Delivery	Improved the state of municipal infrastructure			2,869,975	3,120,985	3,181,119	3,567,523	3,515,530	3,515,530	3,832,809	4,259,951	4,752,107	
Local Economic Development	An economically prosperous city			10,573	11,207	11,880	29,586	29,586	29,586	31,361	33,243	35,238	
Good governance and Public Participation	To develop strong welcoming, caring & diverse communities living in a variety of friendly .			224,326	237,785	252,053	320,757	320,757	320,757	339,898	360,722	382,804	
Gross Cutting Issues	Reduce housing backlogs and eliminate spatial separation by racial categories.			81,806	86,714	91,917	71,297	71,297	71,297	75,575	80,110	84,916	
Municipal Transformation and Institutional Development	Improved customer experience & public participation			46,157	48,927	51,862	90,171	90,171	90,171	95,582	101,317	107,396	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	4,437,932	4,783,020	4,942,876	5,436,379	5,384,385	5,384,385	6,043,965	6,604,206	7,237,457

Table 17 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

KZN225 Msunduzi - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Financial Viability and Management	Financially viable and well governed City			343,629	364,247	386,102	549,888	582,881	617,854	724,925	739,221	780,874	
Basic Service Delivery	Improved the state of municipal infrastructure			1,076,728	1,645,405	1,355,982	915,644	866,817	831,844	932,399	1,108,880	1,344,597	
Local Economic Development	An economically prosperous city			381,841	404,751	429,036	526,568	526,568	526,568	558,162	591,652	627,151	
Good governance and Public Participation	To develop strong welcoming, caring & diverse communities living in a variety of friendly .			138,196	146,488	155,277	141,065	141,065	141,065	149,529	158,501	168,011	
Gross Cutting Issues	Reduce housing backlogs and eliminate spatial separation by racial categories.			2,310,161	2,448,771	2,595,697	2,781,421	2,781,421	2,781,421	2,948,307	3,125,205	3,312,717	
Municipal Transformation and Institutional Development	Improved customer experience & public participation			9,238	9,792	10,380	14,325	14,325	14,325	15,185	16,096	17,062	
Allocations to other priorities													
Total Expenditure				1	4,259,793	5,019,454	4,932,474	4,928,912	4,913,078	4,913,078	5,328,507	5,739,555	6,250,412



Table 18 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

KZN225 Msunduzi - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Financial Viability and Management	Financially viable and well governed City	A		74,980	79,479	84,248	76,232	76,232	76,232	80,806	85,655	90,794
Basic Service Delivery	Improved the state of municipal infrastructure	B		78,069	221,224	144,385	166,483	190,567	190,567	126,178	142,380	128,030
Local Economic Development	An economically prosperous city	C		57,570	61,024	64,686	69,042	69,042	69,042	73,185	77,576	82,230
Good governance and Public Participation	To develop strong welcoming, caring & diverse communities living in a variety of friendly.	D		13,944	12,476	11,229	14,678	14,678	14,678	15,559	16,492	17,482
Gross Cutting Issues	Reduce housing backlogs and eliminate spatial separation by racial categories.	E		183,426	194,432	206,098	181,599	181,599	181,599	192,495	204,045	216,288
Municipal Transformation and Institutional Development	Improved customer experience & public participation	F		74,980	79,479	84,248	63,347	63,347	63,347	67,148	71,177	75,448
Allocations to other priorities			3									
Total Capital Expenditure			1	482,969	648,114	594,892	571,382	595,466	595,466	555,371	597,324	610,272

1.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the City has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

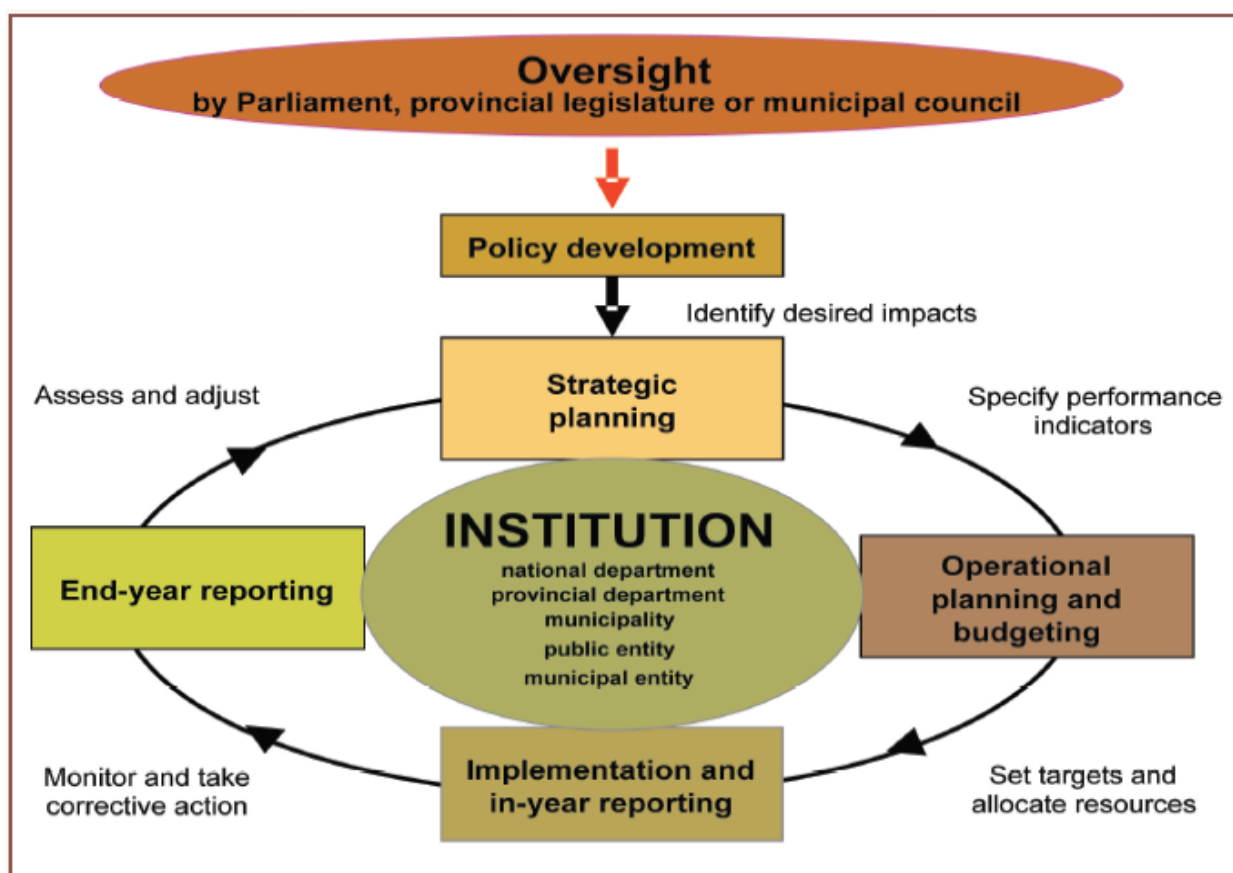


Figure 3 Planning, budgeting and reporting cycle

The performance of the City relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The City therefore has adopted one integrated performance management system which encompasses:

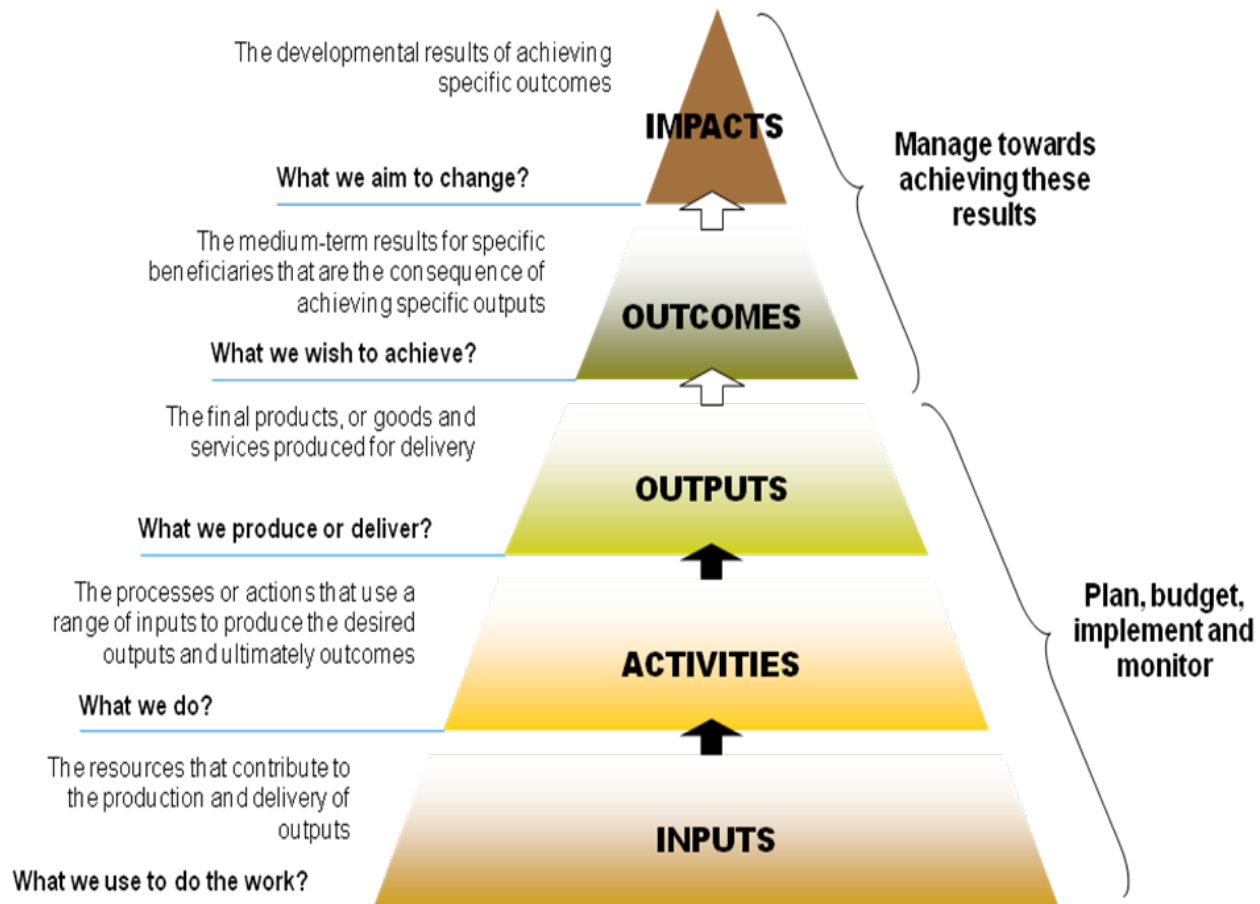
- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

2019/20 to 2021/22



- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the City in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



MSUNDUZI ANNUAL BUDGET

The following table sets out the municipalities main performance objectives and benchmarks for the 2019/20 MTREF.

Table 20 MBRR Table SA8 - Performance indicators and benchmarks

KZN225 Msunduzi - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Borrowing Management											
Credit Rating	Interest & Principal Paid /Operating Expenditure	0.8%	2.8%	2.9%	2.7%	2.7%	2.7%	2.7%	2.3%	1.9%	1.5%
Capital Charges to Operating Expenditure	Finance charges & Repayment of borrowing /Own Revenue	0.9%	3.7%	3.3%	3.1%	3.1%	3.1%	3.1%	2.4%	2.0%	1.6%
Capital Charges to Own Revenue	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	20.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure											
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	203.6%	181.7%	136.1%	228.5%	159.0%	159.0%	159.0%	194.5%	193.2%	191.8%
Liquidity											
Current Ratio	Current assets/current liabilities	3.1	1.8	1.4	5.4	1.2	1.2	1.2	1.1	1.2	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3.1	1.8	1.4	5.4	1.2	1.2	1.2	1.1	1.2	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	1.3	0.6	0.3	1.5	0.4	0.4	0.4	0.4	0.5	0.6
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		83.3%	87.9%	78.0%	90.0%	90.0%	90.0%	90.0%	80.0%	80.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		83.3%	87.9%	78.0%	90.0%	90.0%	90.0%	90.0%	80.0%	80.0%	80.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	30.8%	25.9%	29.8%	37.7%	18.2%	18.2%	18.2%	16.1%	14.9%	13.9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	56.7%	123.9%	246.1%	46.0%	212.4%	212.4%	212.4%	199.9%	167.4%	132.3%
Creditors to Cash and Investments											
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kt)										
Employee costs	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	22.8%	22.8%	23.4%	25.3%	25.6%	25.6%	25.6%	26.0%	24.9%	24.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	23.7%	23.8%	24.3%	25.1%	25.6%	25.6%	25.6%	25.6%	25.1%	24.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.9%	3.9%	0.0%	4.2%	4.3%	4.3%	4.3%	1.7%	1.6%	1.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	15.2%	15.5%	11.1%	10.3%	10.5%	10.5%	10.5%	9.5%	8.9%	8.4%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due (within financial year)	18.6	12.4	18.9	15.9	15.9	15.9	17.2	19.4	20.7	22.8
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	37.7%	33.2%	35.4%	47.7%	23.0%	23.0%	23.0%	19.8%	18.3%	16.9%
iii. Cost coverage	(Av ailable cash + Investments)/monthly fixed operational expenditure	3.4	2.0	1.3	1.9	1.3	1.3	1.3	1.3	1.5	1.7

1.3.1 Performance indicators and benchmarks

1.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Batho Pele City's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the City's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2019/20 MTREF:



- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 0.76 per cent to 0.72 per cent in 2019/20, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has remained steady from between 3.3 per cent in 2013/14 to 2.9 per cent in 2019/18. This increase can be attributed to the raising of loans to fund portions of the capital programme. It is estimated that the cost of borrowing as a percentage of the operating expenditure will remain around 3.0 per cent in 2018/19 and will then decrease to 2.4 per cent at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.

1.3.1.2 Safety of Capital

The *debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the non-current borrowings as a percentage of funds and reserves. This ratio increased over the past few years due to the approval of the R250 million DBSA loan facility for the refurbishment of electricity projects. This ratio decreases in the medium term as the municipality repays its debts and improves on its equity as contributions to the reserves increase.

- The *gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2012/13 and 2014/15 the gearing ratio peaked at 1084.8 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio decreases to 231.4 per cent in the 2015/16 financial year, it however increases to 940.1 in the 2019/20 MTREF.

1.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1, hence at no point in time should this ratio be less than 1.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.
- Revenue Management
- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

1.3.1.4 Creditors Management

- The City has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the City, which is expected to benefit the City in the form of more competitive pricing of tenders, as suppliers compete for the City's business.

1.3.1.5 Other Indicators

- The electricity distribution losses have been managed downwards from 12 per cent in the 2015/16 financial year to 11 per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the City's strategy to ensure the management of its asset base.

1.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the City. With the exception of water, only registered indigents qualify for the free basic services.

For the 2018/19 financial year the registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy indigent households are entitled to 6kl free water, 70 kwh of electricity, sanitation and free waste removal equivalent to 85l once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 41.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.



I.3.3 Providing clean water and managing waste water

The City is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. All of the City's bulk water needs are provided directly by Umgeni Water in the form of purified water.

The following is briefly the main challenges facing the City in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard.

I.4 Overview of budget related-policies

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

I.4.1 Review of credit control and debt collection procedures/policies

The Credit control and debt Collection Policy was approved by Council in 30 May 2014 and is reviewed every year. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money, there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the City's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

1.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the City's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost

than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.4.3 Budget Policy

The changes to the Budget policy are mainly to ensure effective budgeting in terms of chapter 4 of the MFMA to a large extent.

1.4.4 Supply Chain Management Policy

The above policy incorporates the recent changes regarding procurement procedures

1.4.5 Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the City's system of delegations. The Virement Policy was approved by Council.

1.4.6 Cash Management and Investment Policy

The City's Cash Management and Investment Policy was approved by Council. The aim of the policy is to ensure that the City's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

1.4.7 Tariff Policy

The changes to the tariff policy specify the change in terminology of the indigent tariff. The policy has been amended to apply the indigent tariffs as specified in the tariff register whereas previously this was referred to as a lifeline tariff.

1.4.8 Funding & reserves policy

Basically this policy is meant to guide the use reserves and other funding that may become available. This policy is necessary since R125 millions of our capital budget will be funded from municipal own sources of income.

1.4.9 Indigent policy

The changes to the Indigent Policy are in terms of National Treasury recommendations and major feature of the policy is the re-introduction of automatic indigent and related controls. The lifeline relief in terms of water 6kl is the acceptable level nationally and that declared indigent should have 20amps in terms



electricity supply.

1.4.10 Rates policy

The changes to the Rates policy are in terms of the Municipal Property Rates Act and accommodate the introduction of a rebate for developers and child headed households as outlined in the tariff register. The new valuation roll and supplementary roll are included.

1.4.11 Insurance policy

Mainly addresses issues to be considered when handling municipal insurance

1.4.12 Grants policy

Mainly treatment and disclosure of grant funding on municipal books

1.4.13 Borrowing policy

Emphasise importance of compliance with MFMA when borrowing has to take place.

I.5 Overview of budget assumptions

1.5.1 External factors

During the preparation of our tariffs which is informed by national norms and standards and our utility prices for electricity and water are always dictated by NERSA and Umgeni Water Board. The municipality's tariff escalation for Electricity and Water for financial year 2018/19 is in line with the recommendations NERSA and Umgeni and the reason for not adding the municipal mark-up is to mitigate the negative impact in the lives of the poor and meet our community half-way.

I therefore confidently can state that in our budget preparation the plight of poor of the poor has been our primary consideration.

1.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2019/20 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 24 per cent of total operating expenditure in the 2018/19 MTREF.

1.5.3 Credit rating outlook

Table 21 Credit rating outlook remove this table and not replace

			145	
Short term	Rand	A2	Annually	A3

The rating definitions are:

- Short term : Prime – 1
Short-Term Debt Ratings (maturities of less than one year)
Prime-1 (highest quality)
- Long-term : Aa3
Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

1.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2019/20 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

1.5.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90 per cent) of annual billings. Cash flow is assumed to be 90 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.5.6 Growth or decline in tax base of the municipality

Debtor’s revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the City, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing ‘households’ is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the ‘poor household’ limits consumption to the level of free basic services.



1.5.7 Salary increases

A salary increase of 8% has been provided for.

1.5.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2018/19 MTREF of which performance has been factored into the cash flow budget.

I.6 Overview of budget funding

1.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 22 Breakdown of the operating revenue over the medium-term

KZN225 Msunduzi - Table A1 Consolidated Budget Summary

Description	2019/20 Medium Term Revenue & Expenditure Framework		
	Budget Year	Budget Year	Budget Year
	2019/20	+1 2020/21	+2 2021/22
R thousands			
Financial Performance			
Property rates	1,200,772	1,272,818	1,349,187
Service charges	3,337,703	3,732,780	4,176,196
Investment revenue	14,702	15,442	16,220
Transfers recognised - operational	672,023	734,742	795,945
Other own revenue	379,423	402,188	426,319
Total Revenue (excluding capital transfers and contributions)	5,604,622	6,157,970	6,763,867

The following graph is a breakdown of the operational revenue per main category for the 2019/20 financial year.

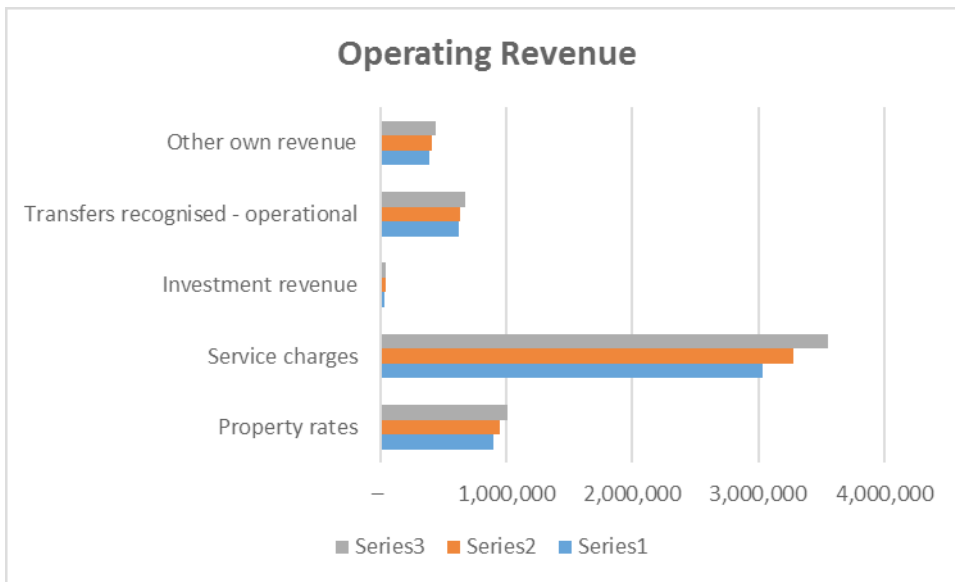


Figure 5 Breakdown of operating revenue over the 2019/20 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The City derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of a 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2019/20 MTREF on the different revenue categories are:



Table 23 Analysis of estimated revenue projections

KZN225 Msunduzi - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	Ref	2019/20 Medium Term Revenue & Expenditure Framework						
		Budget Year 2018/19	% Increase	Budget Year 2019/20	% Increase	Budget Year +1 2020/21	% Increase	Budget Year +2 2021/22
R thousand	1							
Revenue By Source								
Property rates	2	915,564	31.15	1,200,772	6.00	1,272,818	6.00	1,349,187
Service charges - electricity revenue	2	2,138,443	13.07	2,417,938	13.07	2,733,962	13.07	3,091,291
Service charges - water revenue	2	604,896	9.60	662,966	9.60	726,611	9.60	796,366
Service charges - sanitation revenue	2	126,057	15.40	145,475	6.00	154,204	6.00	163,456
Service charges - refuse revenue	2	116,206	(4.20)	111,324	6.00	118,003	6.00	125,083
Rental of facilities and equipment		26,252	6.00	27,827	6.00	29,496	6.00	31,266
Interest earned - external investments		26,857	(45.63)	14,603	5.00	15,333	5.00	16,100
Interest earned - outstanding debtors		182,773	6.00	193,740	6.00	205,364	6.00	217,686
Dividends received								
Fines, penalties and forfeits		15,154	6.00	16,064	6.00	17,028	6.00	18,050
Licences and permits		1,011	6.00	1,071	6.00	1,136	6.00	1,204
Agency services		543	6.00	576	6.00	611	6.00	647
Transfers and subsidies		669,406	6.00	672,023	9.33	734,742	8.33	795,945
Other revenue	2	132,212	6.00	140,145	6.00	148,554	6.00	157,467
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)		4,955,375		5,604,523		6,157,881		6,783,747

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the City. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totalled to R3.901 billion or 79 per cent. This increased to R4.539 billion, R5.005 billion and R5.525 billion for 2019/20, 2020/21 and 2021/22 respectively. A notable trend is the increase in the total percentage revenue generated from rates and services charges. This growth can be mainly attributed to the increased sale of electricity which contributes to the total revenue mix, which in turn is due to an increase in the Eskom and uMgeni tariffs for water and electricity. The table above excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates are the second largest revenue source totalling 17.3 per cent or R1.2 billion. Other revenue consists of various items such as fines, licences and permits, agency services, sale of produce, training recoveries, landing fees, passenger levy etc.

Operating grants and transfers totals R672 million in the 2019/20 financial year and steadily increases to R735 million by 2020/21, R796 million by 2021/22.

Investment revenue contributes marginally to the revenue base of the City with a budget allocation of R14.7 million, R15.4 million and R16.2 million for the respective three financial years of the 2019/20 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 24 MBRR SA15 – Detail Investment Information

MSUNDUZI ANNUAL BUDGET

KZN225 Msunduzi - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		887,199	669,683	430,330	639,427	361,119	361,119	399,741	508,600	685,814
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	887,199	669,683	430,330	639,427	361,119	361,119	399,741	508,600	685,814
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		887,199	669,683	430,330	639,427	361,119	361,119	399,741	508,600	685,814

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R276.1 million, R418.4 million and R513.5 million in each of the financial years.

1.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2019/20 medium-term capital programme:

Table 25 Sources of capital revenue over the MTREF

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funded by:											
National Government		345,750	376,644	232,550	404,341	388,567	388,567	388,567	429,351	492,819	504,997
Provincial Government		15,613	24,611	131,196		37,548	37,548	37,548	9,991		
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	361,363	401,255	363,746	404,341	426,115	426,115	426,115	439,342	492,819	504,997
Borrowing	6		40,245	88,896	42,041	42,041	42,041	42,041	5,631		
Internally generated funds		121,607	206,613	142,250	125,000	127,310	127,310	127,310	110,398	104,505	105,275
Total Capital Funding	7	482,969	648,114	594,892	571,382	595,466	595,466	595,466	555,371	597,324	610,272

2019/20 to 2021/22



Figure 6 Sources of capital revenue for the 2019/20 financial year
 Capital grants and receipts equates to 71 per cent of the total funding source which represents R439.3 million for the 2019/20 financial year and shows an increase to R505 million by 2020/21.
 An amount of R110 million has been set aside for internal funding.
 Borrowing of R5.6 million

Details of borrowings

Table 26 MBRR Table SA 17 - Detail of borrowings

KZN225 Msunduzi - Supporting Table SA17 Borrowing

Borrowing - Categorised by type	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Parent municipality										
Annuity and Bullet Loans		571,250	535,739	451,226	349,414	451,226	451,226	459,547	465,476	471,519
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Municipality sub-total	1	571,250	535,739	451,226	349,414	451,226	451,226	459,547	465,476	471,519
Entities										
Annuity and Bullet Loans										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Entities sub-total	1	-	-	-	-	-	-	-	-	-
Total Borrowing	1	571,250	535,739	451,226	349,414	451,226	451,226	459,547	465,476	471,519

MSUNDUZI ANNUAL BUDGET

Table 27 MBRR Table SA 18 - Capital transfers and grant receipts

KZN225 Msunduzi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Capital Transfers and Grants										
National Government:		270,402	411,530	447,390	404,344	404,344	404,344	429,351	446,236	473,589
Municipal Infrastructure Grant (MIG)		182,668	174,517	180,188	171,653	171,653	171,653	179,516	189,336	197,333
Public Transport and Systems		18,140	184,923	189,012	150,331	150,331	150,331	150,835	158,900	171,986
Neighbourhood Development Partnership		10,231	1,955	40,000	42,360	42,360	42,360	50,000	55,000	59,271
Dept of Mineral/Electricity										
Integrated National Electrification Programme		8,771	4,115							
Municipal Systems Improvement										
Municipal Water Infrastructure Grant		415	38,021	38,191	40,000	40,000	40,000	41,000	43,000	45,000
Energy Efficiency and Demand Management		50,176	8,000					8,000		
Provincial Government:		17,710	23,144	12,867	-	-	-	9,991	-	-
Airport Development Project										
Sport and Recreation										
KZNPA		1,004								
Arts and Culture-Museum Subsidies		3,635	8,598	5,467				9,991		
COGTA		2,466		1,000						
Human Settlement		10,605	14,546	6,400						
[insert description]		-	-	-	-	-	-	-	-	-
Other grant providers:		4,386	-	-	-	-	-	-	-	-
SANEDI		4,386								
Total Capital Transfers and Grants	5	292,498	434,674	460,257	404,344	404,344	404,344	439,342	446,236	473,589
TOTAL RECEIPTS OF TRANSFERS & GRANTS		758,654	931,951	1,049,529	1,013,481	1,013,481	1,013,481	1,111,470	1,180,659	1,267,660

1.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance



assessment regarding the use of long term borrowing (debt). Table 28 MBRR Table A7 - Budget cash flow statement

KZN225 Msunduzi - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		667,847	789,145	854,117	810,753	824,008	824,008	824,008	960,617	1,018,254	1,079,350
Service charges		2,109,869	2,142,938	2,253,415	2,722,393	2,687,042	2,687,042	2,687,042	2,670,162	2,986,224	3,340,957
Other revenue		486,708	89,402	253,032	247,998	180,911	180,911	180,911	148,876	157,809	167,277
Government - operating	1	466,156	497,277	534,424	672,679	671,406	671,406	671,406	672,023	734,742	795,945
Government - capital	1	303,484	436,141	393,921	404,341	425,277	425,277	425,277	439,342	446,236	473,589
Interest		148,692	123,345	231,265	146,284	191,459	191,459	191,459	169,694	179,733	190,368
Dividends											
Payments											
Suppliers and employees		(3,543,100)	(3,604,497)	(3,955,130)	(4,063,723)	(4,196,304)	(4,196,304)	(4,196,304)	(4,329,714)	(4,704,882)	(5,157,099)
Finance charges		(75,072)	(68,463)	(63,181)	(50,688)	(50,672)	(50,672)	(50,672)	(41,660)	(31,793)	(24,371)
Transfers and Grants	1		(29,606)	(25,891)	(45,328)	(58,437)	(58,437)	(58,437)	(44,060)	(34,904)	(37,696)
NET CASH FROM/(USED) OPERATING ACTIVITIES		564,585	375,682	475,972	844,710	674,691	674,691	674,691	645,280	751,420	828,320
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables			(481)	(183)							
Decrease (increase) in non-current investments			373								
Payments											
Capital assets		(476,769)	(651,463)	(609,088)	(571,382)	(595,676)	(595,676)	(595,676)	(527,603)	(567,458)	(579,758)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(476,769)	(651,571)	(609,271)	(571,382)	(595,676)	(595,676)	(595,676)	(527,603)	(567,458)	(579,758)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing			50,000								
Increase (decrease) in consumer deposits		6,486	7,865	2,332	6,903						
Payments											
Repayment of borrowing		42,389	(73,861)	(79,715)	(83,375)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET CASH FROM/(USED) FINANCING ACTIVITIES		48,875	(15,995)	(77,383)	(76,471)	(83,375)	(83,375)	(83,375)	(79,056)	(75,103)	(71,348)
NET INCREASE/ (DECREASE) IN CASH HELD		136,691	(291,884)	(210,681)	196,856	(4,360)	(4,360)	(4,360)	38,622	108,859	177,214
Cash/cash equivalents at the year begin:	2	832,933	969,624	677,739	465,479	465,479	465,479	465,479	461,119	499,741	608,600
Cash/cash equivalents at the year end:	2	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814

The above table shows that cash and cash equivalents of the City has decreased between the 2015/16 and 2016/17 financial year moving from a positive cash balance of R969.6 million to R467.1 million. It is projected that cash and cash equivalents on hand will decrease to R461.1 million by the financial year end. For the 2019/20 MTREF the budget has been prepared to ensure high levels of cash backed reserves/accumulated surplus.

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

MSUNDUZI ANNUAL BUDGET

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 29 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

KZN225 Msunduzi - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814
Other current investments > 90 days		-	1,437	6,009	77,092	(0)	(0)	(0)	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		969,624	679,176	473,068	739,427	461,119	461,119	461,119	499,741	608,600	785,814
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(603,563)	(103,112)	23,825	(1,357,236)	196,708	196,708	196,708	305,643	310,605	315,666
Surplus(shortfall)		1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,098	297,995	470,148

From the above table it can be seen that the cash and investments available total to R499.7 million in the 2019/20 financial year and will increase to R785.8 million in 2021/22, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2017/18 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The City has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- The main purpose of other working capital is to ensure that sufficient funds are available to



meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.

It can be concluded that the City has a surplus against the cash backed and accumulated surpluses reconciliation.

1.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 30 MBRR SA10 – Funding compliance measurement

KZN225 Msunduzi Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	969,624	677,739	467,058	662,335	461,119	461,119	461,119	499,741	608,600	785,814
Cash + investments at the yr end less applications - R'000	18(1)b	2	1,573,187	782,288	449,242	2,096,663	264,411	264,411	264,411	194,098	297,995	470,148
Cash year end/monthly employee/supplier payments	18(1)b	3	3.4	2.0	1.3	1.9	1.3	1.3	1.3	1.3	1.5	1.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	178,139	(236,435)	10,402	507,467	471,307	471,307	471,307	715,458	864,652	987,045
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	(5.9%)	13.5%	(7.5%)	(6.6%)	(6.0%)	(6.0%)	10.3%	4.3%	4.4%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	91.2%	84.5%	79.2%	87.5%	86.7%	86.7%	86.7%	76.9%	77.0%	77.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	2.8%	15.1%	8.8%	2.8%	2.8%	2.8%	2.8%	2.6%	2.5%	2.4%
Capital payments % of capital expenditure	18(1)c,(19)	8	98.7%	100.5%	102.4%	100.0%	100.0%	100.0%	100.0%	95.0%	95.0%	95.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	20.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(11.7%)	27.3%	33.1%	(52.2%)	0.0%	0.0%	(0.1%)	2.0%	2.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	5.3%	0.0%	(4.9%)	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.1%	3.2%	0.0%	2.8%	3.0%	3.0%	1.4%	1.4%	1.4%	1.4%
Asset renewal % of capital budget	20(1)(vi)	14	61.6%	79.6%	42.3%	67.8%	52.8%	52.8%	0.0%	3.5%	4.1%	3.1%

1.6.4.1 Cash/cash equivalent position

The City's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2019/20 MTREF shows R499.7 million, R608.6 million and R785.8 million for each respective financial year.

1.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 48. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the City to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. . As part of the 2019/20 MTREF the municipalities improving cash position causes the ratio to move upwards to 2.1 and then increases to 3.4 for the outer years.

1.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2019/20 MTREF the indicative outcome is a surplus of R715 million, R865 million and R987 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 8.3, 3.3 and 3.0 per cent for the respective financial year of the 2019/20 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6.0 per cent, with the increase in water at 9.6 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower in the outer years of the MTREF that it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

1.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse



the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 88.2, 86.9 and 87.1 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 80 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed.

1.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 3.7, 3.7 and 3.6 per cent over the MTREF. Considering the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

1.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 45.5, 29.4 and zero per cent of own funded capital. Further details relating to the borrowing strategy of the City can be found on page 68.

1.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

1.6.4.11 Consumer debtors change (Current and Non-current)

The purposes of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the City's policy of settling debtors accounts within 30 days. Although there is a spike in the 2018/19 financial year, this levels out in the following years.

1.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the City's strategy pertaining to asset management and repairs and maintenance are contained in Table 60 MBRR SA34C on page 103.

MSUNDUZI ANNUAL BUDGET

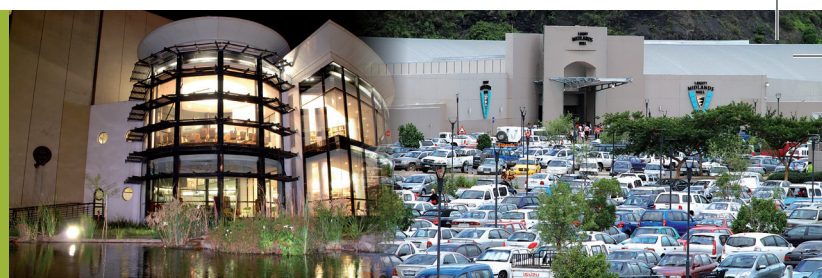
1.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 90.

Table 31 MBRR SA19 - Expenditure on transfers and grant programmes

KZN225 Msunduzi - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
					Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
EXPENDITURE:										
Operating expenditure of Transfers and Grants										
National Government:		437,999	467,989	520,105	580,856	580,856	580,856	613,782	661,241	718,960
Local Government Equitable Share		395,786	432,307	468,430	505,853	505,853	505,853	546,052	593,281	645,960
Finance Management		1,600	1,625	1,700	1,700	1,700	1,700	1,700	1,700	1,964
Municipal Systems Improvement		482								
EPWP Incentive		4,032	3,913	8,022	2,867	2,867	2,867	4,200		
Water Services Operating Subsidy										
Public Transport Infrastructure		27,408	15,108	21,001	48,773	48,773	48,773	43,830	46,460	48,776
Energy Efficiency and Demand Management										
Operating costs-MIG		8,690	15,036	20,951	21,663	21,663	21,663	18,000	19,800	22,260
Neighbourhood Development Partnership Technical ass										
Provincial Government:		28,051	28,143	69,167	28,281	28,281	28,281	58,346	73,182	75,110
Provincial Government			1,075							
Expanded Public Works Grant										
Sport and Recreation										
Human Settlements		11,225	11,655	53,499	8,281	8,281	8,281	26,369	29,010	29,050
Arts and Culture- Community Library Services		6,618		612	643	643	643	10,061	21,587	22,786
Arts and Culture- Provincialisation		9,940	15,386	14,636	18,916	18,916	18,916			
Arts and Culture-Museum Subsidies								463	488	515
COGTA		268	27	420	441	441	441	21,453	22,097	22,760
District Municipality:		106	1,145							
<i>[insert description]</i>										
Other grant providers:										
<i>[insert description]</i>										
Total operating expenditure of Transfers and Grants		466,156	497,277	589,271	609,137	609,137	609,137	672,127	734,423	794,071
Capital expenditure of Transfers and Grants										
National Government:		270,402	411,530	447,390	404,344	404,344	404,344	429,351	446,236	473,589
Municipal Infrastructure Grant (MIG)		182,668	174,517	180,188	171,653	171,653	171,653	179,516	189,336	197,333
Public Transport and Systems		18,140	184,923	189,012	150,331	150,331	150,331	150,835	158,900	171,986
Neighbourhood Development Partnership		10,231	1,955	40,000	42,360	42,360	42,360	50,000	55,000	59,271
Dept of Mineral/Electricity										
Intergrated National Electrification Programme		8,771	4,115							
Municipal Systems Improvement										
Municipal Water Infrastructure Grant		415	38,021	38,191	40,000	40,000	40,000	41,000	43,000	45,000
Energy Efficiency and Demand Management		50,176	8,000					8,000		
Provincial Government:		17,710	23,144	12,867				9,991		
Airport Development Project										
Sport and Recreation										
KZNPA		1,004								
Arts and Culture-Museum Subsidies		3,635	8,598	5,467				9,991		
COGTA		2,466		1,000						
Human Settlement		10,605	14,546	6,400						
0										
<i>[insert description]</i>										
Other grant providers:		4,386								
SANEDI		4,386								
Total capital expenditure of Transfers and Grants		292,498	434,674	460,257	404,344	404,344	404,344	439,342	446,236	473,589
TOTAL EXPENDITURE OF TRANSFERS AND GRAN		758,654	931,951	1,049,529	1,013,481	1,013,481	1,013,481	1,111,470	1,180,659	1,267,660



I.7 Councillor and employee benefits

Table 33 MBRR SA22 - Summary of councillor and staff benefits

KZN225 Msunduzi - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		26,932	33,616	31,250	32,324	32,324	32,324	15,156	16,065	17,029
Pension and UIF Contributions		3,419	4,069	3,880	4,080	4,080	4,080	6,021	6,382	6,765
Medical Aid Contributions		2,195	474	1,442	1,599	1,599	1,599	10,104	10,710	11,353
Motor Vehicle Allowance		7,085	4,662	6,178	8,231	8,231	8,231	10,104	10,710	11,353
Cellphone Allowance		1,933	1,243	2,144	2,295	2,295	2,295	5,052	5,355	5,676
Housing Allowances		140	(2,273)	127	46	46	46	5,052	5,355	5,676
Other benefits and allowances		60	1,783							
Sub Total - Councillors		41,763	43,574	45,020	48,574	48,574	48,574	51,488	54,577	57,852
% increase	4		4.3%	3.3%	7.9%	-	-	6.0%	6.0%	6.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages			9,305	8,665	8,992	8,992	8,992	9,991	10,790	11,653
Pension and UIF Contributions			1,149	1,119	991	991	991	1,369	1,479	1,597
Medical Aid Contributions			116	122	160	160	160	151	163	176
Overtime										
Performance Bonus				476				625	675	729
Motor Vehicle Allowance	3		1,201	1,056	1,200	1,200	1,200	1,200	1,296	1,400
Cellphone Allowance	3		121	111	108	108	108	104	113	122
Housing Allowances	3		878	683	647	647	647	710	767	828
Other benefits and allowances	3			52						
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality			12,770	12,285	12,097	12,097	12,097	14,150	15,283	16,505
% increase	4		-	(3.8%)	(1.5%)	-	-	17.0%	8.0%	8.0%
Other Municipal Staff										
Basic Salaries and Wages		565,691	604,402	657,448	808,676	810,508	810,508	873,322	943,034	1,018,263
Pension and UIF Contributions		119,639	138,100	150,449	163,050	163,420	163,420	177,669	191,868	207,189
Medical Aid Contributions		41,629	69,542	47,300	56,850	56,979	56,979	66,846	72,191	77,961
Overtime		49,205	56,664	59,438	54,574	54,574	54,574	70,152	75,764	81,825
Performance Bonus		38,822	41,972	58,800	57,987	57,987	57,987	66,720	72,052	77,806
Motor Vehicle Allowance	3	14,264	13,135	16,092	21,088	21,088	21,088	23,338	25,187	27,174
Cellphone Allowance	3		4,335	2,918	434	434	434	4,062	4,385	4,734
Housing Allowances	3	4,475	4,027	3,843	7,214	7,214	7,214	7,336	7,923	8,557
Other benefits and allowances	3	82,336	30,123	95,369	13,846	13,846	13,846	43,995	47,515	51,316
Payments in lieu of leave										
Long service awards		22,222	15,041	16,926	20,423	20,423	20,423	22,777	24,599	26,567
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		938,283	977,341	1,108,583	1,204,143	1,206,474	1,206,474	1,356,217	1,464,518	1,581,392
% increase	4		4.2%	13.4%	8.6%	0.2%	-	12.4%	8.0%	8.0%
Total Parent Municipality		980,046	1,033,685	1,165,888	1,264,814	1,267,144	1,267,144	1,421,856	1,534,377	1,655,749
			5.5%	12.8%	8.5%	0.2%	-	12.2%	7.9%	7.9%
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees					431	431	431	454	499	549
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities					431	431	431	454	499	549
% increase	4				-	-	-	5.1%	10.0%	10.0%
Senior Managers of Entities										
Basic Salaries and Wages								7,390	8,129	8,941
Pension and UIF Contributions								542	596	655
Medical Aid Contributions								828	910	1,001
Overtime								1,100	1,210	1,331
Performance Bonus								60	66	73
Motor Vehicle Allowance	3							107	118	130
Cellphone Allowance	3							22	24	27
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities								10,048	11,053	12,158
% increase	4							-	10.0%	10.0%
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities										
% increase	4									
Total Municipal Entities					431	431	431	10,502	11,552	12,707
TOTAL SALARY, ALLOWANCES & BENEFITS		980,046	1,033,685	1,165,888	1,265,245	1,267,576	1,267,576	1,432,357	1,545,929	1,668,455
% increase	4		5.5%	12.8%	8.5%	0.2%	-	13.0%	7.9%	7.9%
TOTAL MANAGERS AND STAFF	5,7	938,283	990,111	1,120,868	1,216,240	1,218,571	1,218,571	1,380,416	1,490,853	1,610,055



Table 35 MBRR SA24 – Summary of personnel numbers

KZN225 Msunduzi - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers	Ref	2017/18			Current Year 2018/19			Budget Year 2019/20		
		Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)			73		73			73		73
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	6	4	1	6	4	1	6	4	1
Other Managers	7	25	15	1	25	17	1	25	21	2
Professionals		409	195	8	409	213	8	409	204	10
<i>Finance</i>		31	12	-	31	17	1	31	15	1
<i>Spatial/town planning</i>		11	7	1	11	14		11	9	-
<i>Information Technology</i>		4	3	(1)	4	4		4	3	-
<i>Roads</i>		107	44	1	107	45		107	45	-
<i>Electricity</i>		26	4	-	26	5	2	26	7	2
<i>Water</i>		77	24	-	77	27		77	26	-
<i>Sanitation</i>		1	1	-	1	7		1	1	-
<i>Refuse</i>		2	2	-	2	3		2	3	-
<i>Other</i>		150	98	7	150	91	5	150	95	7
Technicians		1,377	728	19	1,377	627	23	1,377	729	26
<i>Finance</i>		131	82	1	131	74		131	84	2
<i>Spatial/town planning</i>		45	18	2	45	14	17	45	16	9
<i>Information Technology</i>		21	19	-	21	17	2	21	20	
<i>Roads</i>		23	16	-	23	14		23	18	1
<i>Electricity</i>		218	68	5	218	57		218	69	3
<i>Water</i>		58	45	-	58	16		58	41	1
<i>Sanitation</i>		32	5	1	32	11		32	8	
<i>Refuse</i>		19	12	1	19	12		19	14	1
<i>Other</i>		830	463	9	830	412	4	830	459	9
Clerks (Clerical and administrative)		554	321	12	554	341	2	554	347	12
Service and sales workers		383	18	3	383	212	73	383	27	3
Skilled agricultural and fishery workers		23	21	2	23	24	4	23	24	2
Craft and related trades		167	80	4	167	82	4	167	80	4
Plant and Machine Operators		365	137		365	147		365	139	
Elementary Occupations		2,571	1,388	13	2,571	1,539	8	2,571	1,317	12
TOTAL PERSONNEL NUMBERS	9	5,953	2,907	136	5,953	3,206	197	5,953	2,892	145
% increase					-	10.3%	44.9%	-	(9.8%)	(26.4%)
Total municipal employees headcount	6, 10									
Finance personnel headcount	8, 10	673	434	30	673	419	28	673	425	33
Human Resources personnel headcount	8, 10	150	47	5	150	64	13	150	205	6

MSUNDUZI ANNUAL BUDGET

I.8 Monthly targets for revenue, expenditure and cash flow

2.9.1 Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure

KZN225 Msunduzi - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Revenue By Source																	
Property rates		80,875	80,875	80,875	80,875	80,875	80,875	80,875	80,875	80,875	80,875	80,875	311,149	1,200,772	1,272,818	1,349,187	
Service charges - electricity revenue		192,428	192,428	192,428	192,428	192,428	192,428	192,428	192,428	192,428	192,428	192,428	301,233	2,417,938	2,733,962	3,091,291	
Service charges - water revenue		55,243	55,243	55,243	55,243	55,243	55,243	55,243	55,243	55,243	55,243	55,243	55,288	662,966	726,611	796,366	
Service charges - sanitation revenue		12,123	12,123	12,123	12,123	12,123	12,123	12,123	12,123	12,123	12,123	12,123	12,123	145,475	154,204	163,456	
Service charges - refuse revenue		9,277	9,277	9,277	9,277	9,277	9,277	9,277	9,277	9,277	9,277	9,277	9,276	111,324	118,003	125,083	
Rental facilities and equipment		2,319	2,319	2,319	2,319	2,319	2,319	2,319	2,319	2,319	2,319	2,319	2,319	27,827	29,496	31,266	
Interest earned - external investments		2,372	2,372	2,372	2,372	2,372	2,372	2,372	2,372	2,372	2,372	2,372	(11,394)	14,702	15,442	16,220	
Interest earned - outstanding debtors		16,145	16,145	16,145	16,145	16,145	16,145	16,145	16,145	16,145	16,145	16,145	16,145	193,740	205,364	217,686	
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		1,339	1,339	1,339	1,339	1,339	1,339	1,339	1,339	1,339	1,339	1,339	1,339	16,064	17,028	18,050	
Licences and permits		89	89	89	89	89	89	89	89	89	89	89	89	1,071	1,136	1,204	
Agency services		48	48	48	48	48	48	48	48	48	48	48	48	576	611	647	
Transfers and subsidies		57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	44,317	672,023	734,742	795,945	
Other revenue		11,679	11,679	11,679	11,679	11,679	11,679	11,679	11,679	11,679	11,679	11,679	11,679	140,145	148,554	157,467	
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)		441,001	441,001	441,001	441,001	441,001	441,001	441,001	441,001	441,001	441,001	441,001	753,610	5,604,622	6,157,970	6,763,867	
Expenditure By Type																	
Employee related costs		114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	200,180	1,455,869	1,536,352	1,655,604	
Remuneration of councillors		4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	51,488	54,577	57,852	
Debt impairment		9,741	9,741	9,741	9,741	9,741	9,741	9,741	9,741	9,741	9,741	9,741	9,741	116,891	123,901	131,332	
Depreciation & asset impairment		40,923	40,923	40,923	40,923	40,923	40,923	40,923	40,923	40,923	40,923	40,923	41,872	492,025	516,580	542,365	
Finance charges		3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	41,660	31,793	24,371	
Bulk purchases		183,749	183,749	183,749	183,749	183,749	183,749	183,749	183,749	183,749	183,749	183,749	261,365	2,282,600	2,561,795	2,875,643	
Other materials		4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,685	55,756	57,943	59,990	
Contracted services		49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	38,638	587,242	620,921	656,528	
Transfers and subsidies		4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	(7,612)	46,379	36,741	39,680	
Other expenditure		16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	18,056	198,552	198,907	207,000	
Loss on disposal of PPE		4	4	4	4	4	4	4	4	4	4	4	4	43	45	46	
Total Expenditure		432,165	432,165	432,165	432,165	432,165	432,165	432,165	432,165	432,165	432,165	432,165	574,691	5,328,507	5,739,555	6,250,412	
Surplus/(Deficit)		8,836	8,836	8,836	8,836	8,836	8,836	8,836	8,836	8,836	8,836	8,836	178,919	276,115	418,416	513,456	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	47,604	439,342	446,236	473,589	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions		44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	226,523	715,458	864,652	987,045	
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)	1	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	44,449	226,523	715,458	864,652	987,045	

2019/20 to 2021/22



2.9.2 Table 37 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

KZN225 Msunduzi - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote																
Vote 1 - City Manager		5	5	5	5	5	5	5	5	5	5	5	5	57	60	64
Vote 2 - City Finance		157,672	157,672	157,672	157,672	157,672	157,672	157,672	157,672	157,672	157,672	157,672	42,848	1,777,245	1,891,798	2,014,888
Vote 3 - Community Services and Social Equity		17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	210,737	224,707	239,520
Vote 4 - Corporate Services		545	545	545	545	545	545	545	545	545	545	545	545	6,542	2,482	2,631
Vote 5 - Infrastructure Services		340,576	340,576	340,576	340,576	340,576	340,576	340,576	340,576	340,576	340,576	340,576	426,937	4,173,277	4,620,168	5,130,069
Vote 6 - Sustainable Development and City Enterprises		15,340	15,340	15,340	15,340	15,340	15,340	15,340	15,340	15,340	15,340	15,340	15,340	184,080	197,541	209,477
Total Revenue by Vote		531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	503,237	6,351,937	6,936,756	7,596,650
Expenditure by Vote to be appropriated																
Vote 1 - City Manager		14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	177,602	172,608	182,867
Vote 2 - City Finance		86,378	86,378	86,378	86,378	86,378	86,378	86,378	86,378	86,378	86,378	86,378	(258,720)	691,436	730,835	772,978
Vote 3 - Community Services and Social Equity		62,149	62,149	62,149	62,149	62,149	62,149	62,149	62,149	62,149	62,149	62,149	62,149	59,274	742,913	794,150
Vote 4 - Corporate Services		18,278	18,278	18,278	18,278	18,278	18,278	18,278	18,278	18,278	18,278	18,278	18,278	289,335	273,901	291,254
Vote 5 - Infrastructure Services		282,991	282,991	282,991	282,991	282,991	282,991	282,991	282,991	282,991	282,991	282,991	339,021	3,451,918	3,800,671	4,195,730
Vote 6 - Sustainable Development and City Enterprises		24,641	24,641	24,641	24,641	24,641	24,641	24,641	24,641	24,641	24,641	24,641	12,225	283,276	299,940	317,113
Total Expenditure by Vote		489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	254,878	5,636,480	6,072,104	6,609,605
Surplus/(Deficit) before assoc.		42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	248,359	715,458	864,652	987,045
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	248,359	715,458	864,652	987,045

MSUNDUZI ANNUAL BUDGET

2.9.3 Table 38 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

KZN225 Msunduzi - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue - Functional																
Governance and administration		160,712	160,712	160,712	160,712	160,712	160,712	160,712	160,712	160,712	160,712	160,712	42,330	1,810,165	1,922,534	2,048,306
Executive and council		355	355	355	355	355	355	355	355	355	355	355	355	4,257	60	64
Finance and administration		160,357	160,357	160,357	160,357	160,357	160,357	160,357	160,357	160,357	160,357	160,357	41,975	1,805,908	1,922,474	2,048,242
Internal audit																
Community and public safety		9,124	9,124	9,124	9,124	9,124	9,124	9,124	9,124	9,124	9,124	9,124	9,019	109,380	117,116	123,847
Community and social services		2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	2,074	24,887	26,710	28,214
Sport and recreation		865	865	865	865	865	865	865	865	865	865	865	865	10,384	11,006	11,919
Public safety		301	301	301	301	301	301	301	301	301	301	301	301	3,606	3,823	4,052
Housing		5,884	5,884	5,884	5,884	5,884	5,884	5,884	5,884	5,884	5,884	5,884	5,779	70,503	75,578	79,662
Health																
Economic and environmental services		26,057	26,057	26,057	26,057	26,057	26,057	26,057	26,057	26,057	26,057	26,057	29,720	316,347	335,401	353,418
Planning and development		4,492	4,492	4,492	4,492	4,492	4,492	4,492	4,492	4,492	4,492	4,492	4,492	53,904	59,139	63,658
Road transport		21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	25,219	262,339	276,153	289,644
Environmental protection		9	9	9	9	9	9	9	9	9	9	9	9	104	110	116
Trading services		330,898	330,898	330,898	330,898	330,898	330,898	330,898	330,898	330,898	330,898	330,898	417,260	4,057,142	4,499,267	5,004,895
Energy sources		199,839	199,839	199,839	199,839	199,839	199,839	199,839	199,839	199,839	199,839	199,839	286,200	2,484,433	2,796,740	3,158,966
Water management		97,143	97,143	97,143	97,143	97,143	97,143	97,143	97,143	97,143	97,143	97,143	97,143	1,165,717	1,269,596	1,384,058
Waste water management		20,202	20,202	20,202	20,202	20,202	20,202	20,202	20,202	20,202	20,202	20,202	20,202	242,423	257,922	274,730
Waste management		13,714	13,714	13,714	13,714	13,714	13,714	13,714	13,714	13,714	13,714	13,714	13,714	164,570	175,439	187,140
Other		4,909	4,909	4,909	4,909	4,909	4,909	4,909	4,909	4,909	4,909	4,909	4,909	58,902	62,437	66,183
Total Revenue - Functional		531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	531,700	503,237	6,351,937	6,936,756	7,596,650
Expenditure - Functional																
Governance and administration		140,174	140,174	140,174	140,174	140,174	140,174	140,174	140,174	140,174	140,174	140,174	(124,820)	1,417,089	1,441,413	1,527,676
Executive and council		15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780	15,780	189,361	181,451	193,135
Finance and administration		123,220	123,220	123,220	123,220	123,220	123,220	123,220	123,220	123,220	123,220	123,220	(141,773)	1,213,645	1,245,140	1,318,926
Internal audit		1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	14,083	14,822	15,615
Community and public safety		45,210	45,210	45,210	45,210	45,210	45,210	45,210	45,210	45,210	45,210	45,210	23,383	520,693	567,881	606,903
Community and social services		10,404	10,404	10,404	10,404	10,404	10,404	10,404	10,404	10,404	10,404	10,404	1,098	115,536	134,479	143,642
Sport and recreation		10,478	10,478	10,478	10,478	10,478	10,478	10,478	10,478	10,478	10,478	10,478	10,478	125,730	134,612	144,156
Public safety		16,068	16,068	16,068	16,068	16,068	16,068	16,068	16,068	16,068	16,068	16,068	3,547	180,294	194,331	209,534
Housing		8,239	8,239	8,239	8,239	8,239	8,239	8,239	8,239	8,239	8,239	8,239	8,239	98,865	104,184	109,287
Health		22	22	22	22	22	22	22	22	22	22	22	22	268	276	284
Economic and environmental services		20,917	20,917	20,917	20,917	20,917	20,917	20,917	20,917	20,917	20,917	20,917	20,917	251,002	264,034	278,032
Planning and development		6,783	6,783	6,783	6,783	6,783	6,783	6,783	6,783	6,783	6,783	6,783	6,783	81,395	86,829	92,662
Road transport		12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	12,617	151,400	157,723	164,502
Environmental protection		1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	1,517	18,206	19,482	20,868
Trading services		277,065	277,065	277,065	277,065	277,065	277,065	277,065	277,065	277,065	277,065	277,065	329,526	3,377,237	3,724,599	4,118,983
Energy sources		163,758	163,758	163,758	163,758	163,758	163,758	163,758	163,758	163,758	163,758	163,758	219,882	2,021,215	2,260,206	2,530,635
Water management		75,592	75,592	75,592	75,592	75,592	75,592	75,592	75,592	75,592	75,592	75,592	75,592	907,107	985,174	1,070,858
Waste water management		26,960	26,960	26,960	26,960	26,960	26,960	26,960	26,960	26,960	26,960	26,960	23,297	319,855	342,186	371,728
Waste management		10,755	10,755	10,755	10,755	10,755	10,755	10,755	10,755	10,755	10,755	10,755	10,755	129,060	137,034	145,761
Other		5,872	5,872	5,872	5,872	5,872	5,872	5,872	5,872	5,872	5,872	5,872	5,872	70,459	74,177	78,011
Total Expenditure - Functional		489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	489,236	254,878	5,636,480	6,072,104	6,609,605
Surplus/(Deficit) before assoc.		42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	248,359	715,458	864,652	987,045
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	42,464	248,359	715,458	864,652	987,045

2019/20 to 2021/22



2.9.4 Table 39 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

KZN225 Msunduzi - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	IRef	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Multi-year expenditure to be appropriated	1																
Vote 1 - City Manager		833	833	833	833	833	833	833	833	833	833	833	833	(4,035)	5,132	5,132	5,132
Vote 2 - City Finance		2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	(3,015)	22,500	18,550	18,600
Vote 3 - Community Services and Social Equity		2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	(599)	22,975	41,566	35,596
Vote 4 - Corporate Services		433	433	433	433	433	433	433	433	433	433	433	433	(4,067)	700	200	200
Vote 5 - Infrastructure Services		31,649	31,649	31,649	31,649	31,649	31,649	31,649	31,649	31,649	31,649	31,649	31,649	29,733	377,870	378,274	402,855
Vote 6 - Sustainable Development and City Enterprises		5,355	5,355	5,355	5,355	5,355	5,355	5,355	5,355	5,355	5,355	5,355	5,355	1,886	60,790	121,945	119,442
Capital multi-year expenditure sub-total	2	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	19,904	489,966	565,667	581,824
Single-year expenditure to be appropriated																	
Vote 1 - City Manager														4,869	4,869	1,548	1,548
Vote 2 - City Finance														12,335	12,335	10,510	11,150
Vote 3 - Community Services and Social Equity														12,991	12,991	6,000	2,700
Vote 4 - Corporate Services														4,500	4,500	5,000	5,000
Vote 5 - Infrastructure Services														27,501	27,501	4,100	4,700
Vote 6 - Sustainable Development and City Enterprises														3,210	3,210	4,500	3,350
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	65,406	65,406	31,658	28,448
Total Capital Expenditure	2	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	85,309	555,371	597,324	610,272

2.9.5 Table 40 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

KZN225 Msunduzi - Supporting Table SA29 Consolidated budgeted monthly capital expenditure (functional classification)

Description	IRef	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	
Capital Expenditure - Functional	1																
Governance and administration		3,645	3,645	3,645	3,645	3,645	3,645	3,645	3,645	3,645	3,645	3,645	3,645	11,045	51,135	41,939	43,129
Executive and council		182	182	182	182	182	182	182	182	182	182	182	182	182	2,179	1,293	1,293
Finance and administration		3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	10,842	48,707	40,532	41,722
Internal audit		21	21	21	21	21	21	21	21	21	21	21	21	21	250	115	115
Community and public safety		1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	8,822	28,966	51,166	39,056
Community and social services		1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	11,026	22,407	33,000	23,200
Sport and recreation		125	125	125	125	125	125	125	125	125	125	125	125	125	1,500	1,300	1,500
Public safety		338	338	338	338	338	338	338	338	338	338	338	338	(2,662)	1,058	4,766	796
Housing		333	333	333	333	333	333	333	333	333	333	333	333	4,000	12,100	13,560	
Health														-	-	-	-
Economic and environmental services		23,503	23,503	23,503	23,503	23,503	23,503	23,503	23,503	23,503	23,503	23,503	23,503	28,003	286,539	327,916	335,849
Planning and development		4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	4,317	51,800	104,545	99,232
Road transport		19,157	19,157	19,157	19,157	19,157	19,157	19,157	19,157	19,157	19,157	19,157	19,157	23,657	234,379	221,871	236,117
Environmental protection		30	30	30	30	30	30	30	30	30	30	30	30	360	1,500	500	
Trading services		13,067	13,067	13,067	13,067	13,067	13,067	13,067	13,067	13,067	13,067	13,067	13,067	36,753	180,492	167,803	182,538
Energy sources		1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	1,725	9,356	28,331	14,370	13,900
Water management		7,021	7,021	7,021	7,021	7,021	7,021	7,021	7,021	7,021	7,021	7,021	7,021	22,825	100,054	93,676	97,448
Waste water management		3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,738	3,988	45,106	52,258	59,891
Waste management		583	583	583	583	583	583	583	583	583	583	583	583	583	7,000	7,500	11,300
Other		687	687	687	687	687	687	687	687	687	687	687	687	8,240	8,500	9,700	
Total Capital Expenditure - Functional	2	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	42,733	85,309	555,371	597,324	610,272
Funded by:																	
National Government		35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,779	35,782	429,351	492,819	504,997
Provincial Government		832	832	832	832	832	832	832	832	832	832	832	832	839	9,991	-	-
District Municipality																	
Other transfers and grants																	
Transfers recognised - capital		36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,611	36,621	439,342	492,819	504,997
Borrowing		469	469	469	469	469	469	469	469	469	469	469	469	472	5,631	-	-
Internally generated funds		9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,199	9,209	110,398	104,505	105,275
Total Capital Funding		46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,279	46,302	555,371	597,324	610,272

MSUNDUZI ANNUAL BUDGET

2.9.6 Table 41 MBRR SA30 - Budgeted monthly cash flow

KZN225 Msunduzi - Supporting Table SA30 Consolidated budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash Receipts By Source														1		
Property rates	80,051	80,051	80,051	80,051	80,051	80,051	80,051	80,051	80,051	80,051	80,051	80,056	80,056	960,617	1,018,254	1,079,350
Service charges - electricity revenue	161,196	161,196	161,196	161,196	161,196	161,196	161,196	161,196	161,196	161,196	161,196	161,194	161,194	1,934,350	2,187,170	2,473,033
Service charges - water revenue	41,198	41,198	41,198	41,198	41,198	41,198	41,198	41,198	41,198	41,198	41,198	41,198	77,195	530,373	581,289	637,092
Service charges - sanitation revenue	9,698	9,698	9,698	9,698	9,698	9,698	9,698	9,698	9,698	9,698	9,698	9,702	9,702	116,380	123,363	130,765
Service charges - refuse revenue	7,422	7,422	7,422	7,422	7,422	7,422	7,422	7,422	7,422	7,422	7,422	7,417	7,417	89,059	94,402	100,066
Rental of facilities and equipment	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,856	1,856	22,261	23,597	25,013
Interest earned - external investments	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,227	1,227	14,702	15,442	16,220
Interest earned - outstanding debtors	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	12,916	154,992	164,291	174,149
Dividends received																
Fines, penalties and forfeits	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,070	1,070	12,851	13,622	14,440
Licences and permits	80	80	80	80	80	80	80	80	80	80	80	80	187	1,071	1,136	1,204
Agency services	48	48	48	48	48	48	48	48	48	48	48	48	48	576	611	647
Transfer receipts - operational	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	57,064	44,317	44,317	672,023	734,742	795,945
Other revenue	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	10,511	(3,504)	(3,504)	112,116	118,843	125,974
Cash Receipts by Source	384,335	384,335	384,335	384,335	384,335	384,335	384,335	384,335	384,335	384,335	384,335	393,683	393,683	4,621,372	5,076,762	5,573,897
Other Cash Flows by Source																
Transfer receipts - capital	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	35,613	47,604	47,604	439,342	446,236	473,589
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)																
Proceeds on disposal of PPE																
Short term loans																
Borrowing long term/refinancing																
Increase (decrease) in consumer deposits																
Decrease (increase) in non-current debtors																
Decrease (increase) other non-current receivables																
Decrease (increase) in non-current investments																
Total Cash Receipts by Source	419,948	419,948	419,948	419,948	419,948	419,948	419,948	419,948	419,948	419,948	419,948	441,287	441,287	5,060,715	5,522,998	6,047,486
Cash Payments by Type																
Employee related costs	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	114,154	54,593	54,593	1,310,282	1,382,717	1,490,043
Remuneration of councillors	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	4,291	51,488	54,577	57,852
Finance charges	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	3,472	41,660	31,793	24,371
Bulk purchases - Electricity	137,037	137,037	137,037	137,037	137,037	137,037	137,037	137,037	137,037	137,037	137,037	137,035	137,035	1,644,442	1,859,371	2,102,391
Bulk purchases - Water & Sewer	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	43,669	524,028	574,334	629,470
Other materials	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	4,643	1,897	1,897	52,969	55,046	56,991
Contracted services	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	49,873	9,276	9,276	557,880	589,875	623,701
Transfers and grants - other municipalities																
Transfers and grants - other	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	4,908	(9,931)	(9,931)	44,060	34,904	37,696
Other expenditure	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	16,409	8,128	8,128	188,625	188,962	196,650
Cash Payments by Type	378,455	378,455	378,455	378,455	378,455	378,455	378,455	378,455	378,455	378,455	378,455	252,429	252,429	4,415,434	4,771,578	5,219,166
Other Cash Flows/Payments by Type																
Capital assets	42,711	42,711	42,711	42,711	42,711	42,711	42,711	42,711	42,711	42,711	42,711	57,778	57,778	527,603	567,458	579,758
Repayment of borrowing	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	6,588	79,056	75,103	71,348
Other Cash Flows/Payments																
Total Cash Payments by Type	427,754	427,754	427,754	427,754	427,754	427,754	427,754	427,754	427,754	427,754	427,754	316,795	316,795	5,022,093	5,414,139	5,870,272
NET INCREASE/(DECREASE) IN CASH HELD	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	(7,806)	124,492	124,492	38,622	108,859	177,214
Cash/cash equivalents at the month/year begin:	461,179	453,313	445,506	437,700	429,894	422,087	414,281	406,474	398,668	390,862	383,055	375,249	375,249	461,179	499,741	608,600
Cash/cash equivalents at the month/year end:	453,313	445,506	437,700	429,894	422,087	414,281	406,474	398,668	390,862	383,055	375,249	499,741	499,741	499,741	608,600	785,814

2019/20 to 2021/22



I.9 Annual budgets and SDBIPs – internal departments

These are discussed fully in the IDP and SDBIP documents

I.10 Contracts having future budgetary implications

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

I.11 Capital expenditure details

The following three tables present details of the City's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.



Table 45 MBRR SA36 - Detailed capital budget per municipal vote
KZN225 Msunduzi - Supporting Table SA36 Consolidated detailed capital budget

R thousand	Function	Project Description	Audited Outcome 2017/18	Current Year 2018/19 Full Year Forecast	2019/20 Medium Term Revenue & Expenditure Framework		
					Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Parent municipality:							
<i>List all capital projects grouped by Function</i>							
CITY FINANCE	COMPUTERS		149	60	300	-	-
CITY FINANCE	COMPUTERS		486	20,000	200		
CITY FINANCE	FINANCIAL MANAGEMENT SYSTEM - SAP		96	14	30	33	36
CITY FINANCE	COMPUTERS		46	165	48	53	59
CITY FINANCE	COMPUTERS AND LAPTOP		30	45	180	180	201
CITY FINANCE	NOTE COUNTING MACHINES - CASHIER		20	30	300	100	100
CITY FINANCE	INSTALL MORE CAMERA SYSTEMS STORES		164	30	4		
CITY FINANCE	MOTOR VEHICLE CANOPY		29	200	50		
CITY FINANCE	SECURE FENCING STORES		244	300	500	550	600
CITY FINANCE	SORES CHANGE ROOMS		13	1,000	300	3,000	5,000
CITY FINANCE	FUEL MANAGEMENT SYSTEM NCT AND NEW VEHICLES		68	200	300	300	300
CITY FINANCE	VEHICLES incl. Meter Readers		35	40	65		
CITY FINANCE	COMPUTERS		8,968	30	80		
CITY MANAGER	COMPUTERS x 10		35	16	80		
CITY MANAGER	PRINTERS x 10		128	85	20	10	
CITY MANAGER	PARK HOMES x 3		22	5,000	50		
CITY MANAGER	COMPUTERS x 7		15	80	22,000	18,000	18,000
CITY MANAGER	IIP PHONES x7		314	26	500	200	100
CITY MANAGER	ITABLETS		41	10	200	200	200
CITY MANAGER	PRINTERS x 2		28	700	383	383	383
CITY MANAGER	CAMERAS x 2		6	45	85	85	85
CITY MANAGER	SECURITY SYSTEM		135	500	65	65	65
CITY MANAGER	LAPTOPS x 3		734	3,500	100		
CITY MANAGER	IP PHONES x 2		55	96	100		
CITY MANAGER	LAPTOP		41	16	200	100	50
CITY MANAGER	IP TELEPHONES		36	96	100	50	50
CITY MANAGER	COMPUTERS x 10		1,851	44	150		
CITY MANAGER	SEWING MACHINES		5,300	40	40		
CITY MANAGER	PALISIDE FENCING		4,654	30	42		
CITY MANAGER	STREET FURNITURE		986	3	1,000	1,000	5,000
CITY MANAGER	COMPUTER		37	50	1,500	1,600	1,700
CITY MANAGER	LAPTOPS X 3		56	55	115	115	115
CITY MANAGER	VOICE RECORDING SOFTWARE		11	44	25	25	25
CITY MANAGER	FURNITURE		18	13	75	75	75
COMMUNITY SERVICES	LEVS:AH:NEW:FURNITURE & OFFICE EQUIP		146	422	80	80	80
COMMUNITY SERVICES	LEVS:ZA:NEW:MACHINERY & EQUIPM		2,008	10	170	70	70
COMMUNITY SERVICES	LEVS:ZA:NEW:MACHINERY & EQUIPM		20	500	110		
COMMUNITY SERVICES	LEVS:ZA:NEW:TRANSPORT ASSETS		38	1,680	70		
COMMUNITY SERVICES	OPERATION SUKUMA SAKHE		566	50	404	1,000	1,000
COMMUNITY SERVICES	TUSONG CENTER		2,649	100	110		250
COMMUNITY SERVICES	PARK HOMES		3,675	3,500	400	450	500
COMMUNITY SERVICES	TRANSPORT ASSETS		307	750	15	-	-
COMMUNITY SERVICES	Critical Fire Fighting Equipment		297	2,000	120	-	-
COMMUNITY SERVICES	PABX WITH VOICE RECORDER		46	902	480	-	-
COMMUNITY SERVICES	RADIO EQUIPMENT		11	3,300	6	-	-
COMMUNITY SERVICES	SHOOTING RANGE 2ND PHASE		314	341	40	40	40
COMMUNITY SERVICES	RENOVATION FOR MARKET OFFICES		633	600	100	200	200
COMMUNITY SERVICES	REFURBISHMENT OF ECC		324	400	200		
COMMUNITY SERVICES	RADIO EQUIPMENT		2,748	200	20		
COMMUNITY SERVICES	TRANSPORT ASSETS		144	950	50		
COMMUNITY SERVICES	TRANSPORT ASSETS		65	2,900	1,000	1,000	1,000
COMMUNITY SERVICES	LEVS:ZA:NEW:MACHINERY & EQUIPM		146	750	250		250
COMMUNITY SERVICES	REFURBISHMENT OF DISASTER MANAGEMENT		14,004	8,500	250	300	350
COMMUNITY SERVICES	MULTI CENTRE PUBLIC SAFETY		4,649	8,000		1,500	



MSUNDUZI ANNUAL BUDGET

COMMUNITY SERVICES	PROTECTIVE EQUIPMENT COMPLIANCE WITH LEGISLATION	69	5,010	250		
COMMUNITY SERVICES	LEVS:ZA:NEW:MACHINERY & EQUIPM	5,143	900		2,000	2,500
COMMUNITY SERVICES	LEVS:ZA:NEW:TRANSPORT ASSETS	4,609	300	6,540	6,600	8,000
COMMUNITY SERVICES	NEW BUILDING	671	300	200	300	
COMMUNITY SERVICES	MACHINERY & EQUIPM	877	300	3,000		
COMMUNITY SERVICES	WASTE : NEW MACHINERY	4,497	300	1,000	1,000	1,000
COMMUNITY SERVICES	DEVELOPMENT OF NEW CEMETERY: LAMONTVILLE	612	2,000	400		
COMMUNITY SERVICES	UPGRADE AND MAINTENANCE OF POOLS (Alexandra, Olymp	18	5,332	1,000	1,500	1,500
COMMUNITY SERVICES	MODIFY CONTAINERS / PARK HOMES AS TOILET FACILITIES	3,130	4,900	1,000	1,500	1,500
COMMUNITY SERVICES	ESSENTIAL EQUIPMENT FOR SPORT FACILITIES (goal post, m	135	750	200	200	200
COMMUNITY SERVICES	FENCING OF BISLEY NATURE RESERVE	1,428	450	400	200	200
COMMUNITY SERVICES	UPGRADING OF BUCHANNAN SWIMMING POOL	3	250	200	200	300
COMMUNITY SERVICES	IMIG - LANDFILL UPGRADE		300	800	800	
COMMUNITY SERVICES	IMIG - WARD 15 COMMUNITY HALL			9		500
COMMUNITY SERVICES	IMIG - WARD 38 COMMUNITY HALL	8,929	11			500
COMMUNITY SERVICES	IMIG - KWAQANDA COMMUNITY HALL	161	13	1,500	1,300	1,500
COMMUNITY SERVICES	IMIG - WARD 18 COMMUNITY HALL	309	3	500	350	300
COMMUNITY SERVICES	IMIG - UNIT BB COMMUNITY HALL	3,855	155	300		
COMMUNITY SERVICES	IMIG - WARD 7 COMMUNITY HALL	2,883	50	800	4,500	
COMMUNITY SERVICES	IMIG - WARD 29 COMMUNITY HALL	3,875	3	800	800	800
COMMUNITY SERVICES	IMIG - WARD 24 COMMUNITY HALL	9,183	71	600		
COMMUNITY SERVICES	IMIG - WARD 8 COMMUNITY HALL	470	13	2,000	6,000	
COMMUNITY SERVICES	IMIG - WARD 13 COMMUNITY HALL		35	4,000	12,100	13,560
COMMUNITY SERVICES	IMIG - MADIBA COMMUNITY HALL	261	73	300	7,000	
COMMUNITY SERVICES	IMIG - SWEETWATERS DUAL PURPOSE SPORT CENTRE	13	275	300	3,000	5,000
CORPORATE SERVICES	STITCHING MACHINE	689	500	2,000	4,000	2,200
CORPORATE SERVICES	1X LAPTOP	5,463	522	300	3,000	5,000
CORPORATE SERVICES	ICOMPUTERS	321	9	4,816	3,000	
CORPORATE SERVICES	IDIGITAL RECORDERS	731	11	300	3,000	5,000
CORPORATE SERVICES	ICOMPUTER	119	13	5,000	5,500	6,000
CORPORATE SERVICES	IDOCUMENT MANAGEMENT SYSTEM	1,190	3	1,000		
CORPORATE SERVICES	IDIGITAL RECORDER	3,431	155	6,538	29,000	42,462
CORPORATE SERVICES	INetwork REFRESH/REPLACING SERVERS	9,549	50	2,500	12,000	18,500
CORPORATE SERVICES	ICOMPUTERS	2,632	3	15,115	25,645	2,240
CORPORATE SERVICES	IFIBRE REPLACEMENT	824	71	7,220	14,600	17,180
CORPORATE SERVICES	ILAN/WAN - CABLING	565	13	10,700	10,000	
CORPORATE SERVICES	IP TELEPHONES	1,633	35	5,927	10,000	15,000
CORPORATE SERVICES	ILAPTOPS/ DESKTOPS	4,263	73	1,000		
INFRASTRUCTURE	IALNS:ZA:DBSA - NETWORK 132KV REHAB PLAN	13,989	275	8,250	9,300	10,400
INFRASTRUCTURE	IP Computers	6,500	500	50		
INFRASTRUCTURE	ICapital equipment	5,366	522	450	100	100
INFRASTRUCTURE	INetwork Refurbishment	1,807	100	100		
INFRASTRUCTURE	IComputers	(0)	100	60		
INFRASTRUCTURE	IAir conditioner	2,187	2,276	150		
INFRASTRUCTURE	IWorkshop Tools	6,304	3,224	5,132	5,132	5,132
INFRASTRUCTURE	Rudimentary Water Scheme	308	4,390	10		
INFRASTRUCTURE	Reservoir Fencing	3,805	100	2,000		
INFRASTRUCTURE	Telemetry and Control Upgrades	7,291	200	500		
INFRASTRUCTURE	Vehicles	1,253	30	80	50	50
INFRASTRUCTURE	Plant and Equipment	7,605	218	300	300	
INFRASTRUCTURE	Sanitation Pump Stations	926	300	1,000		
INFRASTRUCTURE	Vulindlela Satellite office	3,515	1,000	10	10	10
INFRASTRUCTURE	ED 2 and ED 4 system Upgrade	3,098	500	130	130	130
INFRASTRUCTURE	Water Pump Stations	7,716	79	70	70	70
INFRASTRUCTURE	TRAFFIC CALMING MEASURES	5,791	21	50		
INFRASTRUCTURE	PMS	4,178	1,200	100		
INFRASTRUCTURE	Lester Brown	414	2,800	9,000	6,000	6,480
INFRASTRUCTURE	SMALL PLANTS (PEDESTRIAN ROLLERS, BRUSH CUTTERS AN	149	300	700		1,000
INFRASTRUCTURE	TRAFFIC SIGNAL SPARES	1,775	1,171	6,500	8,000	8,640
INFRASTRUCTURE	NEW:COMPUTER EQUIPMENT	437	200	8,000		
INFRASTRUCTURE	INSTALLAT OF NEW GUARD RAILS	1,583	1,442	100	100	100
INFRASTRUCTURE	NEW CONCRETE CASTING YARD CHANGE ROOMS	2,389	2,907	3,000	2,000	3,000
INFRASTRUCTURE	UPGRADING OF GRAVEL ROAD -VULINDLELA - WARD 1	104,863	2,105	1,000	1,000	1,100
INFRASTRUCTURE	MIG - REHABILITATION OF ROADS IN ASHDOWN	1,008	772	1,000	3,000	3,240
INFRASTRUCTURE	MIG - UPGRADE OF ROADS IN PEACE VALLEY - 10km	477	400	2,300	4,000	3,000
INFRASTRUCTURE	MIG - REHABILITATION OF ROADS IN IMBALI UNIT 18	325	175	3,000		
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	47	1,500	500	500	550
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	1,198	7,500	10,000		
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	338	1,000	2,300	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - WILLOWFOUNTAIN RO	14,885	1,300	4,800	5,000	4,637
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - EDENDALE - WARD	3,921	2,400	2,300	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - EDENDALE - STATIO	233	2,900	2,300	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - EDENDALE - Roads I	1,670	900	2,300	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	2,607	3,500	2,300	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - EDENDALE - DAMBU	3,846	2,039	4,800	3,779	4,619
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - D206	1,380	3,321	3,800	2,200	3,041
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	2,633	2,274	7,000	5,000	8,211
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	4,301	2,806	2,300		
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - GREATER EDENDAL	153	2,000			
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	198	8,569	2,300	1,300	1,500
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	38,369	6,000	8,000	9,500	10,260
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	688	5,510	2,300	2,000	1,430
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	6,078	2,039	1,300	1,430	1,430
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	44,449	4,906	2,300	1,100	1,100
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	4,235	62	2,300	2,200	2,200
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	2,959	200	6,000	2,500	6,000
INFRASTRUCTURE	MIG - UPGRADE OF GRAVEL ROADS - VULINDLELA - WARD	3	4,440	2,300	5,500	6,841
INFRASTRUCTURE	MIG - UPGRADE OF BRIDGES - Pedestrian Bridge Over River	2,107	2,714	9,356	7,500	10,653
INFRASTRUCTURE	MIG - WOODHOUSE PEDESTRIAN BRIDGE	22	1,500	2,300	1,000	1,000
INFRASTRUCTURE	MIG - MABANE BRIDGE PROJECT	399	18,000	1,500	1,650	1,650
INFRASTRUCTURE	IMIG - BUS STOP SHELTERS	200	6,398	10,000	6,000	
INFRASTRUCTURE	IMIG - NON MOTORISED TRANSPORT	866	4,019	8,500	8,000	9,500
INFRASTRUCTURE	IMIG - REHABILITATION OF SANITATION INFRASTRUCTURE	6,181	3,700	8,700	9,570	9,000
INFRASTRUCTURE	IMIG - SEWER PIPES UNIT H	7	11,152	1,544	1,500	1,698
INFRASTRUCTURE	IMIG - SEWER PIPES AZALEA - PHASE 2	117	6,000	8,000	6,500	14,000
INFRASTRUCTURE	IMIG - ELIMINATION OF CONSERVANCY TANKS - (SEWER)	62	4,400	2,000	6,907	7,459
INFRASTRUCTURE	IMIG - SERVICE MIDBLOCK ERADICATION IN SOBANTU, ASH	66	42,041	9,000	8,601	9,289
INFRASTRUCTURE	IMIG - SHENSTONE AMBLETON SANITATION SYSTEM	5	5,416	2,400	1,500	
INFRASTRUCTURE	IMIG - REDUCTION OF NON REVENUE WATER	22	3,213		400	
INFRASTRUCTURE	IMIG - ELIMINATION OF CONSERVANCY TANKS - (WATER)	50	2,400	750	2,550	2,000
INFRASTRUCTURE	IMIG - SERVICE MIDBLOCK ERADICATION IN SOBANTU, ASH	10	15,654	500	500	500
INFRASTRUCTURE	IMIG - COPESVILLE RESERVOIR	86	40,000	250	250	250
INFRASTRUCTURE	IMIG - HIGH MAST LIGHTS IN VULINDLELA & GREATER EDEN	60	22,300	100	100	100
INFRASTRUCTURE	IPUBLIC TRANSPORT SYSTEM	283	1,500	300		
INFRASTRUCTURE	ISIG:ZA:REDUCTION OF NON REVENUE WATER	701	4,000	500		
INFRASTRUCTURE	ISIG:ZA: BASIC WATER SUPPLY	5	8,000	250	250	300
SUSTAINABLE DEVELOPMENT AND	AIR POLLUTION STATION(EDN)	75	150,330		400	
SUSTAINABLE DEVELOPMENT AND	COMPUTERS	2,885	50	5,631		
SUSTAINABLE DEVELOPMENT AND	FLEET	38	294	15,304		
SUSTAINABLE DEVELOPMENT AND	LAB EQUIPMENT	44	140	1,000	1,000	1,000
SUSTAINABLE DEVELOPMENT AND	COMPUTERS	82	58	2,000	1,000	900
SUSTAINABLE DEVELOPMENT AND	COLD ROOM	30,277	217	136,765	158,912	166,864
SUSTAINABLE DEVELOPMENT AND	EQUIPMENT	(3,063)	560	70		
SUSTAINABLE DEVELOPMENT AND	FENCING	1,186	750	2,300	7,000	1,941
SUSTAINABLE DEVELOPMENT AND	COMPUTERS	6,325	75	15,000	30,000	30,000
SUSTAINABLE DEVELOPMENT AND	LIGHT INDUSTRIAL HUB	(404)	45	6,000		
SUSTAINABLE DEVELOPMENT AND	FLEET	2,054	791	150	150	
SUSTAINABLE DEVELOPMENT AND	CROSS INFRASTRUCTURE		2,780		600	300
SUSTAINABLE DEVELOPMENT AND	MIG - JIKA JOE CRU	625	42	100	100	150
SUSTAINABLE DEVELOPMENT AND		11,821	153	40,000	39,000	40,000

2019/20 to 2021/22



SUSTAINABLE DEVELOPMENT AND NDPG:EDENDALE TOWN CENTRE: Promenade 2	2,295	750	1,000	4,326	5,418
SUSTAINABLE DEVELOPMENT AND NDPG:EDENDALE TOWN CENTRE: Civic Building, Informal Tra	0	25	700		
SUSTAINABLE DEVELOPMENT AND NDPG:EDENDALE TOWN CENTRE: Civic Building, Informal Tra	3,142	291	8,091		
SUSTAINABLE DEVELOPMENT AND NDPG:EDENDALE TOWN CENTRE: stage 4	10,615	6,780	1,000		
SUSTAINABLE DEVELOPMENT AND CAPITAL: NEIGHBOURH DEV PARTNERSHP GRANT	19	5,220	200		
SUSTAINABLE DEVELOPMENT AND CAPITAL: NEIGHBOURH DEV PARTNERSHP GRANT	64	9,329	8,000		
SUSTAINABLE DEVELOPMENT AND PROVINCIAL GOVERNMENT: KZN: CAPITAL	12	1,000			
SUSTAINABLE DEVELOPMENT AND PROVINCIAL GOVERNMENT: KZN: CAPITAL	23	1,000			
SUSTAINABLE DEVELOPMENT AND CAPITAL: NEIGHBOURH DEV PARTNERSHP GRANT	22	400			
SUSTAINABLE DEVELOPMENT AND CAPITAL: NEIGHBOURH DEV PARTNERSHP GRANT	59	19			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: LIBR, ARCH, MUSEUMS	26	37			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: LIBR, ARCH, MUSEUMS	(89)	8,386			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: LIBR, ARCH, MUSEUMS	17	2,924			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: COGTA	158	6,612			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: COGTA	158	2,000			
SUSTAINABLE DEVELOPMENT AND CAPITAL: MUNICIPAL INFR GRANT	29	603			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING DEVELOPMENT	66	2,500			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: COGTA	210	2,500			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	62	500			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	10,036	1,700			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	337	54			
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	3,239				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	18				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	-				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	26,692				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	4,739				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	239				
SUSTAINABLE DEVELOPMENT AND CAPITAL: PROV GOV: HOUSING ACCREDITATION	78				

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme and has employed a number of interns who undergoing training in various divisions of the Financial Services Department, as well as other sector departments especially in the technical and services sector.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

MSUNDUZI ANNUAL BUDGET

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2019/20 MTREF in May 2019 directly aligned and informed by the MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

1.12 Other supporting documents

Table 46 MBRR Table SA1 - Supporting detail to budgeted financial performance

KZN25 Msunduzi - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
REVENUE ITEMS:											
Property rates											
Total Property Rates	6	1,141,141	1,208,266	1,275,392	1,342,518	1,357,245	1,357,245	1,357,245	1,323,961	1,403,398	1,487,602
less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		401,640	410,961	411,958	441,681	441,681	441,681	441,681	123,189	130,580	138,415
Net Property Rates		739,501	797,305	863,435	900,837	915,564	915,564	915,564	1,200,772	1,272,818	1,349,187
Service charges - electricity revenue											
Total Service charges - electricity revenue	6	1,786,601	1,865,888	2,319,671	2,180,445	2,141,016	2,141,016	2,141,016	2,420,846	2,737,251	3,095,010
less Revenue Foregone (in excess of 50 kwh per indigent household per month)		625	661	698	735	735	735	735	831	940	1,062
less Cost of Free Basis Services (50 kwh per indigent household per month)		1,562	1,654	1,745	1,837	1,837	1,837	1,837	2,077	2,349	2,656
Net Service charges - electricity revenue		1,784,415	1,863,573	2,317,228	2,177,873	2,138,443	2,138,443	2,138,443	2,417,938	2,733,962	3,091,291
Service charges - water revenue											
Total Service charges - water revenue	6	725,933	598,653	711,200	753,006	754,241	754,241	754,241	826,648	906,006	992,983
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)		126,943	134,410	141,878	149,345	149,345	149,345	149,345	163,682	179,395	196,617
Net Service charges - water revenue		598,990	464,242	569,323	603,661	604,896	604,896	604,896	662,966	726,611	796,366
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		135,690	131,872	146,575	148,256	137,241	137,241	137,241	157,331	166,770	176,777
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)		9,507	10,066	10,625	11,184	11,184	11,184	11,184	11,855	12,567	13,321
Net Service charges - sanitation revenue		126,183	121,806	135,950	137,072	126,057	126,057	126,057	145,475	154,204	163,456
Service charges - refuse revenue											
Total refuse removal revenue	6	89,284	94,309	105,973	112,255	122,186	122,186	122,186	117,662	124,721	132,205
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)		5,082	5,381	5,680	5,979	5,979	5,979	5,979	6,338	6,718	7,121
Net Service charges - refuse revenue		84,201	88,928	100,293	106,276	116,206	116,206	116,206	111,324	118,003	125,083
Other Revenue by source											
Airport		4,719	6,299	5,477	12,378	19,571	19,571	19,571	20,745	21,990	23,310
Forestry		9,117	12,171	10,581	23,914	23,914	23,914	23,914	25,349	26,869	28,482
Market		10,734	14,330	12,458	28,157	28,157	28,157	28,157	29,846	31,637	33,535
Burials & Crematoriums		1,606	2,144	1,864	4,214	4,214	4,214	4,214	4,466	4,734	5,018
Buildings		1,378	1,840	1,600	3,615	3,615	3,615	3,615	3,832	4,062	4,306
Reconnections		6,957	9,288	8,075	18,250	18,250	18,250	18,250	19,345	20,506	21,736
Training Levy Recoveries		240	320	278	629	629	629	629	667	707	749
Illegal connection fee		1,458	1,947	1,693	3,825	3,825	3,825	3,825	4,055	4,298	4,556
Rates Certificates		701	936	814	1,839	1,839	1,839	1,839	1,949	2,066	2,190
Parking fees		1,020	1,361	1,183	2,675	2,675	2,675	2,675	2,835	3,005	3,186
Other Revenue		24,980	33,348	28,992	65,524	25,524	25,524	25,524	27,055	28,679	30,400
Sundry Income		-	-	-	-	-	-	-	-	-	-
Total 'Other' Revenue	1	62,910	83,984	73,015	165,019	132,212	132,212	132,212	140,145	148,554	157,467

MSUNDUZI ANNUAL BUDGET

Table 48 MBRR Table SA3 – Supporting detail to Statement of Financial Position

KZN225 Msunduzi - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Call investment deposits											
Call deposits		577,199	669,683	430,330	639,427	361,119	361,119	361,119	399,741	508,600	685,814
Other current investments		310,000									
Total Call investment deposits	2	887,199	669,683	430,330	639,427	361,119	361,119	361,119	399,741	508,600	685,814
Consumer debtors											
Consumer debtors		1,112,206	1,013,847	1,346,514	2,804,271	2,110,658	2,110,658	2,110,658	1,902,907	1,940,966	1,979,785
Less: Provision for debt impairment		93,651	99,160	104,669	1,291,521	1,291,521	1,291,521	1,291,521	1,067,388	1,088,736	1,110,511
Total Consumer debtors	2	1,112,206	1,013,847	1,346,514	1,512,750	819,137	819,137	819,137	835,519	852,230	869,274
Debt impairment provision											
Balance at the beginning of the year		1,004,142	1,063,209	1,122,276	1,181,343	1,181,343	1,181,343	1,181,343	1,291,521	1,067,388	1,088,736
Contributions to the provision		93,651	99,160	104,669	110,178	110,178	110,178	110,178	(224,133)	21,348	21,775
Bad debts written off											
Balance at end of year		1,097,793	1,162,369	1,226,945	1,291,521	1,291,521	1,291,521	1,291,521	1,067,388	1,088,736	1,110,511
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)		9,883,153	7,356,353	8,434,509	10,936,649	11,174,919	11,174,919	11,174,919	11,398,417	11,626,385	11,858,913
Leases recognised as PPE	3										
Less: Accumulated depreciation		1,950,646	2,048,178	2,150,587	3,449,776	4,160,413	4,160,413	4,160,413	4,243,622	4,328,494	4,415,064
Total Property, plant and equipment (PPE)	2	7,932,507	5,308,174	6,283,922	7,486,874	7,014,505	7,014,505	7,014,505	7,154,795	7,297,891	7,443,849
LIABILITIES											
Current liabilities - Borrowing											
Short term loans (other than bank overdraft)		68,064									
Current portion of long-term liabilities		21,141	79,715	84,512	83,217	84,512	84,512	84,512	79,056	75,103	71,348
Total Current liabilities - Borrowing		89,205	79,715	84,512	83,217	84,512	84,512	84,512	79,056	75,103	71,348
Trade and other payables											
Trade Payables		549,548	839,897	1,149,340	304,818	979,473	979,473	979,473	999,063	1,019,044	1,039,425
Other creditors											
Unspent conditional transfers											
VAT											
Total Trade and other payables	2	549,548	839,897	1,149,340	304,818	979,473	979,473	979,473	999,063	1,019,044	1,039,425
Non current liabilities - Borrowing											
Borrowing	4	568,133	535,739	451,226	349,414	451,226	451,226	451,226	459,547	465,476	471,519
Finance leases (including PPP asset element)		3,117									
Total Non current liabilities - Borrowing		571,250	535,739	451,226	349,414	451,226	451,226	451,226	459,547	465,476	471,519
Provisions - non-current											
Retirement benefits		625,699	664,587	732,182	772,200	731,576	731,576	731,576	742,917	757,804	772,987
List other major provision items											
Refuse landfill site rehabilitation		67,041	68,382	69,750	65,882						
Other											
Total Provisions - non-current		692,740	732,969	801,932	838,082	731,576	731,576	731,576	742,917	757,804	772,987
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance		8,699,440	5,624,760	6,119,000	8,459,766	6,510,648	6,510,648	6,510,648	6,717,550	6,940,269	7,233,585
GRAP adjustments											
Restated balance		8,699,440	5,624,760	6,119,000	8,459,766	6,510,648	6,510,648	6,510,648	6,717,550	6,940,269	7,233,585
Surplus/(Deficit)		178,139	(236,435)	10,402	507,467						
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	8,877,579	5,388,326	6,129,402	8,967,234	6,510,648	6,510,648	6,510,648	6,717,550	6,940,269	7,233,585
Reserves											
Housing Development Fund		76,525	79,572	87,654	52,685	183,556	183,556	183,556	89,407	91,195	93,019
Capital replacement		151,936	100,000	100,000	100,000	100,000	100,000	100,000	94,170	96,053	97,974
Self-insurance		52,129	115,318	143,981	229	229	229	229	53,193	54,257	55,342
Other reserves											
Revaluation									(528)	(533)	(541)
Total Reserves	2	280,590	294,890	331,635	152,914	283,785	283,785	283,785	236,779	241,625	246,875
TOTAL COMMUNITY WEALTH/EQUITY	2	9,158,169	5,683,215	6,461,037	9,120,148	6,794,434	6,794,434	6,794,434	6,953,794	7,181,241	7,479,380

2019/20 to 2021/22



I.B Municipal manager's quality certificate

I Nelisiwe Ngcobo, Acting Municipal Manager of Msunduzi Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name N Ngcobo

Municipal manager of Msunduzi Municipality (KZN 225)

Signature _____

Date _____



2019/20 REGISTER OF TARIFFS AND CHARGES (INCLUSIVE OF THE RATE RANDAGES)

CONTENTS

DEPARTMENT	TARIFF	PG
Budget and Treasury Office	Rates	1
	Municipal Services Deposits	3
	Tender Documents Deposits	4
	Valuations	5
Community Services	Refuse Removal	6
	Landfill Site	10
	Community Halls	12
	Cemetery	19
	Crematoria	20
	Horticulture	22
	Pools	24
	Sports & Recreation Facilities	26
	Libraries	29
	Fire & Emergency Services	30
Traffic & Security	33	
Infrastructure Services	Electricity Management	34
	Water & Sanitation Management	45
Sustainable Development and City's Development	Town Planning	50

2019/20 to 2021/22



Land Survey	51
Geographical Information Systems	52
Building Control	53
Advertising Signage	56
Wayleaves	59
Human Settlements	60
Licensing	61
Health	62
Airport	63
Municipal Market	65
Miscellaneous Charges	67
Promotion of Access to Information	68

All Departments

BUDGET AND TREASURY OFFICE

Rates

	2018/19	2019/20	Inc.
	Cents in the R	Cents in the R	
1. The RATE RANDAGES, assessed in terms of the Local Government:			
Municipal Property Rates Act 6 of 2004 are as follows:			
(a) Vacant Land - No rebate granted	0.0243	0.0229	-6.0%
(b) Unauthorized Use (inclusive of surcharges)	0.0418	0,0393	-6.0%
(c) Residential Property	0.0134	0,0126	-6.0%
(d) Commercial Property (Previous Category: Other Property)	0.0236	0.0222	-6.0%
(e) Industrial Property (Previous Category: Other Property)	0.0236	0.0222	-6.0%
(f) Specialised Property ((Previous Category: Other Property)	0.0236	0.0222	-6.0%
(g) Agricultural Property	0.0033	0.0031	-6.0%
(h) Public Service Infrastructure	0.0033	0.0031	-6.0%
(i) Rural Communal Property	0.0182	0.0172	-6.0%
(j) Home Business Property (Now treated as Commercial Property)	0.0182	0.000	
(k) Sectional Title Garages – Separately Registered	0.0134	0.0126	-6.0%
(l) Mining	0.0236	0.0222	-6.0%
(m) Public Benefit Organisations	0.0033	0.0031	-6.0%
Additional Rebate	100%	100%	
(n) Public Service Property	0.0222	NEW	
(o) Multipurpose Property			
Applicable tariff will be charged in respect of the combination of categories above.			

2. REBATES:

Impermissible and Free Value Based Rebates

- (p) No rates shall be levied on the market value of the first R15,000 of Residential Property.

A rebate of 100% will be granted on all Residential Property, from a value of R15,001 to a value of R100,000.

2019/20 to 2021/22



Aged Persons and Disability Grantees Rebate

(q) Aged Persons Occupier Owner Applicants:

60 years and over

Total monthly income of all occupants and owners from all sources

must not exceed R4,260 p.m. R 4 516 p.m.

%tage Rebate – 40% 40%

Child Headed Households

(r) Maximum monthly income of all occupants and owners from all sources

must not exceed R4,260 p.m. R 4 516 p.m.

%tage Rebate – 40% 40%

Listed Buildings

(s) Rates Rebate on Listed Buildings 40% Max 40% Max

Developers Rebate

(t) Rates Rebate on Vacant Land only subject to Council's Conditions

Year 1 100% 100%

Year 2 66% 66%

Year 3 33% 33%

BUDGET AND TREASURY OFFICE

Revenue Management

Rates

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
3. Miscellaneous Charges			
(a) i. Rates Clearance Certificate Application Fee	R 334.00	R 354.00	6.0%
ii Duplicate Statement Fee	R 56.00	R 60.00	6.0%
iii. Duplicate Revenue Clearance Certificate	R 85.00	R 90.00	6.0%
iv. Fee for Letters of Undertaking	R 106.00	R 112.00	6.0%
(b) Deeds Search Fee – per search	R 42.00	R 45.00	6.0%
(c) To search for and prepare any reconciliation, For each hour or part of an hour, excluding the first half hour, reasonably required for such search and preparation.	R 107.00	R 113.00	6.0%
PLUS Administration Fee	R 33.00	R 35.00	6.0%
(Excluding applications made in terms of the Promotion of Access to Information Act, No. 2 of 2000)			
PLUS all copies incidental to complete the reconciliation	R 4.00	R 4.00	6.0%
4. Interest and Collection Charges Rate			
(a) Interest Rate per annum	11.25%	11.25%	
(b) Collection Charge Rate per annum	10%	10%	

2019/20 to 2021/22



BUDGET AND TREASURY OFFICE

Revenue Management

Application for Municipal Services - Deposits

DEPOSITS		2018/2019	2019/2020	
CHURCHES		R1 500.00	R 1 500.00	PER METER
BUSINESSES				
20 AMP		R4 000.00	R4 250.00	PER METER
30 AMP		R5 000.00	R5 250.00	PER METER
40 AMP		R6 000.00	R6 250.00	PER METER
50 AMP		R7 000.00	R7 250.00	PER METER
60 AMP		R8 000.00	R8 250.00	PER METER
80 AMP		R9 000.00	R9 250.00	PER METER
100 AMP		R10 000.00	R10 250.00	PER METER
INCLUDING WATER- SINGLE PHASE WITH WATER				
20 AMP		R4 500.00	R4 750.00	PER METER
30 AMP		R6 000.00	R6 250.00	PER METER
40 AMP		R7 000.00	R7 250.00	PER METER
50 AMP		R8 000.00	R8 250.00	PER METER
60 AMP		R9 000.00	R9 250.00	PER METER
80 AMP		R10 000.00	R10 250.00	PER METER
100 AMP		R11 000.00	R11 250.00	PER METER
DOMESTIC-HOUSE, FLATS, COMPLEXES				
WATER & ELECRCITY	30 AMP	R3 000.00	R3 250.00	PER METER
WATER ONLY		R1 500.00	R1 750.00	PER METER
ELECRCITY 30 AMP		R1 500.00	R1 750.00	PER METER
WATER & ELECRCITY	40 AMP	R3 500.00	R3 750.00	PER METER
WATER & ELECRCITY	50 AMP	R4 000.00	R4 250.00	PER METER
WATER & ELECRCITY	60 AMP	R4 000.00	R4 250.00	PER METER
WATER & ELECRCITY	80 AMP	R4 500.00	R4 750.00	PER METER
ELECRCITY ONLY				
	30 AMP	R1 500.00	R1 750.00	PER METER
	40 AMP	R1 700.00	R1 450.00	PER METER
	50 AMP	R2 000.00	R2 250.00	PER METER
	60 AMP	R2 500.00	R2 750.00	PER METER
	80 AMP	R3 000.00	R3 250.00	PER METER

BUDGET AND TREASURY OFFICE

Supply Chain Management

Tender Documents Deposits

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
The tender documentation deposit is charged on pick up of a tender document by a tenderer.			
Non-refundable deposit for projects			
Contract Values between			
R 30 000.00 to R 200 000.00	R 149.00	R 157 .00	6.0%
R 200 001.00 to R1 000 000.00	R 178.00	R 189 .00	6.0%
R1 000 001.00 to R5 000 000.00	R 446.00	R 472.00	6.0%
R5 000 001.00 and over	R 743.00	R 787.00	6.0%

BUDGET AND TREASURY OFFICE

Real Estate and Valuations

Valuations

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
Miscellaneous Charges			
1. Valuation CD	R 775.00	R 822.00	6.0%
2. Valuation Certificate	R 42.00	R 45 .00	6.0%
3. Deed Search Fee – per search	R 42.00	R 45.00	6.0%
4. Request in terms of Section 53 of the Municipal Property Rates Act for reasons for the decisions of the Municipal Valuer in respect of objections.	R 99.00	R 105 .00	6.0%



COMMUNITY SERVICES

Waste Management

Refuse Removal Tariff

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
Standard charges for Domestic and Commercial			
Refuse Removal			
Based on the relevant Electricity Scale (Excluding Home Business)			
<u>Refuse Removal Tariffs</u>			
1. Domestic			
Single phase up to 80A	R 99.46	R 105.43	6.0%
Three phase up to 100A	R 99.46	R 105.43	6.0%
Prepayment Meter	R 99.46	R 105.42	6.0%
2. Multiple Purpose (Only applicable to previously Small Home Business for the purposes of Rates)			
Single phase up to 80A	R 150.78	R 159.83	6.0%
Three phase up to 100A	R 150.78	R 159.83	6.0%
Prepayment Meter	R 150.78	R 159.83	6.0%
3. Small Power Users - Business/Commercial			
Single phase up to 80A	R 284.95	R 302.05	6.0%
Three phase up to 100A	R 284.95	R 302.05	6.0%
4. Large Power Users – Business/Commercial			
Supply taken at 400V	R 284.95	R 302.05	6.0%
Supply taken at 6.6 or 11kV	R 284.95	R 302.05	6.0%
5. Flats/Simplexes	R 84.29	R 89.34	6.0%
6. Previously PHB Housing and Informal Settlements (MASS Housing) – per household per month	R 20.04	R 21.24	6.0%
7. Central Business District	R 378.95	R 401.68	6.0%
Main CBD bordered by East (Masukwane), Winston/Victoria, Bulwer, Boshoff, Alan Paton, Prince Alfred, Railway, Pine, Greytown Road from East to Trichy, Balhambra Way from Greytown Rd to Newholmes			



MSUNDUZI ANNUAL BUDGET

Way, Khan Rd from Greytown Rd to Deccan Rd, Mysore Rd from Greytown Rd to Bangalore Rd, Alan Paton up until King Edward Avenue.

8. For areas not being billed but supplied with prepaid electricity meters

To cover the cost of co-operative supplied refuse collection services R 15.90 R 16.85 6.0%

9. Qualifying Indigent consumers will receive 100% rebate in respect of the applicable charge.

Note:

Home Business refers to a property previously rated as residential where an owner or lessee runs a small business from the premises and which is still primarily used as a place of residence by that owner or lessee and where special consent has been obtained in terms of the Town Planning scheme to run this business on the premises.

Interest Rate

(a) Interest Rate per annum 11.25% 11.25%



COMMUNITY SERVICES Waste Management

Refuse Removal Tariff

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Fees payable for the additional removal and clearance of refuse by arrangement from premises other than those applicable in item 1 are contained within this section.			
1. (a) Removal of additional domestic refuse: Excluding Central Business District			
Normal days per collection –			
(i) 3 x 85l bins or part thereof	R 31.52	R 33.41	6.0%
(ii) 240l wheeled bin or part thereof	R 31.52	R 33.41	6.0%
(b) Other than normal removal days, per collection –			
(i) 3 x 85l bins or part thereof	R 190.83	R 202.28	6.0%
(c) Where Council refuse containers are used on high density residential developments (simplexes, duplexes, cluster homes etc). The charge for a 1,75m ³ container for approx. 10 units, one clearance per week, subject to agreement with the Waste Management Division.			
	R 311.96	R 330.68	6.0%
2. (a) Removal of additional domestic refuse: Central Business District			
Normal days per collection –			
(i) 3 x 85l bins or part thereof	R 31.64	R 33.54	6.0%
(ii) 240l wheeled bin or part thereof	R 31.64	R 33.54	6.0%
(b) Other than normal removal days, per collection –			
(i) 3 x 85l bins or part thereof	R 194.38	R 206.05	6.0%



MSUNDUZI ANNUAL BUDGET

(c) Where Council refuse containers are used on high density residential developments (simplexes, duplexes, cluster homes etc).
The charge for a 1,75m³ container for approx. 10 units, one clearance per week, subject to agreement with the Waste Management Division.

	R 317.71	R 336.78	6.0%
--	----------	----------	------

3. (a) Removal of trade refuse (Industrial/Commercial):

Normal days, per collection –

(i)	3 x 85l bins or part thereof	R 82.45	R 87.39	6.0%
(ii)	210l drum or part thereof	R 82.45	R 87.39	6.0%
(iii)	240l bin or part thereof	R 82.45	R 87.39	6.0%
(iv)	Removal of additional refuse as per 3(a)(i)-(iii)	R 82.45	R 87.39	6.0%
(v)				

(b) Other than normal removal days, per collection –

(i)	3 x 85l bins or part thereof	R 182.48	R 193.43	6.0%
(ii)	210l drum or part thereof	R 182.48	R 193.43	6.0%
(iii)	240l bin or part thereof	R 182.48	R 193.43	6.0%

4. (a) Removal of industrial refuse (Industrial/Commercial):

(i)	per load or part thereof (maximum 15 m ³) removed as a once off clearance.	R 3134.04	R 3322.08	6.0%
(ii)	bulk refuse containers (15 m ³ hire thereof, including a once off clearance.	R 2359.16	R 2500.71	6.0%
(iii)	bulk refuse containers (maximum 15 m ³) hire thereof, including one clearance per week.	R 2284.44	R 2421.51	6.0%
(iv)	second clearance	R 1581.80	R 1676.70	6.0%
(v)	each additional clearance	R 1418.94	R 1504.07	6.0%

(b) small mobile refuse containers (approx. 0,24m³)

2019/20 to 2021/22



available in Otto Bin serviced areas only:

(i)	hire thereof, including one clearance per week.	R 87.46	R 92.71	6.0%
(ii)	second clearance	R 66.03	R 69.99	6.0%
(iii)	each additional clearance	R 60.34	R 63.96	6.0%

(c) small mobile refuse containers (approx. 1 m³)

available in Otto Bin serviced areas only:

(i)	hire thereof, including one clearance per week.	R 350.14	R 371.15	6.0%
(ii)	second clearance	R 258.28	R 273.77	6.0%
(iii)	each additional clearance	R 225.68	R 239.22	6.0%

Waste Management

Refuse Removal Tariff

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
(d) small mobile refuse containers (approx. 2 m ³):			
(i) hire thereof as a once off clearance	R 569.33	R 603.49	6.0%
(ii) hire per week, including one clearance	R 517.45	R 548.50	6.0%
(iii) second clearance	R 268.65	R 284.77	6.0%
(iv) each additional clearance	R 235.44	R 249.56	6.0%
(e) 7 m ³ refuse skips available in south-west area only:			
(i) hire thereof, including one clearance per week.	R 1143.35	R 1211.95	6.0%
(ii) second clearance	R 800.99	R 849.05	6.0%
(iii) each additional clearance	R 681.84	R 722.75	6.0%
5. The tariff for the removal of refuse from properties owned by the State & Municipal Departments:			
240l			
(i) hire thereof, including one clearance per week.	R 88.31	R 93.61	6.0%
(ii) second clearance	R 66.03	R 69.99	6.0%
(iii) each additional clearance	R 60.51	R 64.14	6.0%
1 100l			
(i) hire thereof, including one clearance per week.	R 334.91	R 355.01	6.0%
(ii) second clearance	R 246.94	R 261.76	6.0%
(iii) each additional clearance	R 209.95	R 222.54	6.0%

1,75m³

2019/20 to 2021/22



(i)	hire thereof, including once off clearance	R 544.63	R 577.31	6.0%
(ii)	hire per week, including one clearance per week	R 495.07	R 524.77	6.0%
(iii)	second clearance	R 256.98	R 272.40	6.0%
(iv)	each additional clearance	R 225.23	R 238.74	6.0%

7m³

(i)	hire thereof, including one clearance per week	R 1093.44	R 1159.05	6.0%
(ii)	Second clearance	R 773.25	R 819.64	6.0%
(iii)	Each additional clearance	R 652.34	R 691.48	6.0%

15m³

(i)	per load or part thereof removed as a once off clearance	R 3134.04	R 3322.08	6.0%
(ii)	hire thereof, including a once off clearance	R 2359.16	R 2500.71	6.0%
(i)	hire thereof, including once clearance per week	R 2284.44	R 2421.51	6.0%
(iv)	second clearance	R 1581.80	R 1676.70	6.0%
(v)	each additional clearance	R 1418.94	R 1504.07	6.0%

20m³

(i)	per load or part thereof removed as a once off clearance	R 4178.48	R 4429.19	6.0%
(ii)	hire thereof, including a once off clearance	R 3145.26	R 3333.98	6.0%
(ii)	hire thereof, including once clearance per week	R 3046.24	R 3229.01	6.0%
(iv)	second clearance	R 2136.97	R 2265.19	6.0%
(v)	each additional clearance	R 1892.35	R 2005.89	6.0%

25m³



MSUNDUZI ANNUAL BUDGET

(i)	per load or part thereof removed as a once off clearance	R 4927.60	R 5536.65	6.0%
(ii)	hire thereof, including a once off clearance	R 3709.32	R 4167.79	6.0%
(iii)	hire thereof, including once clearance per week	R 3592.01	R 4035.98	6.0%
(iv)	second clearance	R 2519.76	R 2831.21	6.0%
(v)	each additional clearance	R 2231.74	R 2507.58	6.0%
6.	Removal and clearances from properties outside the refuse removal area:	Applicable	Applicable	Tariff plus 20% Tariff plus 20%



Waste Management

Refuse Removal Tariff

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
7. Dead animals (per carcass)			
(a) during working hours –			
(i) dog or cat	R 537.42	R 569.66	6.0%
(ii) sheep, goat, calf or pig	R 806.07	R 854.43	6.0%
(iii) ox, cow, bull horse, mule or donkey	R 1737.44	R 1841.68	6.4%
(b) outside working hours –			
(i) dog or cat	R 600.07	R 636.07	6.0%
(ii) sheep, goat, calf or pig	R 1522.58	R 1613.94	6.0%
(iii) ox, cow, bull horse, mule or donkey	R 3045.17	R 3227.88	6.0%

The fees specified in this item shall be payable upon demand or otherwise may be arranged with the Council.

8. Euthanased animals (per carcass):			
(a) Removal of dog and cat carcasses from the premises owned or occupied by registered veterinary practitioners –			
(i) during normal working hours	R 179.16	R 189.91	6.0%
(ii) after normal working hours	R 644.84	R 683.53	6.0%
(b) removal of carcasses other than dogs and cats shall be charged at the fees prescribed in items 3 and 4 as the case may be.			

Waste Management

Landfill Site Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. The tariff for the disposal of refuse at the New England Road Landfill Site –			
(a) general domestic refuse, inert trade refuse, including shredded tyre casings per 250kg or part thereof	R 50.22	R 53.23	6.0%
(b) mixed refuse (garden, domestic, trade refuse, including builder's rubble) per 250kg or part thereof	R 50.22	R 53.23	6.0%
(c) industrial sludges, subject to agreement and approval by the Landfill Manager per 250kg or part thereof	R 216.53	R 229.52	6.0%
(d) builder's rubble and excavated material per 250kg or part thereof	R 16.39	R 17.37	6.0%
(e) bulk food waste and condemned food per 250kg or part thereof	R 113.64	R 120.46	6.0%
(f) garden refuse, per 250kg or part thereof	R 16.39	R 17.37	6.0%
(g) finely divided excavated material with the			

2019/20 to 2021/22



	maximum stone content of 10% and maximum stone size of 100mm per 250kg or part thereof	R 7.54	R 8.00	6.0%
(h)	Sawdust and woodwaste, per 250kg or part thereof	R 76.51	R 81.10	6.0%

Provided that no charge shall be payable for the disposal of –

(i)	garden refuse by <u>bona fide</u> householders where such refuse is conveyed in motor cars, trailers with a nominal capacity not greater than 0,5 tonne and light delivery vehicles with a nominal capacity not greater than 1 tonne and deposited in the garden refuse containers	Existing concession	Existing concession	
(ii)	builder's rubble by <u>bona fide</u> householders and casual builders where such rubble is conveyed in vehicles with a nominal capacity not greater than 1 tonne and deposited in the demarcated area on the Landfill site.			1 Tonne – limit 1 Tonne – limit
(iii)	garden refuse by <u>bona fide</u> householders where such refuse is conveyed in vehicles with a nominal capacity not greater than 1 tonne and deposited in the demarcated area on the Landfill Site			1 Tonne –limit 1 Tonne – limit
(iv)	soil, ash and sand which the Landfill Site Manager has agreed in advance is suitable cover material, delivered in trucks of minimum 5 tonne capacity.	No change to existing concession	No change to existing concession	

COMMUNITY SERVICES

Waste Management

Landfill Site Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
2. Tariff for the voluntary weighing of vehicles (per vehicle) 6.0%	R 41.46	R 43.95	
3. That parking of a vehicle, trailer or container be not more than 8 hours at the New England Road Site, or on the road reserve adjacent to the site For each 8 hour period (per unit)	R 459.27	R 486.82	6.0%
4. Building Rubble: deposit payable when submitting a building plan for approval and refundable upon proof of disposal on the landfill site.	R1544.18	R 1636.83	6.0%
5. Illegal Dumping: a collection and disposal fee per 1,75m ³ container load for refuse or rubble dumped on a road verge in front of or next to a property. Vehicles may be impounded as deemed necessary.	R10600.00	R11236.00	6.0%
6. Florescent Tubes – complete tubes to be deposited in specialized containers located in the recycling area. Per 250 kgs or part thereof	R 99.41	R 105.37	6.0%

2019/20 to 2021/22



COMMUNITY SERVICES Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
City Hall and Musical Instruments			
1. Main Hall			
Hire of Main Hall (inclusive of fire protection)	R 4334.00	R 4594.00	6.0%
After Midnight per hour or part thereof	R 695.00	R 736.00	6.0%
Per hour of Preparations/Rehearsals	R 224.00	R 311.00	6.0%
Deposit Refundable - damage/breakage etc. and overtime for caretakers and cleaners	R 6298.00	R 6676.00	6.0%
2. Hire of Musical Instruments			
Grand Piano (August Forster) Per performance	R 589.00	R 625.00	6.0%
Per hour of Rehearsals	R 91.00	R 97.00	6.0%
Grand Piano (Steinway) Per Performance	R 980.00	R 1039.00	6.0%
Per Hour of Rehearsals	R 91.00	R 97.00	6.0%
Organ per Performance	R 980.75	R 1039.00	6.0%
Per Hour of Rehearsals	R 91.00	R 97.00	6.0%

COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Scale A</u>			
Ashdown Hall			
Unit "S" Hall			
Imbali			
Unit "J"			
Unit "N"			
Plessislaer			
Georgetown			
1. PRIVATE FUNCTIONS			
1.1 Profit-making functions, banquets, theatre and the like,			
Charge per 12 hours	R 1692.00	R 1793.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.2 Fund-raising functions by sporting, religious, social & cultural institutions recognized by the Council.			
Charge per 12 hours	R 1128.00	R 1196.00	6.0%
Additional time per hour	R 211.00	R 224.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%



1.3	Weddings, receptions, parties, choir performances and the like,			
	Charge per 12 hours	R 1551.00	R 1644.00	6.0%
	Additional time per hour	R 352.00	R 373.00	6.0%
	Deposit	R 2800.00	R 2968.00	6.0%
	Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%

2. COMMUNITY ACTIVITIES

2.1.1	Institutional activities of political, educational, cultural or sporting bodies recognized by the Council.			
	Charge per hour: Monday to Thursday	R 282.00	R 299.00	6.0%
	Deposit	R 1500.00	R 1590.00	6.0%

2.1.2	Religious Activities (Church Services): Charge per hour			
	Monday to Thursday	R 282.00	R 299.00	6.0%
	Deposit	R 1500.00	R 1590.00	6.0%
	Sundays – minimum 3 hours hire			

2.2	Activities of the Community Awareness Project and of groups, clubs etc., affiliated with the Project or sponsored by it.			
	Per uninterrupted period not exceeding 3 hours - Monday to Thursday	R 423.00	R 448.00	6.0%
	Deposit	R 1500.00	R 1590.00	6.0%

2.3	Rehearsals:			
	Rehearsals per hour: Monday to Thursday	R 254.00	R 269.00	6.0%
	Deposit	R 1500.00	R 1590.00	6.0%



MSUNDUZI ANNUAL BUDGET

2.4 Pre-Schools

Per uninterrupted period not exceeding

6 hours	R 141.00	R 149.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.5 Vulindlela Halls

Hire of Hall	R1060.00	R 1124.00	6.00
Refundable Deposit	R1060.00	R 1124.00	6.00

2.6 Overtime charges per hour on weekends & public holidays	R 197.20	R 209.00	6.0%
---	----------	----------	------



COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.	
<u>Scale B</u>				
Truro				
Main Hall				
1. PRIVATE FUNCTIONS				
1.1	Profit-making functions, banquets, theatre and the like,			
	Charge per 12 hours	R 3947.00	R 4184.00	6.0%
	Additional time per hour	R 352.00	R 373.00	6.0%
	Deposit	R 28000.00	R 2968.00	6.0%
	Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.2	Fund-raising functions by sporting, religious, social & cultural institutions recognized by the Council.			
	Charge per 12 hours	R 3243.00	R 3437.00	6.0%
	Additional time per hour	R 282.00	R 373.00	6.0%
	Deposit	R 2800.00	R 2968.00	6.0%
	Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.3	Weddings, receptions, parties, choir performances and the like,			
	Charge per 12 hours (Hall+Sec 1)	R 3947.00	R 4184.00	6.0%
	Additional time per hour	R 352.00	R 373.00	6.0%
	Deposit	R 2800.00	R 2968.00	6.0%



MSUNDUZI ANNUAL BUDGET

Overtime charges per hour on weekends

and public holidays

R 197.00 R 209.00 6.0%

2. COMMUNITY ACTIVITIES

2.1.1 Institutional activities of political, educational, cultural or sporting bodies recognized by the

Council. Charge per hour: Monday to Thursday

R 423.00 R 448.00 6.0%

Deposit

R 1500.00 R 1590.00 6.0%

2.1.2 Religious Activities (Church Services): Charge per hour

Monday to Thursday

R 423.00 R 448.00 6.0%

Deposit

R 1500.00 R 1590.00 6.0%

Sundays – minimum 3 hours hire

2.2 Activities of the Community Awareness Project and of groups, clubs etc., affiliated with the Project or sponsored by it.

Per uninterrupted period not exceeding

3 hours: Monday to Thursday

R 423.00 R 448.00 6.0%

Deposit

R 1500.00 R 1590.00 6.0%

2.3 Rehearsals:

Rehearsals per hour: Monday to Thursday

R 352.00 R 373.00 6.0%

Deposit

R 1500.00 R 1590.00 6.0%

2.4 Overtime charges per hour on weekends & public holidays

R 197.00 R 209.00 6.0%



COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Scale C</u>			
Bombay Road Hall plus Annexure I or Annexure II			
AF Wood Hall and Annexe			
Grange Hall plus Annexe			
1. PRIVATE FUNCTIONS			
1.1 Profit-making functions, banquets, theatre and the like,			
Charge per 12 hours (Hall+Annex1)	R 3090.00	R 3275.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.2 Fund-raising functions by sporting, religious, social & cultural institutions recognized by the Council.			
Charge per 12 hours (Hall+Annex1)	R 2538.00	R 2690.00	6.0%
Additional time per hour	R 211.00	R 224.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.3 Weddings, receptions, parties, choir performances and the like,			
Charge per 12 hours (Hall+Annex1)	R 2820.00	R 2989.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%



MSUNDUZI ANNUAL BUDGET

Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%

2. COMMUNITY ACTIVITIES

2.1.1 Institutional activities of political, educational, cultural or sporting bodies recognized by the

Council. Charge per hour: Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.1.2 Religious Activities (Church Services): Charge per hour

Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

Sundays – minimum 3 hours hire

2.2 Activities of the Community Awareness Project and of groups, clubs etc., affiliated with the Project or sponsored by it.

Per uninterrupted period not exceeding

3 hours	R 423.00	R 448.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.3 Rehearsals:

Rehearsals per hour: Monday to Thursday	R 254.00	R 269.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.4 Pre-Schools

Per uninterrupted period not exceeding

6 hours	R 141.00	R 149.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.5 Overtime charges per hour on weekends & public holidays	R 197.00	R 209.00	6.0%
---	----------	----------	------



COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.	
<u>Scale D</u>				
Truro Center – Secondary Hall II				
Bombay Road Hall				
Eastwood Theater				
Eastwood Hall				
AF Wood Hall				
Woodlands Hall				
Grange Hall				
Sobantu				
1. PRIVATE FUNCTIONS				
1.1	Profit-making functions, banquets, theatre and the like,			
	Charge per 12 hours	R 2256.00	R 2391.00	6.0%
	Additional time per hour	R 352.00	R 373.00	6.0%
	Deposit	R 2800.00	R 2968.00	6.0%
	Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%
1.2	Fund-raising functions by sporting, religious, social & cultural institutions recognized by the Council.			
	Charge per 12 hours	R 1692.00	R 1793.00	6.0%
	Additional time per hour	R 211.00	R 224.00	6.0%
	Deposit	R 2800.00	R 2968.00	6.0%
	Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%



MSUNDUZI ANNUAL BUDGET

1.3 Weddings, receptions, parties, choir

performances and the like,

Charge per 12 hours	R 2115.00	R 2242.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%

2. COMMUNITY ACTIVITIES

2.1.1 Institutional activities of political, educational, cultural or sporting bodies recognized by the Council.

Charge per hour: Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.1.2 Religious Activities (Church Services): Charge per hour

Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.2 Activities of the Community Awareness Project and of groups, clubs etc., affiliated with the Project or sponsored by it.

Per uninterrupted period not exceeding

3 hours: Monday to Thursday	R 423.00	R 448.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%
Sundays – minimum 3 hours hire			

2.3 Rehearsals:

Rehearsals per hour: Monday to Thursday	R 254.00	R 269.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.4 Pre-Schools

Per uninterrupted period not exceeding

6 hours	R 141.00	R 149.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.5 Overtime charges per hour on weekends & public holidays	R 197.00	R 209.00	6.0%
---	----------	----------	------



COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Scale E</u>			
Truro Center – Secondary Hall I			
Truro Social Center I			
Truro Social Center II			
Bombay Rd - Annexe I or II			
Eastwood Social Center			
AF Wood Annexe			
Grange Annexe			
Glenwood Hall			

1. PRIVATE FUNCTIONS

1.1 Profit-making functions, banquets, theatre and the like,

Charge per 12 hours	R 1410.00	R 1494.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%

1.2 Fund-raising functions by sporting, religious, social & cultural institutions recognized by the Council.

Charge per 12 hours	R 1263.00	R 1339.00	6.0%
Additional time per hour	R 211.00	R 224.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%



MSUNDUZI ANNUAL BUDGET

1.3 Weddings, receptions, parties, choir performances and the like,

Charge per 12 hours	R 1410.00	R 1494.00	6.0%
Additional time per hour	R 352.00	R 373.00	6.0%
Deposit	R 2800.00	R 2968.00	6.0%
Overtime charges per hour on weekends and public holidays	R 197.00	R 209.00	6.0%

2. COMMUNITY ACTIVITIES

2.1.1 Institutional activities of political, educational, cultural or sporting bodies recognized by the Council.

Charge per hour: Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.1.2 Religious Activities (Church Services): Charge per hour

Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2.2 Activities of the Community Awareness Project and of groups, clubs etc., affiliated with the Project or sponsored by it.

Per uninterrupted period not exceeding

3 hours: Monday to Thursday	R 423.00	R 448.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%
Sundays – minimum 3 hours hire			

2.3 Rehearsals:

Rehearsals per hour: Monday to Thursday	R 254.00	R 269.00	6.0%
Deposit	R 1500.00	R 1590.00	6.0%

2019/20 to 2021/22



2.4 Pre-Schools

Per uninterrupted period not exceeding

6 hours

R 141.00 R 149.00 6.0%

Deposit

R 1500.00 R 1590.00 6.0%

2.5 Overtime charges per hour on weekends & public holidays

R 197.00 R 209.00 6.0%

COMMUNITY SERVICES

Community Halls

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Winston Churchill Theatre			
Full Theatre			
Per day	R 3523.00	R 3734.00	6.0%
Rehearsals (per hour): Monday to Thursday	R 423.00	R 448.00	6.0%
Lascelles Room – Per Performance	R 2114.00	R 2241.00	6.0%
Lascelles Room – Rehearsal (per hour): Monday to Thursday	R 282.00	R 299.00	6.0%
Deposit	R 3609.00	R 3826.00	6.0%
Deposits for Live Shows at the Winston Churchill Theatre	R 4650.00	R 4929.00	6.0%
Overtime labour charges per hour on weekends and Public Holidays	R 197.00	R 209.00	6.0%

** Confirmation of Hire subject to obtaining a permit from the Environmental Health Division of the Msunduzi Municipality.

MISCELLANEOUS CHARGES

1. Excessive cleaning after functions (per hour)	R 423.00	R 448.00	6.0%
2. Cooking facilities (Including gas, pot, spoons)	R 493.00	R 523.00	6.0%
3. Extra time after midnight	Double hourly rate	Double hourly rate	
4. SAMRO Performing Rights – per function	R 70.00	R 75.00	6.0%

GENERAL COMMENTS

For tariff rates on Community based activities/functions on weekends and public holidays, refer to Section 1.2 on the tariff schedule.

Daily pre-school hire is restricted to Annexe and Secondary Halls.

In the event of the free use of halls on weekends, the hirer is required to pay the overtime for 2 Caretakers X number of hours All free use bookings: Hirers to provide their own toiletries and pay the required deposit which will be used to offset any damages to Council Property.

Excessive cleaning: The Hirer is required to pay for 4 General employees X 5 hours X the applicable rate.



COMMUNITY SERVICES Sport and Recreation

Cemetery

2018/19	2019/20	Inc.
Excl. Vat	Excl. Vat	

Mountain Rise Cemetery

Cemetery and Crematoria Tariffs

A. Cemetery Tariffs for Residents

1. Private Graves

Reserved Site (including maintenance levy)	R 5073.00	R 5377.00	6.0%
Unreserved Site – Adult (including maintenance levy)	R 4227.00	R 4481.00	6.0%
Child under 12 years of age (including maintenance levy)	R 2226.00	R 2360.00	6.0%
Child under 1 year or stillborn (including maintenance levy)	R 1423.00	R 1509.00	6.0%
Ashes	R 197.00	R 209.00	6.0%
Second Internment –			
Adult	R 775.00	R 822.00	6.0%
Child	R 352.00	R 373.00	6.0%

2. Public Grave

Adult	R 1057.00	R 1120.00	6.0%
Child under 12 years of age	R 493.00	R 523.00	6.0%
Child under 1 year or stillborn	R 225.00	R 239.00	6.0%

The charge for the burial of newly born child and mother in the same coffin shall be the same as for a single adult.

3. Miscellaneous

Exhumation of body	R 2226.00	R 2360.00	6.0%
Permit to erect memorial per grave site	R 423.00	R 448.00	6.0%
Permit to erect kerbs only – (No inscription) per grave site	R 211.00	R 224.00	6.0%
Permit to add inscription	R 211.00	R 224.00	6.0%



MSUNDUZI ANNUAL BUDGET

Transfer of Grave Site	R 211.00	R 224.00	6.0%
Rental of Storage Material Bins (payable annually in advance) per annum	R 162.00	R 172.00	6.0%
Overtime labour charge additional to normal burial fees for funeral commenced or concluded after 16H00 per funeral, per hour or part thereof	R 225.00	R 239.00	6.0%
Lengthening or widening of Graves	R 620.00	R 657.00	6.0%
Overtime labour charge in addition to the normal burial fee, for burials			
On Saturday	R 310.00	R 329.00	6.0%
On Sundays and Public Holidays – per burial	R 423.00	R 448.00	6.0%
Late arrival of body for burial (for each quarter of an hour or part thereof)	R 211.00	R 224.00	6.0%



COMMUNITY SERVICES Sport and Recreation

Crematoria

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
B. Crematorium Tariffs for Residents			
1. Cremation Fees:			
Person over 12 years of age	R 1589.00	R 1685.00	6.0%
Child 12 years of age and under	R 397.00	R 421.00	6.0%
Person certified as indigent	R 371.00	R 393.00	6.0%
Overtime labour charge additional to normal per cremation			
Cremation fees for cremations on Saturdays	R 291.00	R 309.00	6.0%
Cremation fees for cremations on Sundays and public holidays	R 391.00	R 414.00	6.0%
2. Space for Tablet at Memorial Wall			
<u>Note:</u>			
Space for tablet may not be purchased except for immediate use, and shall be allocated in sequence upon application to the Registrar. The tablets shall be of white marble 30mm thick and of such a length and breadth as to fit into a recess 22.5 mm wide by 175 mm high.			
The finished face of the tablet shall be recessed 6mm from the face of the brick surround.			
Space for inscribed tablet	R 486.00	R 515.00	6.0%
Each subsequent inscription thereon	R 197.00	R 209.00	6.0%
3. Niche is columbarium and deposit therein of ashes			
<u>Note:</u>			
Niches may not be purchased except for the immediate deposit of ashes and shall be allocated in sequence upon			



MSUNDUZI ANNUAL BUDGET

application to the Registrar.

The niche must be sealed by a white marble tablet 25 mm thick and of such a length and breadth as to fit an opening 260 mm wide by 195 mm high.

The finished face of the tablet shall be recessed 6 mm from the face of the brick surround.

	Purchase of Niche	R 1339.00	R 1419.00	6.0%
	Each subsequent deposit of ashes in the same niche	R 352.00	R 373.00	6.0%
4.	Safekeeping of ashes for a period exceeding 14 days from day of cremation, per week or part thereof	R 141.00	R 149.00	6.0%
	<u>Note:</u> If the ashes are removed or scattered in the Garden of Remembrance by a representative of the deceased within 14 days of the cremation, this charge will not be made.			
5.	Purchase of grave 60 cm x 38 cm and interment of urn or casket containing ashes	R 247.00	R 261.00	6.0%
	Each subsequent deposit of ashes in the same grave	R 162.00	R 172.00	6.0%
	<u>Note:</u> Graves may not be purchased except for immediate use and shall be allocated in sequence upon application to the Registrar.			
6.	Late arrival of body at Crematorium (For each quarter or part thereof)	R 183.00	R 194.00	6.0%
7.	Permit to erect memorial	R 148.00	R 157.00	6.0%
8.	Use of Chapel	R 0.00	R 0.00	



COMMUNITY SERVICES Sport and Recreation

Cemetery

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	

C. Tariffs for Non-Residents

The scale of charges for non-residents shall be double the scale of residents, except in respect of charges for additional or overtime labour.

Azalea Cemetery Fee

1. Grave Sites – Residents

Family Grave	R 183.00	R 194.00	6.0%
Single Grave	R 141.00	R 149.00	6.0%
Child's Grave (12yrs and younger)	R 134.00	R 142.00	6.0%
Grave for stillborn Child	R 113.00	R 119.00	6.0%
Exhumation	R 1585.00	R 1680.00	6.0%
Reburial	R 162.00	R 172.00	6.0%
Enlargement of Grave	R 141.00	R 149.00	6.0%
Sundays and Public Holidays	R 423.00	R 448.00	6.0%

2. Grave Sites – Non-Residents

Family Grave	R 366.00	R 388.00	6.0%
Single Grave	R 282.00	R 299.00	6.0%
Child's Grave (12yrs and younger)	R 264.00	R 279.00	6.0%
Grave for stillborn Child	R 225.00	R 239.00	6.0%
Exhumation	R 1585.00	R 1680.00	6.0%
Reburial	R 324.00	R 344.00	6.0%
Enlargement of Grave	R 831.00	R 881.00	6.0%

Once the Azalea Cemetery is closed, the Mountain Rise Cemetery will be effective as a one tariff structure for cemeteries.

COMMUNITY SERVICES

Sport and Recreation

Horticulture

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Production and Display</u>			
1. Loan and Hire of Plants and other Decorative Features			
Non profit organizations will be afforded the loan of palms for the decoration of functions that are to the benefit of the community and the upliftment of the City.			
Profit making organizations – Hire of Palms	R 106.00 per unit	R 112.00 per unit	6.0%
For functions that are to the benefit of the community and the upliftment of the City.	per function	per function	
Damages incurred to plants and decorative features while on loan/hire are for the account of the organization.			
2. City Hall – Main Hall			
Wings of Stage	R 937.00	R 993.00	6.0%
Full Stage	R 9406.00	R 9970.00	6.0%
Reception Point	R 930.00	R 986.00	6.0%
Organ Steps	R 1867.00	R 1979.00	6.0%
Base of Stage	R 2346.00	R 2487.00	6.0%
Foliage Division	R 2346.00	R 2487.00	6.0%
Palms around the Hall	R 1649.00	R 1748.00	6.0%
3. City Hall – Other Decorations			
Water Feature (5m diameter)	R 8455.00	R 8962.00	6.0%
Fountain (1-1.5m diameter)	R 1170.00	R 1240.00	6.0%
Two meter diameter Decoration	R 937.00	R 993.00	6.0%

2019/20 to 2021/22



4. Sale of Plants

4.1 Trees, Shrubs and Ground cover

Nursery Bag Size 1 (3l)

Wholesale	R 21.00	R 22.00	6.0%
Retail	R 28.00	R 30.00	6.0%

Nursery Bag (5l)

Wholesale	R 49.00	R 52.00	6.0%
Retail	R 70.00	R 75.00	6.0%

Nursery Bag Size 4 (8l)

Wholesale	R 70.00	R 75.00	6.0%
Retail	R 106.00	R 112.00	6.0%

Nursery Bag Size 6 (20l)

Wholesale	R 99.00	R 105.00	6.0%
Retail	R 183.00	R 194.00	6.0%

Nursery Bag (50l)

Wholesale	R 338.00	R 358.00	6.0%
Retail	R 705.00	R 747.00	

Nursery Bag (100l)

Wholesale	R 451.00	R 478.00	6.0%
Retail	R 916.00	R 971.00	6.0%

COMMUNITY SERVICES

Sport and Recreation

Horticulture

		2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Production and Display</u>				
4.2	Seedlings			
	Per Seedling			
	Wholesale	R 7.00	R 7.00	6.0%
	Retail	R 7.00	R 7.00	6.0%
4.3	Cuttings			
	Depending on size and species, contract grown in trays of 80 or loose:			
	Wholesale	R 7.00	R 7.00	6.0%
	Retail	R 14.00	R 15.00	6.0%
5.	Hire of Park Facilities			
	Alexandra Park, Exclusive use of a specific area in the Park for Functions: Weddings, Wedding receptions, Gatherings etc. end of the year parties – (per day or part thereof)	R 618.00	R 655.00	6.0%
	Use per 15 amp Plug Point	R 85.00	R 90.00	6.0%
6.	Hire of Demo Gardens, Percy Taylor Rockery, Mayor's Garden (Alexandra Park) and Wylie Park			
	Recreation Functions: Weddings, Wedding receptions, end of the year parties etc. (per day or part thereof)	R 2346.00	R 2487.00	6.0%
	Use for photo sessions (per hour or part thereof)	R 100.00	R 106.00	6.0%

2019/20 to 2021/22



7.	Hire of Wylie Park Gardens			
	Functions: Weddings, Wedding receptions, end of the year parties etc. (per day or part thereof)	R 2346.00	R 2487.00	6.0%
	Use for photo sessions (per day or part thereof)	R 106.00	R 112.00	6.0%
8	Commercial and Non Commercial Events			
(a)	Hire by clubs, associations, schools, welfare & religious organisations (per day) If a gate levy is charged then the hire fee will either be 15% of gross gate levy or the tariff, whichever is greater (for noncommercial purposes)		R 8,000.00	0.00%
(b)	Hire by other persons (per day or part thereof). Hire by commercial users (per day) or part thereof where gate levy is charged or for commercial purposes, such as advertising, concerts, conventions etc. (Commercial)		R 10,000.00	0.00%
(c)	Meetings arranged by Councilors for the purpose of informing and educating the community on matters directly affecting them subject to the approval by the Deputy Head: PLC or his nominee and that hires paying the full tariffs will have preference.		NO CHARGE	
(d)	Hire of a non-sporting event where "setting up" is required, prior to the day of the event. (Per day or part thereof)		R 1,000.00	0.00%
(e)	Hire by users to promote a merchandise / products, where a gate levy is not charged:			
	Commercial users		R 10,000.00	0.00%
	(i) Non Profit organisations		R 10,000.00	0.00%
	(ii) Council Events		NO CHARGE	

The **GM: Community Services and Manager: Recreational and Sporting** be granted delegated authority to waive charges in respect of item 1, 5 and 6 for institutional activities of political, educational, cultural or sporting bodies recognized by the Council.

COMMUNITY SERVICES Sport and Recreation

Pool Tariffs

Swimming Pool Tariffs

Summer

Buchanan St. Pool

Berg St. Pool

Pilditch Pool

Olympic Pool

Alexandra Pool

Eastwood Pool

Sobantu Pool

Winter

Buchanan St. Pool

		2018/19	2019/20	Inc.
		Excl. Vat	Excl. Vat	
1.	Daily			
	Adults			
	Summer	R 11.00	R 11.00	6.0%
	Winter	R 15.00	R 16.00	6.0%
	Junior (U-16 and Scholars)			
	Summer	R 7.00	R 8.00	6.0%
	Winter	R 11.00	R 11.00	6.0%
	Scholars accompanied by teacher in official groups			
	Summer	R 3.00	R 3.00	6.0%
	Winter	R 6.00	R 6.00	6.0%

2019/20 to 2021/22



Minimum Charge

Summer	R 21.00	R 22.00	6.0%
Winter	R 31.00	R 33.00	6.0%

2. Monthly

Adults

Summer	R 93.00	R 99.00	6.0%
Winter	R 108.00	R 114.00	6.0%

Junior (U-16 and Scholars)

Summer	R 69.00	R 73.00	6.0%
Winter	R 83.00	R 88.00	6.0%

Season Tickets

Adults

Summer	R 365.00	R 387.00	6.0%
Winter	R 365.00	R 387.00	6.0%

Juniors

Summer	R 197.00	R 209.00	6.0%
Winter	R 221.00	R 235.00	6.0%

3. **The GM: Community Services and Manager: Recreational and Sporting** be granted delegated authority to waive the above charges in special circumstances for schools or organized groups such as street children, orphanages etc.

that make use of the facilities.

4. Social Welfare Pensioners will be admitted free of charge. No Charge No Charge

COMMUNITY SERVICES

Sport and Recreation

Pool Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
5. Use of the pool by professional swimming coach:			
To instruct competitive swimmers:			
Per hour or part thereof	R 183.00	R 194.00	6.0%
6. Hire of Pool for summer Galas			
per morning or afternoon session	R 472.00	R 500.00	6.0%
per evening session	R 647.00	R 686.00	6.0%
7. Hire of pool for bona fide swimming Club Nights			
Summer			
Mondays to Fridays only			
Per half hour or part thereof	R 76.00	R 81.00	6.0%
Hire of Buchanan pool (Winter)			
Per half hour or part thereof	R 83.00	R 88.00	6.0%
(Provided that in respect of the tariffs under item 6, there shall be a minimum charge payable at the rate prescribed for hire for a half hour, or part thereof, for every night a pool is hired, irrespective of whether any use is made of such pool by the hirer that night. In respect of items 5 & 7 the use of pools must be after public bathing times.)			
8. Use of electronic timing system at Alexandra Pool:			
Per morning or afternoon session	R 304.00	R 323.00	6.0%
Per evening session	R 441.00	R 468.00	6.0%
9. Admission tickets other than monthly and season tickets shall be valid only in respect of the particular pool at which they were bought.			
10. Super tube per hour (exclusive use)	R 388.00	R 411.00	6.0%
Casual Rides per half hour (exclusively used by groups)	R 197.00	R 209.00	6.0%
Casual Rides per half hour (per person)	R 23.00	R 24.00	6.0%
11. The Community Services Committee reserves the right to allow free use of swimming pools by the public on specified days or hours of the day.			



COMMUNITY SERVICES Sport and Recreation

Sports and Recreation Facilities

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Fleamarkets: Per day or part thereof			
Maritzburg Oval Arts and Crafts Market Site (Alexandra Park)	R 2206.00	R 2338.00	6.0%
Upmarket Site (Next to Kershaw Park Tennis Courts)	R 1764.00	R 1870.00	6.0%
Public Open spaces or sport facility sites	R 618.00	R 655.00	6.0%
Electricity per 15 amp plug per day	R 90.00	R 100.00	6.0%
2. Fee for the hire of grounds excluding floodlights, material and special preparation and cleaning:			
Oval per day or part thereof	R 1147.00	R 1220.00	6.0%
Training session – three hours	R 108.88	R 115.00	6.0%
Fee for the hire of Harry Gwala Stadium excluding floodlights, material, marking and special preparation and cleaning:			
Per day or part thereof	R 7616.00	R 8073.00	6.0%
Refundable Deposit	R 7616.00	R 8073.00	6.0%
Use of functions room			
Per day or part thereof	R 3051.00	R 3234.00	6.0%
Use of field for training purposes			
Per hour	R 388.00	R 411.00	6.0%
Caluza Sport Facility			
Field Between 07:00-12:00	R 130.00	New	



MSUNDUZI ANNUAL BUDGET

Between 12:00-18:00	R 130.00	New	
Between 18:00-24:00	R 130.00	New	
Full Day	R 225.00	New	
Sport			
Hall Full Day or part there of	R2 500.00	New	
Refundable Deposit	R2 500.00	New	
Northdale/Imbali Stadium/s			
Between 07:00-12:00	R 509.00	R 539.00	6.0%
Between 18:00-24:00	R 460.00	R 488.00	6.0%
All other soccer/rugby/grass hockey/polocrosse and cricket fields			
Between 07:00-12:00	R 124.00	R 131.00	6.0%
Between 12:00-18:00	R 124.00	R 131.00	6.0%
Between 18:00-24:00	R 124.00	R 131.00	6.0%
Full Day	R 212.00	R 224.00	6.0%
Seasonal Lease by associations, clubs, federations – per season	R 1409.00	R 1494.00	6.0%
Astro Hockey Field			
Between 07:00-12:00	R 388.00	R 411.00	6.0%
Between 12:00-17:00	R 388.00	R 411.00	6.0%
Between 17:00-24:00	R 388.00	R 411.00	6.0%
Wadley Stadium			
Between 07:00-12:00	R 388.00	R 411.00	6.0%
Between 12:00-17:00	R 388.00	R 411.00	6.0%
Tennis/netball/volleyball/combi court			
with lights per hour	R 45.00	R 48.00	6.0%
without lights per hour	R 38.00	R 40.00	6.0%
Squash Courts per hour	R 38.00	R 40.00	6.0%

2019/20 to 2021/22



3.	All Sport Halls			
	For use by schools or sport associations per hour	R 76.00	R 81.00	6.0%
	Non sport associations per six hours or part thereof	R 476.00	R 505.00	6.0%
	Deposit (Refundable)	R 458.00	R 485.00	6.0%
4.	Hire of sports fields for non-sporting events	R 2340.00	R 2480.00	6.0

COMMUNITY SERVICES

Sport and Recreation

Sports and Recreation Facilities

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
5. Floodlight fees per hour			
Oval – Level 1	R 509.00	R 539.00	6.0%
- Level 2	R 802.00	R 850.00	6.0%
- Level 3	R 1179.00	R 1250.00	6.0%
Harry Gwala	R 1909.09	R 2024.00	6.0%
Nortdale Stadium	R 467.00	R 495.00	6.0%
Protea Center – Ground Number 1	R 141.00	R 150.00	6.0%
Protea Center – Ground Number 2	R 107.00	R 114.00	6.0%
Dales Park Soccer	R 107.00	R 114.00	6.0%
Dales Park Rugby	R 107.00	R 114.00	6.0%
Dare Osborne	R 107.00	R 114.00	6.0%
Qokololo	R 107.00	R 00.00	0.0%
Ashdown	R 107.00	R 114.00	6.0%
Sobantu	R 107.00	R 114.00	6.0%
Wadley Stadium	R 107.00	R 114.00	6.0%
AB Jackson Hockey Field	R 616.00	R 653.00	6.0%
All other fields with Lights	R 107.00	R 114.00	6.0%
6. Three phase power – all facilities	R2428.00	R2574.00	6.0%
7. Equipment Hire Charge			
Refundable Deposit	R 705.00	R 747.00	6.0%
Daily Hire Charge	R 107.00	R 114.00	6.0%



SPORTSFIELDS

(a)	Hire by clubs, associations, schools, welfare & religious organisations (per day) If a gate levy is charged then the hire fee will either be 15% of gross gate levy or the tariff, whichever is greater (for non-commercial purposes)	R 8,000.00	0.00%
(b)	Hire by other persons (per day or part thereof). Hire by commercial users (per day) or part thereof where gate levy is charged or for commercial purposes, such as advertising, concerts, conventions etc. (Commercial)	R 10,000.00	0.00%
(c)	Meetings arranged by Councillors for the purpose of informing and educating the community on matters directly affecting them subject to the approval by the Deputy Head: PLC or his nominee and that hires paying the full tariffs will have preference.	NO CHARGE	
(d)	Hire of a non-sporting event where “setting up” is required, prior to the day of the event. (Per day or part thereof)	R 1,000.00	0.00%
(e)	Hire by users to promote a merchandise / products, where a gate levy is charged:		
	Commercial users	R 10,000.00	0.00%
	(i) Non Profit organizations	R 10,000.00	0.00%
	(ii) Council Events	NO CHARGE	

COMMUNITY SERVICES

Sport and Recreation

Sports and Recreation Facilities

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
8. Athletics Track Stadium			
Day 7:00 to 17:00			
Refundable Deposit	R 2 500	R 2,500.00	
Stadium Hire per day W/ VIP	R 10 000.00	R 10,000.00	
Stadium Hire per day W/O VIP	R 4 500.00	R 8,000.00	
Stadium Hire per Hour in excess of booking per day only	R 450.00	R 450.00	
VIP Suite / Meeting Room per day or part thereof	R 2 000.00	R 2,000.00	
Schools/Clubs excl. Floodlights per hour minimum of three hours	R 200.00	R 0.00	
Deposit	R 4 500.00	R 0.00	
Concert/ Religious/Non Athletics event per day	R 25 000.00	R 25,000.00	
Deposit	R 8 000.00	R 8,000.00	
Floodlights Charges	R 10.00	R0.00	
Floodlights per hour	R 2000.00	R 2000.00	
Schools/Clubs excl. Floodlights per hour minimum of three hours	R500.00	R500.00	
Athletics Meetings			
International	R 25 000.00	R 0.00	
Prestige(International)	R 20 000.00	R 20,000.00	
National	R 15 000.00	R 15,000.00	
Provincial	R 10 000.00	R 10,000.00	
Invitational	R 10 000.00	R 10,000.00	
Regional	R 5 000.00	R 5,000.00	
Inter-schools	R 5 000.00	R 5,000.00	
Schools	R 2 500.00	R 2,500.00	



Daily Coaching Activities

Registration Fee Coaches per annum	R 1 000.00	R 1,000.00
Private Coaches Registered with Stadium per month	R 50.00	R 50.00
School Groups Registered with Stadium per month/ per athlete	R 50.00	R 50.00
School Athletes Sponsored per month / per athlete	R 50.00	R 50.00
Individual Athletes / Self Coached per month	R 100.00	R 100.00
Gymnasium Members per annum	R 400.00	R 1,500.00

Use of Equipment

Hire of timing equipment (excluding operator) (Use of stadium operator only)		R 2,000.00
Other equipment (Track and field equipment) User is liable for any and all damages/breakage		R 5,000.00

Commercial Contract

Suite Leases - Annual	R 21 600.00	R 21,600.00
Suite Leases - Event	R 5 000.00	R 5,000.00
Gymnasium Lease	R 50 000.00	R 50,000.00

Category

Restaurant Catering Contract per annum	R 10 000.00	R 10,000.00
Office Rental per month	R 1 000.00	R 1,000.00
Sports Shop Athletics per month	R 2 000.00	R 2,000.00
Overtime /Cleaning Charges per hour as per municipal staff rates		
Advertising and Sponsorship		
Advertising around the Track per advertising board		R 3,600.00
Naming Rights dependent on market drive		
Event Sponsorship dependent on marketing drive		



MSUNDUZI ANNUAL BUDGET

9. Hire of Bisley Valley and Ferncliffe Nature Reserves

Resource Centres

Per Day or part thereof	R 590.00	R 626.00	6.0%
Refundable Deposit	R 397.00	R 421.00	6.0%

10. The GM: Community Services and Manager: Recreational and Sporting be granted delegated authority to waive the above charges in special circumstances for schools or organized groups such as street children, orphanages etc. that makes use of the facilities



COMMUNITY SERVICES Sport and Recreation

Libraries

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Overdue materials			
(a) Fines for overdue books, audio-visual material and other media			
(Excluding videos and DVD's)			
<u>Adults</u>			
10 days grace			
per book or item per week for 8 weeks	R 1.30	R 1.38	6.0%
maximum fine per book or item	R 6.00	R 6.69	6.0%
maximum fine per adult member	R 59.58	R 63.60	6.0%
<u>Children & Young Adults</u>			
10 days grace			
per book or item per week for 5 weeks	R 1.30	R 1.38	6.0%
maximum fine per book or item	R 6.00	R 6.69	6.0%
maximum fine per juvenile or young adult member	R 60.00	R 63.60	6.0%
(b) Fines for overdue videos and DVD's			
<u>Adults, children and young adults</u>			
No grace period			
per item per day for 8 days	R 1.30	R 1.38	6.0%
maximum fine per item	R 6.00	R 6.69	6.0%
2. Damaged Books			
Torn pages – per page	R 5.00	R 5.30	6.0%
Torn or lost book barcode – per barcode	R 15.00	R 15.90	6.0%
Torn book pockets	R 8.00	R 8.48	6.0%
Damage to book spine	R 10.00	R 10.60	6.0%
Damage to book – to be assessed on return to librarian			



MSUNDUZI ANNUAL BUDGET

3.	Lost Books				
	Original purchase price				
4.	Membership Fees				
	Membership	R 0.00	R 0.00		
	Replacement barcode	R 11.92	R 12.72	6.0%	
	Replacement pockets - each	R 4.00	R 4.24	6.0%	
5.	Photocopy Charges				
	For every photocopy of an A4 size page or part thereof	R 0.60	R 0.64	6.0%	
	For every photocopy of an A3 size page or part thereof	R 1.30	R 1.38	6.0%	
Note: These photocopy charges apply to the Library only.					
6.	Laser Printing				
	Colour	R 12.00	R 12.72	6.0%	
	Black & White	R 3.00	R 3.18	6.0%	
7.	Hire Charges (bookings only within library hours)				
	per hour or part thereof				
	Non-Government Organization's (NGO's)	R 0.00	R 0.00		
	Auditorium	R 120.00	R 127.20	6.0%	
	Boardroom	R 120.00	R 120.20	6.0%	



COMMUNITY SERVICES

Public Safety and Emergency Services

Fire and Emergency Services

	2018/19 Incl. Vat	2019/20 Incl. Vat	Inc.
--	----------------------	----------------------	------

Except as is specifically otherwise provided, these tariffs determine the fees payable by a Controlling Authority, Governing Body or any other person in terms of Section 10 (1) of the Fire Brigade Services Act 99 of 1987 on whose behalf the Fire and Emergency Services of the Msunduzi Council is applied outside or inside the area of jurisdiction of the Council:

- (a) For the attendance of services
- (b) For the use of the services and any equipment, or
- (c) For any material consumed

Any person who feels aggrieved by an assessment of the charges raised may within 14 days after receipt of that assessment object in writing against that assessment as such, or the amount thereof, to the Municipal Manager of the Msunduzi Council, whereby the Council may confirm, alter or revoke the assessment.

Tariff of Charges for Services Rendered at Fire and Special Service Incidents

1. For Services Rendered at Incidents Classified as Fire:

per hour or part thereof

1.1	Structural	R 2035.81	R 2157.96	6.0%
1.2	Transport	R 1621.58	R 1718.87	6.0%
1.3	Fire – Vegetation, Grass, Bush, Rubbish or Plantation	R 1323.36	R 1402.77	6.0%
1.4	Fire – Hazmat	R 2035.81	R 2157.96	6.0%
1.5	Fire – Other	R 1266.37	R 1342.35	6.0%
1.6	Special Service – Transport	R 1015.23	R 1076.15	6.0%
1.7	Special Service – Structural	R 1015.23	R 1076.15	6.0%
1.8	Special Service – Hazmat	R 2035.81	R 2157.96	6.0%
1.9	Special Service – Water	R 1015.23	R 1076.15	6.0%
1.10	Special Service – Other	R 1015.23	R 1076.15	6.0%
1.11	Out of Area			



Applicable rate as per incident plus 50% of applicable category plus charge

1.12 For consumables used at any incident

Cost of consumables used plus 15%

2. Tariff of Charges in respect of the attendance & employment of Special Appliances and Plant, to Fire and Rescue incidents. For the attendance and employment of a:

2.1	High Rise Firefighting Appliance	R 1015.23	R 1076.15	6.0%
2.2	Water Foam Carrier	R 1015.23	R 1076.15	6.0%
2.3	Foam Tanker and / or Foam Service Vehicle	R 1015.23	R 1076.15	6.0%
2.4	Mobile Lighting Unit	R 1015.23	R 1076.15	6.0%

3. Tariff of Charges in respect of the employment of Outside Agencies at any incident

For costs incurred as a result of the employment of an outside agency in:

1.1 the mitigation of any incident

Cost incurred plus 15% of applicable charge

4. Tariff of Charges in respect of Fire Prevention Services

4.1 For the attendance of staff at stage/theatre performances standby duty and the like;

Per staff member

First Hour	R 203.05	R 215.23	6.0%
Per Hour thereafter	R 108.65	R 115.17	6.0%

4.2 For scheduled inspections, consultations, inspections of safety exits & appliances in public buildings

First Hour	R 203.05	R 215.23	6.0%
Per Hour thereafter	R 99.74	R 105.73	6.0%

4.3 For the monitoring of direct alarm links – per alarm p.m. R 153.18 R 162.37 6.0%

4.4 For a certified copy of a fire report - per copy R 203.05 R 215.23 6.0%

4.5 For issuing a certificate of Registration - per certificate R 48.09 R 50.98 6.0%

4.6 For issuing a certificate of Competence – per certificate R 507.62 R 538.07 6.0%

4.7 For a copy of a Fire Investigation Report - per copy R 755.19 R 800.50 6.0%

4.8 For the monitoring of non-emergency telephone lines (after hours complaints etc) – per line per annum R31767.85 R33673.92 6.0%



COMMUNITY SERVICES Public Safety and Emergency Services

Fire and Emergency Services

		2018/19	2019/20	Inc.
		Incl. Vat	Incl. Vat	
5.	Tariff of Charges in respect of Professional Fire Fighting and Rescue Training Course (Per Candidate excluding course materials, accommodation etc.)			
5.1	Fire Fighter One	R10789.96	R11437.35	6.0%
5.2	Fire Fighter Two	R 3588.93	R 3804.27	6.0%
5.3	Hazmat 1 st Responder (Awareness)	R 1672.46	R 1772.81	6.0%
5.4	Hazmat 2 nd Responder (Operations)	R 4794.74	R 5082.43	6.0%
5.5	Fire Officer One	R 4481.27	R 4750.15	6.0%
5.6	Handling of Chlorine Emergencies	R 712.44	R 755.19	6.0%
5.7	Elementary Breathing Apparatus	R 712.44	R 755.19	6.0%
5.8	Aerial Appliance (HPP)	R 1437.35	R 1523.60	6.0%
5.9	Vehicle Rescue & Extrication	R 2397.37	R 2541.21	6.0%
5.10	Elementary Firefighting, Fire prevention (Disaster Management)	R 0.00 R 235.11	R 0.00 R 249.21	 6.0%
5.11	Pump Operator/Driver – Basic Course	R 1439.51	R 1525.88	6.0%
5.12	Pump Operator/Driver – IFSAC Course	R 2878.27	R 3050.97	6.0%
5.13	Re-Issue of Certificates - per certificate	R 117.55	R 124.61	6.0%
6.	Tariff of Charges for the Certification for Fire Fighting 1 & 2 (Challenging) at 10% of Course Fee (Per Candidate)			
6.1	Fire Fighter One	R 1075.79	R 1140.34	6.0%
6.2	Fire Fighter Two	R 356.22	R 377.59	6.0%
6.3	Hazmat (Awareness)	R 165.64	R 175.58	6.0%
6.4	Hazmat (Operations)	R 477.34	R 505.98	6.0%
6.5	Fire Officer One	R 477.34	R 505.98	6.0%
6.6	Instructor One	R 477.34	R 505.98	6.0%

7. Tariff of Charges for the Use of Training Staff and Facilities

7.1 For the use of Lecture rooms and facilities for the purposes of seminars and symposia

per lecture room per day R 755.19 R 800.50 6.0%

7.2 For the attendance of training personnel on training courses out of the area of jurisdiction.

per lecture per day R 507.62 R 538.07 6.0%

7.3 For the attendance of training personnel at accreditation for emergency service courses/challenges held in terms of regulations framed under IFSAC –

(International Fire Services Accreditation Committee)

per module per candidate R 251.14 R 266.20 6.0%

7.4 Re-Issue of Certificates

Cost plus 15% of applicable IFSAC tariff

8. Tariff of Charges in respect of Hose Charges

8.1 Testing, scrubbing and drying of hose per length R 197.70 R 209.57 6.0%

8.2 Testing, scrubbing and drying of Hazmat contaminated hose - per length

R 397.20 R 421.02 6.0%

plus cost of any consumables used in decontamination plus 15% of cost of consumables

8.3 Seizing of Couplings to hose – per coupling R 197.70 R 209.57 6.0%

8.4 Repairing of Hose – per length R 184.77 R 209.57 6.0%

plus materials at cost plus 15%

9. Tariff of Charges in respect of the attendance & employment of Special Appliances

and plant to standby at sports & special events

for attendance and employment (per hour or part thereof)

9.1 High rise firefighting appliance R 524.74 R 556.22 6.0%

9.2 Water Carrier R 262.37 R 278.11 6.0%

9.3 Mobile lighting unit R 245.20 R 278.11 6.0%

9.4 Major pumper R 490.41 R 556.22 6.0%

9.5 Light pumper R 262.37 R 278.11 6.0%



COMMUNITY SERVICES Public Safety and Emergency Services

Fire and Emergency Services

		2018/19 Incl. Vat	2019/20 Incl. Vat	Inc.
10.	Tariff of Charges in respect of Various Miscellaneous Services and Hire Charges (per hour or part thereof in respect of 10.1 to 10.4			
10.1	Hire of Portable Pump and related equipment	R 377.59	R 400.25	6.0%
10.2	Hire of extension ladder	R 377.59	R 400.25	6.0%
10.3	Gaining access/Lock-Outs	R 377.59	R 400.25	6.0%
10.4	Miscellaneous Service – per service	R 377.59	R 400.25	6.0%
10.5	In addition to the above applicable charge, mileage for out of area call – outs are as follows – per km			
	Heavy duty vehicles	R 9.44	R 10.01	6.0%
	Light duty vehicles	R 5.67	R 6.01	6.0%

All tariffs reflected above are inclusive of VAT

11. **General Comments:**
- 11.1 Any Fire, Rescue or other emergency incident involving property or activities of the Msunduzi Municipality shall not attract charges.
- 11.2 Any incident of a humanitarian nature or request for assistance of a humanitarian nature shall not attract charges.
- 11.3 Services performed in the assistance of Community projects or departmental public relations exercises and displays shall not attract charges.
- 11.4 The applicable attendance rate charge shall be calculated from the time that the first arriving appliance is in attendance at an incident until the last departing appliance leaves the scene at the conclusion of the incident, due allowances being made for breakdown or mishap or time occupied by relief personnel.
- 11.5 When the time used to calculate the applicable attendance rate charge is less than 30 minutes no charge shall be raised.
- 11.6 Explanation of Terminology:
- i) **Hazmat** stands for Hazardous Material and refers to incidents that involve materials and chemicals that require an extraordinary response and the use of specialist equipment in order to resolve the incident.
 - ii) **Out of Area** means a response to any physical location that is outside of the recognised area of jurisdiction of the Msunduzi Municipality.



MSUNDUZI ANNUAL BUDGET

- iii) **Structural** means any building regardless of construction type or occupancy.
 - iv) **Transport** means mechanical transportation of any means.
- 11.7 Whenever the Chief Fire Officer deems it necessary in the interests of public safety and in order to preserve life and property and as often as he/she thinks fit, arrangements shall be made for an inspection and/or attendance service to be provided in respect of premises used as public buildings or sports and recreational events.
- 11.8 The following persons shall be jointly and severally liable to the Council for the charges payable in terms of this section:
- 11.8.1 The owner/s of all property damaged or destroyed or under threat of damage or destruction by fire, accident or other mishap in respect of which the service is rendered or the materials are supplied.
 - 11.8.2 The person or owner or the owner's spouse, child, employee or agent whose wrongful act or omission was the direct cause of the circumstances which make the rendering of the service necessary in the opinion of the Chief Fire Officer or any other officer acting with the relevant authority.
 - 11.8.3 The person responsible or whose alarm system was responsible for the summoning of the service where, in the opinion of the Chief Fire Officer, such summoning was unwarranted, or was no reasonable justification thereof.



COMMUNITY SERVICES Public Safety and Emergency Services

Traffic and Security

		2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1.	The Removal of Light Motor Vehicles from Public Roads and Public Spaces	Contracted Out	Contracted Out	
2.	Release of Impounded Vehicles	R 775.00	R 822.00	6.0%
3.	Impounding Fees per day	R 85.00	R 90.00	6.0%
4.	Escort Fee (per officer per hour)	R 455.00	R 482.00	6.0%
5.	Traffic Officer for By-Law 23A (Council Resolution)	No Charge	No Charge	
6.	Service of Summons:			
	Personal	R 55.39	R 59.00	6.00%
	Non-Personal	R 42.29	R 45.00	6.00%
7.	Events (per officer per hour)	R 200.00	R 212.00	6.00%
8.	Taxi Stand Permits	R 310.00	R 329.00	6.0%
9.	Permit Application	R 110.00	R 125.00	13.64%
10.	Late Applications for the Renewal of Taxi Stand Permits	R 110.00	R 125.00	13.64%
11.	Junior Traffic Officer	R 600.00	R 750.00	25.0%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale A: Domestic			
1. A.I Single-Phase Supplies from 5A up to 80A –			
Basic Charge per month	R 25.94	R 29.33	13.07%
Net Ampere Charge per amp per phase p.m.	R 9.60	R 10.86	13.07%
Energy Charge per kWh (cents)	R 94.94	R 107.35	13.07%
2. Scale A.3 Three Phase Supplies from 5A up to 100A			
Basic Charge per month	R 43.22	R 48.87	13.07%
Net Ampere Charge per amp per phase p.m.	R 7.07	R 8.00	13.07%
Energy Charge per kWh (cents)	R 94.94	R 107.35	13.07%
Scale S0: Domestic Indigent 20 Amp			
Qualifying Indigent consumers will receive the first 70kWh of electricity free.			
Conditional on being on Prepaid with 20 Amps Current limiting breaker			
3. Energy Charge only (cents) No Basic Charge	R 113.89	R 128.78	13.07%
Scale S1: Domestic Life Line Tariff 20 Amp			
4. Energy Charge only (cents) No Basic Charge	R 131.51	R 148.70	13.07%
Scale S2: Domestic Straight Line Tariff – 40 Amps 1 phase			
5.1 Energy Charge only (cents)	131.51	148.70	13.07%
Basic Charge (Included in the Municipal Bill/or deducted by Vending System) per month			
	R 0.00	R 0.00	
Scale S3.1: Domestic Straight Line Tariff – 60 Amps 1 phase			
5.2 Energy Charge only (cents)	152.33	172.24	13.07%
Basic Charge (Included in the Municipal Bill/or deducted by Vending System) per month			
	R 0.00	R 0.00	



Scale S3.2: High End Two Part Tariff – 60 to 100 Amps 1 phase

ENERGY CHARGED FOR DOMESTIC DISCOUNTED BY 20%

5.3 Energy Charge only (cents)	R 172.54	R 195.09	13.07%
Low End – Basic Charge – 20 to 40 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 107.75	R 121.83	13.07%
Medium End – Basic Charge – 60 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 134.69	R 152.30	13.07%
High End – Basic Charge – 80 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 168.36	R 190.36	13.07%

Scale S4: 3 Phase Two Part Tariff – 100 Amps 3 phase – For Domestic Only

5.4 Energy Charge only (cents)	R 172.54	R 195.09	13.07%
Low End – Basic Charge – 20 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 161.62	R 182.75	13.07%
Medium End – Basic Charge – 40 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 323.25	R 365.50	13.07%
High End – Basic Charge – 60 Amps supply (Included in the Municipal Bill/or deducted by Vending System)			
per month	R 505.07	R 571.09	13.07%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale TD1: Time of Use Domestic Single Phase			
Supply Metered by a Smart Meter (Conditional on Municipality rolling out Smart Meters to Community)			
6. Scale TD.1: Time of Use Domestic Single Phase			
Basic Charge per month	R 52.23	R 59.05	13.07%
Capacity charge per kVA per month	R 9.60	R 10.86	13.07%
Energy charge c/kWh (Periods as per table below - public holidays treated as normal day)			
High Demand: (June, July, August)			
Peak	R 334.31	R 378.01	13.07%
Standard	R 109.94	R 124.31	13.07%
Off Peak	R 65.36	R 73.90	13.07%
Low Demand: (Other Months)			
Peak	R 117.4	R 132.77	13.07%
Standard	R 84.6	R 95.75	13.07%
Off Peak	R 58.27	R 65.89	13.07%
Scale TD2: Time of Use Domestic Three Phase			
Supply Metered by a Smart Meter (Conditional on Municipality rolling out Smart Meters to Community)			
7. Scale TD.2: Time of Use Domestic Three Phase			
Basic Charge per month	R 81.13	R 91.74	13.07%
Capacity charge per kVA per month	R 6.94	R 7.85	13.07%
Energy charge c/kWh (Periods as per table below - public holidays treated as normal day)			
High Demand: (June, July, August)			
Peak	R 334.31	R 378.01	13.07%
Standard	R 109.94	R 124.31	13.07%
Off Peak	R 66.36	R 73.90	13.07%



Low Demand: (Other Months)

Peak	R 115.25	R 130.31	13.07%
Standard	R 83.12	R 93.99	13.07%
Off Peak	R 57.19	R 64.67	13.07%

Scale B: Small Power Users ≤ 65 kVA

8. Scale B.1 Small Power Single-Phase ≤100A

Basic Charge per month	R 66.53	R 75.23	13.07%
Net Ampere Charge per amp per phase p.m.	R 20.19	R 22.83	13.07%
Energy Charge per kWh (cents)	R 104.22	R 117.84	13.07%

9. Scale B.3 Small Power Three-Phase ≤100A

Basic Charge per month	R 119.30	R 134.89	13.07%
Net Ampere Charge per amp per phase p.m.	R 17.03	R 19.26	13.07%
Energy Charge per kWh (cents)	R 104.22	R 117.84	13.07%

Scale C: Large Power users (Load greater than 65 kVA)

10. Scale C.1 Large Power at LV

Basic Charge per month	R 521.17	R 589.28	13.07%
Demand charge per kVA per month	R 200.25	R 226.42	13.07%
Energy charge per kWh (cents)	R 95.43	R 107.90	13.07%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Scale T1: Time of Use Large Customers - MV			
11. Scale T1: Time of use large customers at MV			
Basic Charge per month	R 2605.81	R 2946.39	13.07%
Demand charge per kVA per month (Peak and Standard periods only)	R 84.63	R 95.69	13.07%
Access charge per kVA per month	R 37.85	R 42.80	13.07%
Based on highest of notified or previous 12 months highest demand			
Energy charge c/kWh (Periods as per table below - public holidays treated as per table)			
High Demand: (June, July, August)			
Peak	R319.02	R 360.72	13.07%
Standard	R115.05	R 130.09	13.07%
Off Peak	R69.77	R 84.28	13.07%
Low Demand: (Other Months)			
Peak	R 121.84	R 137.76	13.07%
Standard	R92.10	R104.14	13.07%
Off Peak	R68.08	R 76.98	13.07%
Reactive energy charge			
A charge for all reactive energy which exceed 30% of the real energy (kWh) per half hour period in the peak and standard periods only (c/kvarh)			
	R 8.16	R9.23	13.07%
Scale T2: Time Of Use Large customers at 400 V			
12. Scale T2: Time Of Use Large customer at LV			
Basic Charge per month	R 454.23	R 548.73	13.07%
Demand charge per kVA per month (Peak and Standard periods only)	R 93.10	R 105.27	13.07%
Access charge per kVA per month	R 41.65	R 47.09	13.07%

2019/20 to 2021/22



Based on highest of notified or previous 12 months

highest demand

Energy charge c/kWh (Periods as shown in table below - public holidays treated as normal day)

High Demand: (June, July, August)

Peak	R 334.98	R 378.77	13.07%
Standard	R 120.81	R 136.60	13.07%
Off Peak	R 78.26	R 88.49	13.07%

Low Demand: (Other Months)

Peak	R 127.9	R 144.67	13.07%
Standard	R 96.70	R 109.34	13.07%
Off Peak	R 71.47	R 80.81	13.07%

Reactive energy charge

A charge for all reactive energy which exceed 30% of

the real energy (kWh) per half hour period in the peak

and standard periods only (c/kvarh)	R 7.94	R 8.98	13.07
-------------------------------------	--------	--------	-------

INFRASTRUCTURE SERVICES Electricity Management

2018/19 2019/20 Inc.
Excl. Vat Excl. Vat

The table below indicates the treatment of public holidays in terms of the following tariffs, TD1, TD2, T1, T2 for the period 1 July 2018 to until 30 June 2019. The appropriate seasonally differentiated energy charges, energy demand charges and network demand charges will be applicable on these days. Any unexpectedly announced public holiday not listed below will be treated as the day of the week on which it falls.

The following public holidays will always be treated as a Sunday for T1 tariffs; New Year's Day, Good Friday, Family Day, Christmas Day and Day of Goodwill. All other days will be treated as a Saturday unless it falls on a Sunday in which case it will be treated as a Sunday. All public holidays for the TD1, TD2, T2 tariffs will be treated as the day of the week on which it falls.

Date	Day	Actual day of the week	TD1,TD2,T2	T1
			TOU day treated as normal day	TOU day treated as
9 August 2019	National Women's Day	Friday	Friday	Saturday
24 September 2019	Heritage Day	Tuesday	Tuesday	Saturday
16 December 2019	Day of Reconciliation	Monday	Monday	Sunday
25 December 2019	Christmas Day	Wednesday	Wednesday	Sunday
26 December 2019	Day of Goodwill	Thursday	Thursday	Sunday
01 January 2020	New Year's Day	Wednesday	Wednesday	Sunday
21 March 2020	Human Rights Day	Saturday	Saturday	Saturday
10 April 2020	Good Friday	Friday	Friday	Sunday
13 April 2020	Family Day	Monday	Monday	Sunday
27 April 2020	Freedom Day	Monday	Monday	Saturday
1 May 2020	Worker's Day	Friday	Friday	Saturday
16 June 2020	Youth Day	Tuesday	Tuesday	Saturday

LOW DEMAND SEASON TIME PERIODS

DAY	PEAK	STANDARD	OFF-PEAK
WEEK DAY			00:00 - 06:00
		06:00 - 07:00	
	07:00 - 10:00	10:00 - 18:00	
	18:00 - 20:00	20:00 - 22:00	22:00 - 24:00
SATURDAY			00:00 - 07:00
		07:00 - 12:00	12:00 - 18:00
		18:00 - 20:00	20:00 - 24:00
SUNDAY			00:00 - 24:00

2019/20 to 2021/22



HIGH DEMAND SEASON TIME PERIODS			
DAY	PEAK	STANDARD	OFF-PEAK
WEEK DAY			00:00 - 06:00
	06:00 - 09:00	09:00 - 17:00	
	17:00 - 19:00	19:00 - 22:00	22:00 - 24:00
SATURDAY			00:00 - 07:00
		07:00 - 12:00	12:00 - 18:00
		18:00 - 20:00	20:00 - 24:00
SUNDAY			00:00 - 24:00

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
13. Public Lighting Services			
CHARGES FOR PUBLIC LIGHTING SERVICES TO NON-MUNICIPAL CUSTOMERS			
CHARGES FOR PUBLIC LIGHTING SERVICES TO MUNICIPAL APPLICATIONS			
L1 Lights: Whole Night (incl Maintenance)			
Fixed-R /light/month	R 37.91	R 42.87	13.07%
Energy charge per 100 Watt per month if not measured	R 29.91	R 33.82	13.07%
Energy charge if measured cents per kWh	R 81.88	R 92.58	13.07%
L2 Lights: 24 hour (incl Maintenance)			
Fixed-R /light/month	R 37.91	R 42.87	13.07%
Energy charge per 100 Watt per month if not measured	R 107.56	R 121.62	13.07%
Energy charge if measured cents per kWh	R 88.52	R 100.09	13.07%
L3 Lights: Whole Night High Mast (incl. Maintenance)			
Fixed-R /light/month	R 758.36	R 857.47	13.07%
Energy charge per 100 Watt per month if not measured	R 87.80	R 99.28	13.07%
Energy charge if measured cents per kWh	R 81.88	R 92.58	13.07%
L4 Lights: 24 Hrs Traffic (Excl. Maintenance)			
Maintenance charged at actual cost	Actual Cost	Actual Cost	
Energy charge per 100 Watt per month if not measured	R 107.56	R 121.62	13.07%
Energy charge if measured cents per kWh	R 88.52	R 100.09	13.07%
14. AD Lites			
Illuminated Street Signs - Lights Whole Night (Excl. Maintenance)			
Demand charge per kVA per month - C1 Scale			
Energy charge per KWH (cents) per month - C1 Scale			

2019/20 to 2021/22



15. Interest Rate

Interest Rate per annum

11.25%

11.25%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
New Connection			
1. Bylaw 27(12)(a)			
(a) Normal domestic business premises:			
(single phase service connection with a maximum capacity of 80A with a credit meter):	R 4028.63	R 4270.34	6.00%
Plus the cost of labour and material			
(single phase service connection with a maximum capacity of 80A with a prepayment meter):	R 4933.16	R 5229.15	6.00%
Plus the cost of labour and material			
Plus the cost of providing and laying or mounting the underground cable or overhead wiring, as the case may be, within the consumer's property boundary			
(b) Surcharge raised for the Tampering with domestic services per meter			
This shall include any tampering with meter/MCB/meter Bypass/ anything that in the opinion of Municipality it is considered as interference with registering of consumption and or electricity charges			
First offence - reinstatement fee			
Plus cost of repair of infrastructure damage where applicable	R 5 342.73	R 5 663.29	6.00%
Second offence - reinstatement fee			
Plus cost of repair of infrastructure damage where applicable	R 7346.25	R 7 787.02	6.00%



Third or subsequent offence - reinstatement fee

Plus cost of repair of infrastructure damage

where applicable R 9349.77 R 9 910.76 6.00%

- (c) Surcharge raised for the Tampering with non-domestic services (Industrial, Commercial & Other Types of Customers) per meter.

This shall include any tampering with meter/MCB/meter Bypass/ anything that in the opinion of Municipality it is considered as interference with registering of consumption and or electricity charges

First offence - reinstatement fee

Plus cost of repair of infrastructure damage

where applicable R 26713.63 R 28 316.45 6.00%

Second offence - reinstatement fee

Plus cost of repair of infrastructure damage

where applicable R 46 748.86 R 49 553.79 6.00%

Third or subsequent offence - reinstatement fee

Plus cost of repair of infrastructure damage

where applicable R 66 784.08 R 70 791.12 6.00%

Thereafter the third offence fee

Plus full cost of technical solution to ensure tampering

does not happen again

- (d) Charges relating to administrative work in terms of arrear debt recovery and tampering with Electricity Meters or Metering Installations

Attendance/Visitation Fee - All Customers R 474.69 R 503.17 6.00%

Disconnection Fee - Installations equal to or less than

100 Amps per phase R 474.69 R 503.17 6.00%

Disconnection Fee - Installations above 100 Amps

per phase R 1 263.59 R 1 339.41 6.00%

Reconnection Fee where tamper fee is not applicable,

or reconnection is made after 12 months of disconnection

date

- Installations equal to or less than

100 Amps per phase R 474.69 R 503.17 6.00%



MSUNDUZI ANNUAL BUDGET

- Installations above 100 Amps

per phase

R 1 263.59

R 1 339.41

6.00%

Where the tamper fee is applicable, the reconnection fee

will not be charged but tamper fee

Backdated consumption (calculated based on estimated tampering period)

2019/20 to 2021/22



INFRASTRUCTURE SERVICES Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
(e) Surcharges: Illegal Connection and Reconnection			
1. Copper Theft			
Theft of Material	Immediate Arrest	Immediate Arrest	
Buying of stolen material	Immediate Arrest	Immediate Arrest	
2. Illegal service connection			
Cost recovered from the person found connecting illegally to the network	Immediate Arrest	Immediate Arrest	
3. Interference with other consumer's equipment	R 5 332.62	R 5 652.58	6.00%
4. Failure to comply with any issued notice	R 304.38	R 322.64	6.00%
5. Improper use of Electricity	R 760.94	R 806.59	6.00%
6. Refusal access to inspect/Work/Operate on electrical equipment - Plus Costs to re - route the electrical infrastructure where the customer continues to deny access to electrical infrastructure	R 456.57	R 483.96	6.00%
7. Refusing to provide information	R 304.38	R 322.64	6.00%
8. Rendering false information	R 304.38	R 322.64	6.00%
9. Independent Technical investigation where tampering is disputed (Minimum fee if greater full cost of investigation applicable)	R 1 263.59	R 1 339.41	6.00%



MSUNDUZI ANNUAL BUDGET

10. Restricted access to meter room			
Plus cost to rectify the situation should the customer refuse to do so	R 304.38	R 322.64	6.00%
11. Resale of electricity without a license or approval	R 304.38	R 322.64	6.00%
12. Selling or supplying electricity without authority	R 760.94	R 806.60	6.00%
13. Standby Equipment connected to network without authority	R 760.94	R 806.60	6.00%
14. Administrative Fees	R 474.69	R 503.17	6.00%
15. Visitation Fee (All Customers)	R 474.69	R 503.17	6.00%
16. Visitation Fee, delivery of notice by the Peace Officer (All Customers) - Plus fees related to court order if applied	R 759.50	R 805.07	6.00%
17. Opening of premises/meter room/ Meter Box where the lock is not the municipal lock - Plus fees related to locksmith where used	R 759.50	R 805.07	6.00%
18. Visitation fee where the access was denied until the court application was made to gain access Plus fees related to the court order if applied & Locks	R 759.50	R 805.07	6.00%
19. Visitation fee where the access was denied by installing non-compliant lock Broke the lock and reinstate with compliant lock Plus cost of lock	R 759.50	R 805.07	6.00%

2019/20 to 2021/22



20. Disconnection Fee - Installations equal to or less than 100 Amps per phase	R 474.69	R 503.17	6.00%
21. Disconnection Fee - Installations above 100 Amps per phase	R 1 263.59	R 1 339.41	6.00%
22. Cutting of trees where the customer has been notified and customer could not cut the trees within the specified time Plus Cost of cutting trees	R 474.69	R 503.17	6.00%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
(f) Tampering with installed anti-tampering seals/equipment plus full cost of professionals used to investigate/prosecute	R 3 043.75	R 3 226.38	6.00%
(g) Use of Electricity supply without a signed consumer agreement with the Municipality	R 760.94	R 806.60	6.00%
(h) Unkept substation equipment accommodation room plus cost to rectify the situation should the customer refuse to do so within the prescribed period	R 760.94	R 806.60	6.00%
(i) Unkept meter rooms plus cost to rectify the situation should the customer refuse to do so within the prescribed period	R 760.94	R 806.59	6.00%
(j) Unlocked meter rooms plus cost to rectify the situation should the customer refuse to do so within the prescribed period	R 760.94	R 806.59	6.00%
2. Bylaw 27 (12) (b)			

In all other cases, the connection charges shall be calculated on the basis of maximum demand required in accordance with the following:

Maximum Demand (kVA)	Basic Charge (Rands)		Basic Charge if no substation provided (Rands)	
	2018/19	2019/20	2018/19	2019/20
0 – 25	5 147	5 456	5 773	6 528
26 – 50	9 652	10 231	10 824	12 239
51 – 65	12 277	13 014	13 768	15 566
66 – 100	18 481	19 590	20 725	23 434
101 – 130	23 751	25 176	26 636	30 116
131 – 200	36 240	38 413	40 641	45 953
201 – 315	91 332	96 813	27 902	31 548
316 – 500	107 863	114 335	60 833	68 784
501 – 800	133 664	141 684	111 172	125 702
801 – 1 000	158 209	167 702	150 103	169 721
More than 1000 kva				101 *kva +1738.4

2019/20 to 2021/22



Added to these charges will be the cost of providing and installing all cables and Council-owned equipment on the consumer's premises.

3. Bylaw 27 (13) (a)

Electrification projects (Low Cost Housing)

Fee for the installation and connection, for domestic or small power users, of service cable or line, electricity

dispenser and, where necessary, power distribution unit:

(a)	For a single phase service up 20A	R 277.90	R 294.58	6.00%
(b)	For a single phase service up to 60A	R 1 852.69	R 1 963.86	6.00%

INFRASTRUCTURE SERVICES

Electricity Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Fee for attendance in connection with a failure of supply where the fault was found to be internal	R 196.51	R 208.30	6.00%
2. Fee for testing			
(a) fee for testing and inspection of an installation (other than bona fide shock or fault of a serious nature)			
(i) Single dwelling unit			
First visit inspection	R 945.04	R1001.74	6.00%
Subsequent visits/inspections	R 471.00	R 499.26	6.00%
(ii) Any other installation	Actual Cost	Actual Cost	
(b) fee for inspection of meter box upon certification by electrical contractor that a meter box is ready for inspection			
(i) First inspection	No Charge	No Charge	
(ii) Any subsequent inspection	R 332.49	R 352.44	6.00%
3. Fee for testing accuracy of meter (Msunduzi does not have testing equipment but will either replace the meter or run new meter in parallel to check level of accuracy)			
(a) Single-phase where customer insist on testing (Where the discrepancy found is greater than 10%, the customer is not charged)	Actual Cost+10%	Actual Cost+10%	
(b) Three-phase where customer insist on testing (Where the discrepancy found is greater than 10%, the customer is not charged)	Actual Cost+10%	Actual Cost+10%	

2019/20 to 2021/22



(c) Maximum demand (Where the discrepancy found is greater than 10%, the customer is not charged)

Actual Cost+10%

Actual Cost+10%

4. Fee for testing accuracy of tariff mcb

(a) Single-phase service

(Where the discrepancy found is greater than 10%, the customer is not charged)

R 508.65

R 539.17

6.00%

(b) Three-phase service

(Where the discrepancy found is greater than 10%, the customer is not charged)

R 722.50

R 765.86

6.00%

5. Fee for change of tariff mcb

(a) Single-phase service (any one change within the 12 month period is free)

R 159.00

R 168.54

6.00%

(b) Three-phase

R 158.85

R 168.38

6.00%

6. Fee for checking meter reading

R 159.15

R 168.70

6.00%

7. Accounting Charge

R 187.82

R 199.09

6.00%

INFRASTRUCTURE SERVICES

Electricity Management

New Tariffs

First stage disconnection of electricity by removal of jumper at the meter box as requested by customer

*Second stage disconnection of electricity as requested by customer in the manner detailed below

Disconnection from Pole	R754.76
Disconnection from CDU	R628.96
Disconnection from Tee Joint	R1509.51

*Final stage disconnection of electricity by removal of whole Service as requested by customer

Disconnection by removal of overhead cables from pole to the house R1509.51

Disconnection by cutting and removing the service cable from CDU to the boundary R1509.51

Disconnection by cutting and removing the service cable from Tee Joint to the boundary R1509.51

*Reconnection of electricity (after first stage disconnection) by replacement of jumper as requested by customer

*Reconnection of electricity (after 2nd stage disconnection) as requested by customer by doing the following

Reconnection from Pole	R1006.34
Reconnection from CDU	R880.55
Reconnection from Tee Joint	R2012.68

*Reconnection of electricity after the final stage disconnection-

NEW SERVICE INSTALLATION APPLIES

Electricity Service retention monthly fee

Single phase domestic	R116.37
3 phase domestic	R181.83
Single phase domestic	R128.84
3 phase business	R238.36
Bulk Account	R562.86
Installation audit as requested by the customer	R503.17
Special Reconnection Fee-To be executed within 3hrs of request	R880.55



Notes

- The disconnection all only be actioned after an application has been filled and the customer paid the fee upfront
- The disconnection shall be actioned after 48 hours of request being made and payment received
- The onus of ensuring that the meter, meter room and or the property is accessible to conduct the work lies with the customer
- Should the official find the property inaccessible, the cost for the activity shall be charged and not returned
- Only the customer or his/her duly authorized person shall indemnify the Municipality for any legal contraventions pertaining to Human settlements disputes
- Customers who request first and second stage disconnections shall still be liable for monthly electricity service Retention fees
- Customers who request first and second stage disconnections shall still be responsible for tampering fees and illegal consumption should they or property occupants tamper with the electricity installation
- Customers who request final stage disconnections shall not be liable for monthly electricity service retention fees, however when they want the service in the future, they shall be subjected to new application processes, timelines and capacity availability.
- The installation shall be audited prior to effecting the disconnection as requested by the customer, the installation shall be audited again prior to the reconnection as requested, the customer shall be charged for tampering if it is found during these instances.
- Should the customer or his/her duly authorized representative refuse to pay the monthly electricity service retention, the installation may be removed completely and the customer be required to make new application when the supply is required.
- After each activity, disconnection or reconnection as per customer request, the authorized official shall leave the installation audit certificate indicating the status of the installation as at the date installation is disconnected/reconnected.
- The special reconnection fee will be charged on top of all other fees already charged for the disconnection, this fee must be paid upfront and a special reconnection fee form signed and provided to the municipality, should the reconnection be done after 3 hours, this fee shall fall away.

INFRASTRUCTURE SERVICES

Electricity Management

Key Tariff Rules applicable to Domestic Tariffs

1. Customer is allowed one free MCB change per 12 months period, however a customer who is reducing the MCB needs to understand that any future request for MCB size increase may attract MCB size increase fees and shall be subject to availability of such demand in that network.
2. Customers are allowed to migrate from credit to prepaid but if the customer has chosen to do so, the same customer will not be allowed to migrate back to credit - this is due to the fact that the Municipality is intending to phase out credit system and migrate all customers to prepaid system. Therefore the customer should do their analysis properly before an application to migrate is lodged with the Municipality.
3. The supply provided as per the application for new supply or for an upgrade will only be changed after 12 months of taking supply, the application for a downgrade of MCB within the first 12 months of taking supply may not be entertained.
4. The act of scratching the MCB, replacing Municipal MCB with other MCBs and any other interference with the MCB is regarded as tampering, any customer who's MCB has been found to be scratched, replaced with other MCBs, or interfered with in any way will be dealt with in terms of Debt collection and Credit control Policy and Electricity Bylaws.
5. Any domestic supply that takes supply greater than 70 kVA shall be classified as large power user and be charged a standard tariff of either C Scale or TOU. There shall be no concession on this matter.

Key Tariff Rules applicable to Non Domestic Tariffs

1. All customers who are on tariffs with Demand Charge, will only be allowed one Maximum Notified Demand (MND) change per 12 months period, however the peak demand recorded will run for 12 months.
2. The MND supplied with application for new supply or for an upgrade will only be changed after 12 months of taking supply, the application for a downgrade of MND within the first 12 months of taking supply shall not be entertained.
3. The customer who is reducing the demand for longer than 12 months needs to understand that any future request for demand shall attract demand increase fees and will be subject to availability of such demand.
4. Each request for demand increase or decrease shall be investigated, upon receipt of written application from the customer, the response shall be given to the customer in writing with conditions for such change of scale, and where cost are applicable.
5. Any Customer whose Maximum Notified Demand (MND) exceeds the contracted NMD for more than one month without making application to Electricity to upgrade the supply (to increase NMD), will be charged 20% more for the extra demand until the application is processed and electricity department offers to increase MND after all the relevant fees are paid and works where necessary. The Municipality reserves the right to cut the supply off after warnings has been issued and not adhered to.
6. The minimum demand charge per month payable by the consumer shall be an amount calculated as aforesaid on the basis of 70% of the highest of the previous twelve months highest maximum in kVA, whichever is the higher maximum demand in kVA notified to the City Electrical Engineer by the consumer or 70%.

2019/20 to 2021/22



7. All customers will be allowed one tariff scale change for any 12 months period and such change will run for full 12 months before any tariff change is allowed. No tariff change will be allowed from TOU to any other tariffs.
8. Reactive energy charge: A charge for all reactive energy which exceed 30% of the real energy (kWh) per half hour period in the peak and standard period's only (c/kvarh).

INFRASTRUCTURE SERVICES

Water Distribution and Sanitation Management

Water Management

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Water Supply Tariffs</u>			
1. Scale 2 (1) – Domestic			
Basic Charge	R 21.14	R 22.41	6.0%
0kl to 6kl	R 69.84	R 76.54	9.60%
2 (2) – Domestic			
7kl to 30kl per kl	R 23.50	R 25.75	9.60%
2 (3) – Domestic			
31kl to 60kl per kl	R 40.61	R 44.51	9.60%
2 (4) _Domestic			
61kl and over per kl	R 47.40	R 51.95	9.60%
2 (5) _Domestic			
Flat rate (unmetered households)	R 104.40	R 114.42	9.60%
2. Scale 3A – Flats, Simplexes			
Basic Charge	R 21.14	R 22.41	6.0%
Unit	R 22.15	R 33.40	9.60%
3. Scale 3B – Flats (Non-Rateable)			
Basic Charge	R 21.14	R 22.41	6.0%
Unit	R 30.48	R 33.40	9.60%
4. Scale 4A (1) – Commercial			
Basic Charge	R 35.23	R 37.34	6.0%
0 - 30 kl per kl	R 24.80	R 27.18	9.60%

2019/20 to 2021/22



	4A (2) – Commercial			
	31kl to 60kl per kl	R 27.63	R 30.29	9.60%
	4A (3) – Commercial			
	61kl to 100kl per kl	R 32.42	R 35.54	9.60%
	4A (4) – Commercial			
	101kl and over per kl	R 24.80	R 27.80	9.60%
5.	Scale 4B – Commercial (Non-Rateable)			
	Basic Charge	R 35.23	R 37.34	6.0%
	Unit	R 30.59	R 33.52	9.60%
6.	Scale 5 – Builders, Construction Sites			
	Basic Charge	R 35.23	R 37.34	6.0%
	Unit	R 31.01	R 33.98	9.60%
	Flat Rate - Unmetered Fire Mains	R 261.00	R 286.06	9.60%
7.	Scale 6 – Religious Organisations			
	Basic Charge	R 35.23	R 37.34	6.0%
	Unit	R 24.59	R 26.95	9.60%
8.	Scale 7 – Registered Welfare & Charitable Institutions & certain Sporting Bodies which are exempted from payment of rates. Including such organizations & institutions exempted by the City Council.			
	Basic Charge	R 35.23	R 37.34	6.0%
	Unit	R 24.59	R 26.95	9.60%
9.	Scale 8 – Municipal Departments			
	Unit	R 23.48	R 2.73	9.60%

Indigent Benefit - Domestic Water supply only

Qualifying indigent consumers will receive the first 6kl's of water free



MSUNDUZI ANNUAL BUDGET

INTEREST RATE

1.	Interest rate per annum	11.25%	11.25%
----	-------------------------	--------	--------



INFRASTRUCTURE SERVICES Water Distribution and Sanitation Management

Sewerage Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Based on the relevant Water Scale			
Sewerage Tariffs			
1. Scale 2 – Domestic/House	R 153.79	R 163.01	6.0%
2. Home Business	R 173.40	R 183.80	6.0%
3. Scale 3A – Flats/Simplexes per kl (From 2018/19 ALL Flats/Simplexes on Scale 3A will be charged on 80% of water consumed)	R 8.16	R 8.65	6.0%
4. Scale 4A – Business/Commercial per kl			
0 – 400	R 8.34	R 8.65	6.0%
401 - 1000	R 7.78	R 8.25	6.0%
Greater than 1000	R 6.43	R 6.82	6.0%
(From 2018/19, the maximum tariff is no longer applicable)			
5. Vacant Land	R 153.79	R 163.01	6.0%
6. Scale 6 – Worship Places	R 293.39	R 310.99	6.0%
7. Scale 8M – Municipal Departments per kl	R 8.34	R 8.84	6.0%
8. Scale 3c, 4c, 7c – Registered Welfare & Charitable Institutions & certain Sporting Bodies which are exempted from payment of rates. Including such organizations & institutions exempted by the City Council - per kl	R 8.34	R 8.84	6.0%
9. Qualifying indigent consumers will receive 100% rebate in respect of the applicable charge.			



MSUNDUZI ANNUAL BUDGET

Note:

Home Business refers to a property previously rated as residential where an owner or lessee runs a small business from the premises and which is still primarily used as a place of residence by that owner or lessee and where special consent has been obtained in terms of the Town Planning scheme to run this business on the premises.

INTEREST RATE

1.	Interest rate per annum	11.25%	11.25%
----	-------------------------	--------	--------



INFRASTRUCTURE SERVICES Water Distribution and Sanitation Management

Water Services Bylaw Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Sewer Connections</u>			
<p>In all cases the connection into the Corporate Sewer shall be undertaken by the Senior Manager at the expense of the owner of the premises to be connected or his authorised agent.</p> <p>The Senior Manager shall decide the type and diameter of the pipe to be used for the connection.</p> <p>Except where otherwise authorised, the work shall be charged at the following tariffs:</p>			
1. Connection fees payable in terms of bylaw 23(3) b:			
(a) 100mm pipes	R 3 724.46	R 3 947.92	6.0%
(b) 150mm pipes minimum charge (cost plus 10%)	R 6 816.12	R 7 225.08	6.0%
(c) 200mm pipes minimum charge (cost plus 10%)	R 7 864.75	R 8 336.63	6.0%
<p>The tariffs payable in terms of this item are subject to the provision that –</p> <p>(i) where it is necessary to include such items as manholes, or other means of access to the connection, special pipes or any other works which may be peculiar to the connection, such additional work shall be to the expense of the owner of the premises to be connected or to his authorized agent, and such additional work shall be charged at full cost plus 10% administration charges, and</p> <p>(ii) where a connection is required for a property within the central area other than a single residential dwelling, such connection shall be charged at full cost plus 10% administration charges with a minimum charge equal to the relevant tariff set out in this item.</p>			
	Cost plus 10%	Cost plus 10%	
	Admin. Charge	Admin. Charge	
	Cost plus 10%	Cost plus 10%	
	Admin. Charge	Admin. Charge	



MSUNDUZI ANNUAL BUDGET

2. Miscellaneous Fees

The following miscellaneous fees shall be payable to the Council in accordance with the provisions of these bylaws:

(a)	Clearing of internal drain and sewer blockages during normal working hours.	R 1012.47	R 1 073.22	6.0%
(b)	(i) Clearing of septic tanks within the Council's area of jurisdiction	R 2 061.11	R 2 184.77	6.0%
	(ii) Clearing of septic tanks outside Council's area of jurisdiction	Cost plus 10%	Cost plus 10%	
	(Minimum deposit R1000.00)			
(c)	Clearing of conservancy tanks during normal working hours for non-residential property (per load)	R 650.88	R 689.93	6.0%
(d)	Clearing of conservancy tanks during normal working hours for residential property (per load)	R 325.44	R 344.96	6.0%
(e)	Clearing of pit latrines	R 325.44	R 344.96	6.0%
(f)	Clearing of pit latrines monthly tariff	R 50.62	R 53.66	6.0%

3. The charge to be levied by the Council iro. conveyance and treatment of trade effluent discharged into its sewers from manufacturing premises shall be assessed in accordance with the following formula:

(i)	Cost (c/kl) = 0,977 (Ave COD – 350)	0.922	0.977	6.0%
-----	-------------------------------------	-------	-------	------

(ii) The volume of effluent discharged being a fixed percentage of their monthly water consumption, such percentage being mutually agreed upon by the industry concerned and Umgeni Water.

(iii) The average COD value used shall be determined from the average of previous six months COD results taken by Umgeni Water.

2019/20 to 2021/22



(iv) Where an industry's monthly effluent sample is found to exceed the limits set out in the Water Services By-Laws, a charge will be levied for a re-inspection of the premises and re-sampling of the effluent within a two week prescribed period.

R 1 303.60

R 1 381.82 6.0%



INFRASTRUCTURE SERVICES

Water Distribution and Sanitation Management

Water Supply Bylaw Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<p>1. When an owner or a consumer desires the services of the Council for the closing down or turning on of the water from a Council Control valve to a fire supply consequent upon alterations, repairs or otherwise to the system, application shall be made for such service to the Council and the applicant shall pay in advance to the Council a fee of R628.62 for both the closing down and turning on of water by the Council.</p> <p>Fees payable ito Bylaw 30.</p>	R 593.04	R 628.62	6.0%

NOTE

When it is necessary icw the repairs of any consumer's pipes or fittings that the water should be turned off at the mains, the consumer's plumber shall inform the Engineer who will give him notice of the day and hour that the water will be off, and upon the water being turned off, the plumber shall carry out the necessary repairs forthwith and complete same as expeditiously as possible.

2. The Council is empowered summarily to cut off the water supply of any consumer whose account for water is overdue or who has contravened any of these Bylaws, without prejudice to any penalties which may be recoverable under the Bylaws, and the Council may recover the fee provided in Subsection (b) of this Bylaw and any further sum or sums due by the consumer.
 - (a) When the water supply to any consumer has been cut off under this Bylaw, or is turned off at the owner's or consumer's request for the purposes other than repairs by an authorized plumber, a disconnection

2019/20 to 2021/22



fee of R1074.56 will be charged when the property is situated inside the Council's area and a disconnecting fee of R1074.56 will be charged when the property is situated outside the area of the Council, which fees will be payable by the owner or consumer, as the case may be, upon demand. Fees payable ito Bylaw 32.

R 1 013.3 R 1 074.56 6.0%

(b) When the water supply to any consumer has been cut off under this Bylaw, the Council may, at its discretion, on payment in full of the overdue account and the disconnecting fee and a further fee for reconnection of R1074.56 the property is situated within the area of Council or R1074.56 if the property is situated outside the area of the Council, reconnect the supply to such premises.

Fees payable ito Bylaw 32

R 1013.74 R 1074.56 6.0%

(c) Water Restriction Washer

Installation

R 350.20 R 371.21 6.0%

Removal

R 373.24 R 395.63 6.0 %

(d) Surcharge raised for the reinstatement of domestic services that have been removed for tampering (including where a meter has been removed and/or bypassed by an occupier/owner):

First offence

R 17 214.42 R 18 247.29 6.0%

Second offence

R 24 821.63 R 27370.93 6.0%

Third or subsequent offence

R 43 036.06 R 45618.22 6.0%

(e) Surcharge raised for the reinstatement of Business services that have been removed for tampering (including where a meter has been removed and/or bypassed by an occupier/owner):

First offence

R 430 360.58 R 456 182.22 6.0%

Second offence

R 516 432.70 R 547418.66 6.0%

Third or subsequent offence

R 860 721.16 R 912364.43 6.0%



MSUNDUZI ANNUAL BUDGET

(f) Tampering with Water Meters or Metering Installations: Domestic & Business

Reconnection Fee	R	525.69	R	557.23	6.0%
Disconnection Fee	R	525.69	R	557.23	6.0%

Back dated consumption (calculated based on estimated tampering period)



INFRASTRUCTURE SERVICES Water Distribution and Sanitation Management

Water Supply Bylaw Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
3. (a) Except where other competent arrangements have been agreed upon, the tariff for connection to the water main shall be as follows (fees payable ito Bylaw96):			
(i) In Council's area of jurisdiction – Diameter of supply pipe			
15mm (Vulindlela)	R 1 032.12	R 1 094.04	6.0%
15mm	R 2 965.18	R 3 143.10	6.0%
20mm	R 6 556.58	R 6 949.98	6.0%
25mm	R 8 722.20	R 9 245.54	6.0%
50mm	R 13 679.25	R 14 500.00	6.0%
80mm	R 24 773.80	R 26 260.23	6.0%
100mm	R 34 897.94	R 36 991.82	6.0%
150mm	R 39 656.75	R 42 036.15	6.0%
(ii) Outside Council's area of jurisdiction – In all cases – cost of labour and materials plus 10% supervision on total cost			
(iii) Where an application is made for more than one connection for the same property a discount of 25% be given on the smaller connections, subject to the following –			
(a) the application be made at the same time.			
(b) the positions of the connections be adjacent to one another.			
(c) the applicant be ready for the connections to be done at the same time.			



MSUNDUZI ANNUAL BUDGET

(iv) Removal of Connections

Moving of connection from one position to another shall be charged at actual cost.

Where a meter has been temporarily removed at the request of the owner, the cost of replacing the meter at a later date will be

R 1 075.18 R 1 139.69 6.0%

(v) Removal or By-passing meters

Where a meter has been removed and/or bypassed by an occupier/owner, a fee shall be charged for the replacement of the meter.

R 1 858.52 R 1 970.03 6.0%

(vi) Fee for attendance at the applicant's site at time notified by applicant where it is not possible to make the connection due to the applicants pipe-work not being ready for connection.

R 593.04 R 628.62 6.0%

4. The following shall be the charges for the testing of meters and testing and stamping of taps and fittings in accordance with these Bylaws:

(a) Testing Meters

(i) for testing meters from 15mm up to and including 25mm supplied by the Council **R822.04**, provided that where the meter shows an error of more than 3% fast a refund of **R822.04** will be made to the consumer concerned.

R 775.51 R 822.04 6.0%

(b) Hydrant/Flow Pressure Tests

The charge for a flow pressure test on a hydrant shall be R576.68 for a test and a further **R646.13** for each and every subsequent test requested.

R 609.56 R 646.13 6.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Town Planning Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. General			
(a) Zoning Certificate	R 73.31	R 77.71	6.0%
(b) Zoning Map	R 45.11	R 47.82	6.0%
(c) Land Use Map	R 45.11	R 47.82	6.0%
2. Consent Users			
(a) Consent	R 1 691.76	R 1 793.27	6.0%
(b) Medium Density Housing (Plus R587.64 per unit)	R 2 255.68	R 2 391.02	6.0%
(c) Bed and Breakfast/Guest House/Boarding House	R 2 255.68	R 2 391.02	6.0%
(d) Creche (per number of children)			
12 - 20	R 2 030 .11	R 2 151.92	6.0%
21 - 30	R 2 650.42	R 2 809.45	6.0%
31 and more	R 3 975.64	R 4 214.17	6.0%
3. Formal Authority			
(a) Tuck-shop in all areas	R 1 127.84	R 1 195.51	6.0%
(b) Tavern in all areas	R 1 127.84	R 1 195.51	6.0%
(c) Home Activity in all areas	R 265.04	R 280.94	6.0%
4. Relaxation of Scheme Controls			
(Only where applicable in terms of the Scheme)			
(a) For residential purposes	R 563.92	R 597.76	6.0%
(b) For Non-Residential Purposes	R 1 127.84	R 1 195.51	6.0%
(c) Relaxation of building line/side or rear space (basic fee where full consent application is waived)	R 265.04	R 280.94	6.0%

5. Material change to an application

(a) Material change to an application 50% of the applicable application fee including Vat

6. Multiple applications

(a) Multiple Applications 75% of each individual application applies including Vat

7. Zoning/Rezoning/Scheme Incorporations/Amendments

(a) Zoning/Rezoning of land in all areas	R 2 819.60	R 2 988.78	6.0%
(b) Amendments to Scheme	R 2 819.60	R 2 988.78	6.0%

8. Removal of a Title Deed Restriction

(a) Removal of a restriction for residential purposes	R 1 691.76	R 1 793.27	6.0%
(b) Removal of restrictions for non-residential purposes	R 2 030.11	R 2 151.92	6.0%

9. Development of land outside the scheme

(a) Residential			
Under 0.5 ha	R 2 030.11	R 2 151.92	6.0%
Above 0.5 ha	R 2 255.68	R 2 391.02	6.0%
(b) Non-Residential			
Under 0.5 ha	R 2 819.60	R 2 988.78	6.0%
1 ha - 5 ha	R 5 300.85	R 5 618.90	6.0%
5 ha - 10 ha	R 7 894.88	R 8 368.88	6.0%
10 ha and above	R10 601.70	R11 237.80	6.0%

10. Closure of Roads and Open Spaces

(a) Closure of Road/Open Space	R 2 819.60	R 2 988.78	6.0%
--------------------------------	------------	------------	------

11. Amendment/Phasing/Cancellation of Layout

(a) Amendment	R 2 819.60	R 2 988.78	6.0%
(b) Phasing	R 2 819.60	R 2 988.78	6.0%
(c) Cancellation	R 2 819.60	R 2 988.78	6.0%



12. Subdivisions and Consolidations

(a) As per Land Survey Tariff

13. Fines and Penalties

(a) Authorisation of an unlawful activity resulting in a

Municipal Consent	R 7 950.00	R 8 427.00	6.0%
-------------------	------------	------------	------

(b) Authorisation of an unlawful activity resulting in all other

Activities that require municipal approval in terms of the			
--	--	--	--

Municipal SPLUM Bylaws	R15900.00	R16854.00	6.0%
------------------------	-----------	-----------	------

14. Appeals

(a) Lodging of an Appeal (per appeal memorandum) all inclusive	R2 650.00	R2 809.00	6.0%
--	-----------	-----------	------

15. Public Hearings

(a) Advert costs for Public Hearing by Municipal

Planning Approval Authority	R6 000.00	R 6 360.00	6.0%
-----------------------------	-----------	------------	------

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT

Town Planning and Environmental Management

Land Survey

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Copies and Subdivision of Land Tariffs			
1. (i) Search Fee (Excluding Locality Sketches & Site Plans)	R 23.79	R 25.22	6.0%
(ii) Copies of documents (per copy)			
(aa) A4	R 5.06	R 5.36	6.0%
(bb) A3	R 7.59	R 8.04	6.0%
(cc) A1	R 71.00	R 75.27	6.0%
(dd) A0	R 102.63	R 102.79	6.0%
2. Subdivisions and Consolidation of Land:			
Application and Approval in terms of the KZN Planning and Development Act No. 6 of 2008			
a. Up to 10 pieces of land:			
Basic fee	R 631.06	R 668.92	6.0%
Plus, per subdivision + Remainder	R 294.91	R 312.60	6.0%
b. Over 10 pieces of land:			
Basic fee	R 1 752.79	R 1 857.96	6.0%
Plus, per subdivision + Remainder	R 147.51	R 156.36	6.0%
Provided that in respect of subdivisions for Government-subsidised Townships for low-income Housing Projects			
Basic fee	R 276.27	R 292.85	6.0%
Plus, per subdivision + Remainder	R 28.12	R 29.80	6.0%
c. Additional trips to site to inspect compliance with conditions imposed, over and above initial trips, based on radial distance from City Hall:			

2019/20 to 2021/22



Radius up to 5km	R 158.76	R 158.28	6.0%
Radius up to 10km	R 255.77	R 271.12	6.0%
Radius up to 15km	R 345.40	R 366.13	6.0%
Radius up to 20km	R 414.53	R 439.40	6.0%
Radius up to 25km	R 561.92	R 595.64	6.0%
Radius over 25km	R 640.31	R 678.73	6.0%

d. Consolidations

Basic fee	R 319.63	R 338.81	6.0%
Plus, per component	R 79.90	R 84.69	6.0%

3. Certification of Copies of Documents

Basic Fee	R 108.26	R 114.75	6.0%
-----------	----------	----------	------

4. Applications for relaxation of municipal omnibus servitudes

Basic Fee	R 319.63	R 338.81	6.0%
-----------	----------	----------	------

5. Applications for Removal of Title Deed Restrictions

These charges will be applied as per the charges reflected in the Town Planning Tariffs

Note:

a. The approved tariffs in respect of Geographic Information Systems are as reflected in item 2. (ii) – Supply of Digital Data, and are similarly applicable.

b. **Advertisement of Applications for road closures and PDA applications where necessary.**

Advertisement costs shall be borne by the applicant. Upon confirmation of the application being complete and the 14 day acknowledgement period having lapsed, the Development Services Unit shall, within a period of fourteen (14) working days, supply the applicant with a text of the notice to be advertised in the two official languages of the region, which the applicant shall place in the Local Newspaper at their cost, and serve copies thereof on affected property owner's as directed by the **Senior Manager: Town Planning and Environmental Management**.

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT

Town Planning and Environmental Management

Geographical Information Systems

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Plotting of Digital Data:			
Paper Size			
A4	R 37.13	R 39.36	6.0%
A3	R 44.56	R 47.23	6.0%
A2	R 59.41	R 62.97	6.0%
A1	R 74.26	R 78.72	6.0%
A0	R 96.54	R 102.33	6.0%
Paper Size			
A4	R 44.56	R 47.23	6.0%
A3	R 59.41	R 62.97	6.0%
A2	R 96.54	R 102.53	6.0%
A1	R 178.23	R 188.92	6.0%
A0	R 341.60	R 362.10	6.0%
2. Supply of Digital Data:			
(i) Digital Orthphotos			
per 1:10 000 Cut into 8 blocks of the original	R 37.13	R 37.13	6.0%
per 1:5 000 sheets	R 148.52	R 157.44	6.0%
per 1:10 000	R 297.05	R 314.87	6.0%
(ii) Other digital data (zipped file)			
Minimum Search fee	R 77.23	R 81.87	6.0%
Per half hour thereafter	R 38.99	R 41.33	6.0%
Complete data set	R1 559.50	R1 653.07	6.0%
(iii) Cost of Digital Medium (CD)	R 7.43	R 7.87	6.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
The following amended tariffs are for the Msunduzi Municipality excluding Less Formal Townships and any other area declared by the Msunduzi Municipality			
1. Building plan submission fees			
(a) Preliminary building plans submitted for scrutiny and comment, 25% of the normal plan approval fee as detailed below.			
(b) Plans for new buildings or additions to buildings submitted;			
i) For the first 20 m ²	R 474.64	R 503.12	6.0%
ii) Each additional 10 m ² exceeding 20 m ² up to and including 5000 m ²	R 118.53	R 125.31	6.0%
iii) For each additional 10 m ² over 5000 m ² up to and including 15000 m ²	R 49.40	R 52.37	6.0%
iv) For each additional 10 m ² over 15 000 m ²	R 33.52	R 35.54	6.0%
v) Minimum charge	R 474.64	R 503.12	6.0%
(c) Minor Building Work	R 247.02	R 261.85	6.0%
(d) Approval-in-Principle (non-refundable)	25% of Building Plan Fee	25% of Building Plan Fee	
(e) Alterations ½% of estimated cost (0,005 x estimated cost) - minimum charge	R 474.64	R 503.12	6.0%
(f) Swimming Pools - minimum charge	R 247.02	R 261.85	6.0%
(g) Drainage - minimum charge only	R 474.64	R 503.12	6.0%
(h) Petrol, Diesel & Gas Installations - minimum charge only	R 474.64	R 503.12	6.0%



MSUNDUZI ANNUAL BUDGET

(i) Temporary Buildings & Structures

For every 50 m² (or part thereof) R 199.38 R 211.35 6.0%

(j) Pre-Cast Concrete Boundary Fences

Precast concrete boundary walls not adjacent to a road boundary and not exceeding 1,8 metres in height shall be exempt from the need for the submission of sketch plans or the payment of a fee

Exempt Exempt

Precast concrete boundary walls not adjacent to a road boundary but exceeding 1,8 metres in height shall require the submission of an application with sketch plan and the payment of fee of

R 247.02 R 261.85 6.0%

Precast concrete boundary walls adjacent to a road and not exceeding 1,5 metres in height shall be exempt from the need for the submission of plans or the payment of a fee

ExemptExempt

Precast concrete boundary walls adjacent to a road and which exceed 1,5 metres in height shall be subject to the submission of application forms, building plans and payment of a fee calculated at half a percent of the value of the fence with a minimum fee of

R 129.64 R 137.42 6.0%

(k) Application fee for processing of Demolition applications

R 217.03 R 230.05 6.0%

(l) Application fee for the substitution of a plan during the approval process

R 199.38 R 211.35 6.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
2. Hoarding			
Deposit - Per frontage of 10m (or part thereof)	R 4 596.43	R 4 872.21	6.0%
Rental - Per frontage of 10m (or part thereof) per week	R 217.03	R 230.05	6.0%
3. Tariff for the purposes of Bylaw 209 (encroachments)			
(a) Balconies			
i) For any balcony which is not used for living or business purposes, the charge shall be R142.15 per 10 m ² or part thereof per year	R 134.10	R 142.15	6.0%
ii) For any balcony which is not more than 75% enclosed and attached to business premises but not used for business purposes, the charge shall be R263.55 per 10 m ² or part thereof per year.	R 248.63	R 263.55	6.0%
iii) For any balcony used for the purpose of a licensed business the charge shall be R679.63 per 10 m ² or part thereof per year	R 641.16	R 679.63	6.0%
(b) Verandahs			
i) For any verandah per year	R 134.10	R 142.15	6.0%
ii) Where any structure is both a verandah and a balcony within the meaning of these bylaws the owner shall in respect of such structure pay the charges in terms of these bylaws for a verandah and a balcony.			

(c) Other Projections (per year)

i) Posts or columns at street level	R 134.10	R 142.15	6.0%
ii) Bay windows per 0.1 m ² of such projection on plan	R 134.10	R 142.15	6.0%
iii) Pavement lights or openings per 0.5 m ² or part thereof	R 134.10	R 142.15	6.0%
iv) Showcases per 0.1 m ² on plan	R 134.10	R 142.15	6.0%
v) Sunblinds each	R 134.10	R 142.15	6.0%
vi) Cellars under pavements per 0.5 m ²	R 134.10	R 142.15	6.0%
vii) Any other projection	R 134.10	R 142.15	6.0%

4. Building plans

(a) Search fees	R 24.70	R 26.18	6.0%
-----------------	---------	---------	------

(b) Copies of documents (per copy)

i) A4	R 5.06	R 5.36	6.0%
ii) A3	R 7.59	R 8.04	6.0%

(c) Copies of building plans (per copy)

i) A4	R 16.91	R 17.92	6.0%
ii) A3	R 31.00	R 32.86	6.0%
iii) A2	R 59.18	R 62.74	6.0%
iv) A1	R 71.87	R 76.18	6.0%
v) AO	R 102.34	R 108.48	6.0%
vi) Copied to memory stick	R 31.00	R 32.86	6.0%
vii) Copied to CD	R 59.18	R 62.74	6.0%
viii) To search for and prepare a record for disclosure, for each hour or part thereof excluding the first half hour.	R 35.29	R 37.41	6.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
PLAN SUBMISSION FEES FOR MASS HOUSING TOWNSHIPS AND ANY OTHER AREA DECLARED BY THE MSUNDUZI MUNICIPALITY			
1. Building Plans			
(a) Preliminary plans submitted for scrutiny and comment	R 100.05	R 106.05	6.0%
(b) 20 m ² - 30 m ²	R 100.05	R 106.05	6.0%
(c) 30 m ² - 40 m ²	R 129.64	R 137.42	6.0%
(d) 40 m ² - 50 m ²	R 151.74	R 160.85	6.0%
(e) 50 m ² - 60 m ²	R 178.21	R 188.90	6.0%
(f) 60 m ² - 70 m ²	R 247.02	R 261.85	6.0%
(g) 70 m ² - 80 m ²	R 335.25	R 355.36	6.0%
(h) for the alteration of any building which does not increase the floor area thereof	R 100.05	R 106.05	6.0%
(i) application fee for the erection of a minor building work as defined in the National Building Regulations	R 100.05	R 106.05	6.0%
(j) permission for the erection of temporary buildings may be granted upon payment of a charge of R106.05 for each 50 m ² or part thereof. Such permission shall be valid for twelve months, but may be renewed for further periods of twelve months upon payment of charges at the same rate.	R 100.05	R 106.05	6.0%



MSUNDUZI ANNUAL BUDGET

2.	Precast concrete boundary walls			
	(a) precast concrete boundary walls not adjacent to a road boundary but exceeding 1,8 metres in height shall require the submission of an application with sketch plan but exempt from the payment of a fee		Exempt	Exempt
	(b) precast concrete boundary walls adjacent to a road boundary and not exceeding 1,5 metres in height shall be exempt from the need for the sub-mission of sketch plans or the payment of a fee.		Exempt	Exempt
	(c) precast concrete boundary walls adjacent to a road and which exceed 1,5 metres in height shall be subject to the submission of application forms, building plans and payment of a fee calculated at half a per cent of the value of the fence with a minimum fee of	R 100.05	R 106.05	6.0%
3.	Building plan search fee	R 24.70	R 26.18	6.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control – Advertising Signage

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
--	----------------------	----------------------	------

A. Application Fees and Deposits for a License/Permit for Outdoor Advertising

Every person who applies to Council for its approval or permission shall on making application pay to the Council the charge determined therefore and no application shall be considered until such charge has been paid;

The charges are set out below:

1. A non-refundable application fee must be tendered with each application (whether on privately-owned or Council-owned property). Application fees per sign shall be levied for sign types A (Billboards),

B (Ground Signs), C (Wall Signs), D (Roof Signs), and E (Verandah, Balcony, Canopy and Under-Awning Signs) as follows:

NB! Application fees for billboards and ground signs will be per sign face.

(a) Council-owned Property

For any Billboard or Ground Sign on Council Property

Basic Fee	R 451.14	R 478.20	6.0%
-----------	----------	----------	------

Plus the applicable fee as reflected below;

Area of Sign

Non Illuminated

Application fee per sign for sign area up to 2m ²	R 126.01	R 133.57	6.0%
Application fee per sign for sign area up to 4m ²	R 173.35	R 183.75	6.0%
Application fee per sign for sign area up to 6m ²	R 242.69	R 257.25	6.0%
Application fee per sign for sign area up to 12m ²	R 341.92	R 362.43	6.0%
Application fee per sign for sign area up to 18m ²	R1 089.11	R1 154.46	6.0%
Application fee per sign for sign area up to 24m ²	R1 362.88	R1 444.65	6.0%
Application fee per sign for sign area up to 36m ²	R2 118.45	R2 245.55	6.0%
Application fee per sign for sign area over 36m ²	R3 570.99	R3 785.25	6.0%

Area of Sign

Illuminated

Application fee per sign for sign area up to 2m ²	R 146.92	R 155.74	6.0%
Application fee per sign for sign area up to 4m ²	R 202.76	R 214.93	6.0%
Application fee per sign for sign area up to 6m ²	R 301.61	R 319.70	6.0%
Application fee per sign for sign area up to 12m ²	R 458.74	R 486.26	6.0%
Application fee per sign for sign area up to 18m ²	R1 391.43	R1 474.91	6.0%
Application fee per sign for sign area up to 24m ²	R1 679.09	R1 779.84	6.0%
Application fee per sign for sign area up to 36m ²	R2 692.89	R2 854.46	6.0%
Application fee per sign for sign area over 36m ²	R4 117.27	R4 364.31	6.0%

Area of Sign

Electronic

Application fee per sign for sign area up to 2m ²	R 362.43	R 384.18	6.0%
Application fee per sign for sign area up to 4m ²	R 458.74	R 486.26	6.0%
Application fee per sign for sign area up to 6m ²	R 705.86	R 748.21	6.0%
Application fee per sign for sign area up to 12m ²	R1 391.43	R1 474.91	6.0%
Application fee per sign for sign area up to 18m ²	R2 692.89	R2 854.46	6.0%
Application fee per sign for sign area up to 24m ²	R3 545.74	R3 758.48	6.0%
Application fee per sign for sign area up to 36m ²	R3 752.30	R3 977.44	6.0%
Application fee per sign for sign area over 36m ²	R5 270.45	R5 586.68	6.0%

(c) Privately-owned Property

(excluding National/Provincial Government)

Application fee per sign for sign area up to 2m ²	R 428.44	R 454.15	6.0%
Application fee per sign for sign area up to 4m ²	R 856.88	R 908.29	6.0%
Application fee per sign for sign area up to 6m ²	R1 285.32	R1 362.44	6.0%
Application fee per sign for sign area up to 12m ²	R2 570.63	R2 724.87	6.0%
Application fee per sign for sign area up to 18m ²	R3 855.96	R4 087.32	6.0%
Application fee per sign for sign area up to 24m ²	R5 141.28	R5 449.76	6.0%
Application fee per sign for sign area up to 36m ²	R7 711.89	R8 174.60	6.0%

2019/20 to 2021/22



Application fee per sign for sign area over 36m²

R7 342.62	R7 783.17	6.0%
plus R924.32	plus R979.77	6.0%
per m ²	per m ²	

2. Any minor amendment to an application, considered by the duly authorized official of Council to be a minor amendment,

may be submitted at a reduced application fee of **R140.27** each

R 132.33	R 140.27	6.0%
----------	----------	------

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control – Advertising Signage

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
3. An application fee must be tendered with each application for advertisements for sign types F (Posters, Banners and Flags excluding Election Advertisements) as follows:			
3.1 Per 25 posters or part thereof	R 267.14	R 283.16	6.0%
3.2 Per 25 posters or part thereof for events not taking place within the Msunduzi Municipal area	R 639.96	R 639.96	0.0%
3.3 Per 50 posters or part thereof	R 427.42	R 453.06	6.0%
3.4 Per 50 posters or part thereof for events not taking place within the Msunduzi Municipal area	R 1281,18	R 1358,05	6,0%
3.5 Per 100 posters or part thereof for events taking place within the Msunduzi Municipal area	R 841.48	R 891.97	6.0%
3.6 Per 100 posters or part thereof for events not taking place within the Msunduzi Municipal area	R 2562.36	R 2716.10	6.0%
3.7 Posters for extra week (additional) over and above the fourteen days	R 94.54	R 100.21	6.0%
4. Estates Agents Boards - A non-refundable application fee (or part thereof) must be tendered with the annual application, per Agency Per annum			
4.1 1 to 5 Agents	R 1286.29	R 1363.47	6.0%
4.2 6 to 10 Agents	R 2489.66	R 2639.04	6.0%
4.3 11 to 20 Agents	R 5041.07	R 5343.53	6.0%
4.4 21 to 30 Agents	R 7513.08	R 7963.87	6.0%
4.5 31 to 50 Agents	R 9884.52	R 10477.59	6.0%
4.6 51 Plus Agents	R12652.96	R13412.14	6.0%

2019/20 to 2021/22



5.	A non-refundable application fee must be tendered with the annual application for Portable Boards (Sandwich Boards) or any other collapsible structure – per annum	R 672.26	R 712.60	6.0%
6.	A non-refundable application fee must be tendered with each application for Aerial Advertisements; (except where to be mounted on an aircraft). Adequate public liability insurance for the duration of display will also need to be furnished to Council's satisfaction – per annum	R 672.26	R 712.60	6.0%
7.	Transit Advertising: A non-refundable application fee as follows; must be tendered with each application for transit vehicles. A certified copy of the current vehicle registration certificate must accompany each application:			
	7.1 Annual Application Fee for trailers – per annum	R 1067.50	R 1131.55	6.0%
	7.2 Annual Application Fee for electronic trailer– per annum	R 2052.85	R 2176.02	6.0%
8.	Newspaper Headline Posters: A non-refundable application fee per annum or part thereof must be tendered with the annual application fee (from each company)	R 1976.81	R 2095.42	6.0%
9.	Street Pole Advertisements - application fee (once-off) per pole	R 197.32	R 209.15	6.0%
10.	Building Wraps – Non-refundable application fee	R 1662.01	R 1761.73	6.0%

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT

Town Planning and Environmental Management

Building Control – Advertising Signage

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
B. Rentals for Individual Outdoor Advertising Signs on Council Property			
Rental shall be charged in respect of all individual outdoor advertising signage on Council property in terms of the current Policy and Bylaws on Outdoor Advertising Signs, excluding any bulk signage erected as part of an approved project for a particular type of signage at various locations in the City.			
The minimum being as follows:			
1. Banners–R 297.32 per week or part thereof per banner plus any costs incurred by the Council in the erection thereof (Charitable and non-profit organizations will be exempt from the above tariff, but must still tender an application.)	R 280.49	R 297.32	6.0%
1.1 Banners- for an extra week (additional) over and above the initial two weeks	R 369.35	R 391.51	6.0%
1.2 Advertising on Comrades Gantry (per week)	R 1385.10	R 1468.21	6.0%
1.3 Comrades Gantry, for out of area events	R 2213.50	R 2346.31	6.0%
1.4 Gantry for an extra week (additional) over and above the fourteen days	R 303.57	R 321.78	6.0%
2. A fee must be tendered with each application for advertisements for sign types F (Flags excluding Election Advertisements) for fourteen days			
2.1 Flags (special event) 1-15	R 1573.60	R 1668.01	6.0%
2.2 Commercial advertising flags (per flag)	R 41.73	R 44.23	6.0%
3. Remote Advertising Annual Rental per m ² per face	R 200.35	R 212.37	6.0%

2019/20 to 2021/22



4.	Annual Rental per m ² per face - Electronic Advertising Signs on Council property	R 654.48	R 693.75	6.0%
5.	Transit Advertising: A non-refundable rental fee			
5.1	Per Trailer per Site – per week	R 197.62	R 209.47	6.0%
5.2	Per Electronic Trailer per Site – per week	R 251.08	R 266.14	6.0%
5.3	Release of impounded vehicles - Items 1, 2 and 3 of the Traffic and Security Tariffs as contained in this document shall apply.			
6.	Street Pole Advertisements - Rental for 2 weeks per pole	R 123.96	R 131.40	6.0%
7.	Newspaper Headline Posters: A non-refundable rental fee			
7.1	A Rental fee based on the total number of display frames to be used shall be paid monthly in advance, per display frame	R 4.00	R 4.25	6.0%
8.	An encroachment fee per m ² per annum or part thereof to be paid for each sign type that encroaches over Council property.	R 134.08	R 142.12	6.0%

C. Illegal Outdoor Advertising Signs on Council Property (per advertising sign)

1.	Registered Estates Agents boards fine	R 141.67	R 150.17	6.0%
2.	Authorised (Harzadous, worn out)	Removal fee	Removal fee	
3.	Unauthorised Signs fine	R 1376.16	R 1458.73	6.0%
4.	Failure to remove legal posters fine	R 140.40	R 148.82	6.0%
5.	Unauthorised posters fine	R 632.43	R 670.37	6.0%
6.	Illegal trailer fine	R 1297.74	R 1375.71	6.0%
7.	Illegal electronic advertisement fine	R 6324.25	R 6703.71	6.0%
8.	Illegal Billboard fine	R 3162.13	R 3351.85	6.0%

In addition to the fines above, the actual removal fee will be charged if the advertising sign is removed at Council's cost.

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Town Planning and Environmental Management

Building Control – Wayleaves Tariffs

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
<u>Wayleaves Tariffs</u>			
1. Processing Fees			
a. Processing of a Wayleave Application:			
Basic (up to 1km service installation)	R 478.20	R 506.90	6.0%
Additional (per extra km or part thereof)	R 478.20	R 506.90	6.0%
Processing of application to close a road for construction purposes	R 537.98	R 570.26	6.0%
2. Exemption for tariff but not for extension of time:			
All Msunduzi Departments			
All National Departments			
All Provincial Departments			
3. Parking meter bays: dis-established	As determined by Municipal Traffic Department	As determined by Municipal Traffic Department	
4. Charges/Fees for the use of Public Road Reserves			
Basic Charge/Fee during construction:			
Per day	R 1127.84	R 1195.51	6.0%
5. Tariffs for extension of time beyond that approved in the Wayleave Work Permit: (without prejudice to Council's other rights or remedies in terms of the application bylaws or Wayleave Permit)			
Charge payable additional to Basic Charge/Fee, per day	R 563.92	R 597.76	6.0%
6. Penalties ((without prejudice to Council's other rights or remedies in terms of the applicable by-laws or Wayleave Permit: Upon inspection, any deviation from Wayleave conditions (per occasion, payable Immediately)) -	R 5639.20	R 5977.55	6.0%

2019/20 to 2021/22



7. Security Deposit (at the end of guarantee period of 12 months the security deposit shall be refunded, or the balance remaining if it has been drawn on to repair poor quality workmanship or damage to other services, shall be refunded):

Proof of project Value to be submitted.

10% of project
Value

10% of project
Value

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT

Housing Development Fund

Human Settlements

Eastwood No.1 (Econo); Eastwood No. 1 (Sub-E)

Glenwood

The Grange No. 1

Northdale No. 8 (Sub-E); Northdale No. 10 (Sub-E); Northdale 7 (Econo)

Northdale 9 (Econo) ; Northdale 12

Riverbend No. 1

Woodlands No. 3; Woodlands No. 4; Woodlands No. 8

Sobantu - Housing

Properties Outside Schemes

Rents for the above areas will be calculated at the prevailing market rental for a similar property in the relevant area at

the time the property is allocated.

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	

2. Market Rents at Council Flats

Market Related Rentals for Council and State Funded Houses

Willow Gardens

Batchelor Flat rental	R 1736.23	R 1840.40	6.0%
1 Bedroom Flat rental	R 2175.11	R 2305.62	6.0%
2 Bedroom Flat rental	R 2587.90	R 2743.17	6.0%
3 Bedroom Flat rental	R 2877.51	R 3050.16	6.0%

Rental for household with a monthly income from between R0 to R3500 per month to be fixed at R500 and adjusted according to the flat size. This only applies to existing tenants. Once new BNG/RDP houses are available, they will be relocated.

Willow Gardens

Batchelor Flat rental	R 530.00	R 561.80	6.0%
1 Bedroom Flat rental	R 583.00	R 617.98	6.0%
2 Bedroom Flat rental	R 689.00	R 730.34	6.0%

2019/20 to 2021/22



3 Bedroom Flat rental	R 795.00	R 842.70	6.0%
-----------------------	----------	----------	------

Rental for household with a monthly income from between R3501 to R7500 per month be set at 25% of their household income and adjusted according to the flat size. This only applies to existing tenants.

Erica and Nerina Flats

2 Bedroom Flat rental	R 3 673.85	R 3 894.28	6.0%
3 Bedroom Flat rental	R 4 286.22	R 4 543.39	6.0%

Rental for household with a monthly income from between R0 to R3500 per month to be fixed at R500 and adjusted according to the flat size. This only applies to existing tenants. Once new BNG/RDP houses are available, they will be relocated.

Erica and Nerina Flats

2 Bedroom Flat rental	R 689.00	R 730.34	6.0%
3 Bedroom Flat rental	R 795.00	R 842.70	6.0%

Rental for household with a monthly income from between R3501 to R7500 per month be set at 25% of their household income and adjusted according to the flat size. This only applies to existing tenants.

Gross minimum income to afford accommodation at market related rentals are as follows:-

not more than 20% of income

Willow Gardens – per month

Batchelor Flat	R 8681.12	R 9201.98	6.0%
1 Bedroom Flat	R 10875.57	R 11528.10	6.0%
2 Bedroom Flat	R 12939.48	R 13715.84	6.0%
3 Bedroom Flat	R 14387.56	R 15250.80	6.0%

Erica and Nerina Flats – per month

2 Bedroom Flat	R 18369.29	R 19471.45	6.0%
3 Bedroom Flat	R 21431.07	R 22716.93	6.0%

New Tenants – An increase based on the Valuation of Rental Stock will be applied

Notes:

- Offers of accommodation are made to applicants only where the required rental does not constitute more than 20% of the applicant's gross income in terms of Council Resolution and based on national legislation.



MSUNDUZI ANNUAL BUDGET

2. The gross minimum income to qualify to be registered on Council's waiting list is R3500.00 which is in accordance with the Housing Act of 1997.

INTEREST RATE

1	Interest rate per annum	11.25%	11.25%
---	-------------------------	--------	--------



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Development Services Management

Licensing

		2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1.	Bails & Fines - (Admission of Guilt)			
	(a) Dogs:			
	Failure to control	R 166.77	R 176.78	6.0%
2.	Trade Licenses Application Fee			
	(a) Business conducted from fixed premises		R 496.52	
	Item 1 & 2 License	R 200.00	R 200.00	
	Processing Fee	R 400.00	R 424.00	6.0%
	(b) Informal Trade License Application Fee		R 45.30	
	Item 3 License	R 25.00	R 25.00	
	Processing Fee	R 28.20	R 29.89	6.0%
	Duplicate License Fee	R 31.82	R 11.00	
	Processing Fee	R 28.20	R 29.89	6.0%
	Informal Trade			
	(i) Telephone Operator	R 120.00	R 127.20	6.00%
	(ii) Hair Dressers	R 50.00	R 53.00	6.00%
	(iii) General Traders	R 30.00	R 31.80	6.00%
	Impoundment of Goods	R 100.00	R 106.00	6.00%
	Release of goods fee	R 50.00	R 53.00	6.00%
	General Traders (Freedom Square)	R 42.00	R 44.52	6.0%
3.	Bandstand	R 127.50	R 135.15	6.00%

SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT

Health

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Food Inspection			
For Voluntary surrender of foodstuffs for destruction	R 119.55	R 126.72	6.0%
2. Animal & Bee keeping permits (per permit)	R 54.93	R 58.22	6.0%
3. Fines			
For contravention of health legislation Refer to the Master file at Room 336 of the Health Department			

Tariffs relating to Dairymen and Milk Dealers

4. Fees payable in respect of certificates of registration:			
(a) application for a certificate of registration	R 525.57	R 557.11	6.0%
(b) annual renewal thereof	R 256.47	R 271.86	6.0%
5. Fees payable for the testing of milk samples:			
(a) during consideration of an application for a certificate of registration	R 422.94	R 448.32	6.0%
(b) upon request	R 422.94	R 448.32	6.0%
(c) fee payable for water sampling	R 281.96	R 298.88	6.0%
6. Clearing of Vacant Land	Cost of clearing plus any applic. fee	Cost of clearing plus any applic. fee	



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Municipal Business Entities Management

Airport

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1. Passenger levy fee			
departing passengers on all scheduled flights	R 94.46	R 103.90	10.0%
departing passengers on all non-schedule/charter flights	R 94.46	R 103.90	10.0%
departing passengers on general aviation flights	R 56.80	R 62.48	10.0%
2. Domestic Landings: Fixed Wing Aircraft			
Maximum certified mass in kg of aircraft up to and including			
0 - 500	R 62.84	R 69.12	10.0%
501 - 1000	R 92.75	R 102.03	10.0%
1001 - 1500	R 118.85	R 130.73	10.0%
1501 - 2000	R 157.42	R 173.16	10.0%
2001 - 2500	R 169.23	R 186.15	10.0%
2501 - 3000	R 194.80	R 214.28	10.0%
3001 - 4000	R 271.81	R 298.99	10.0%
4001 - 5000	R 347.24	R 381.96	10.0%
5001 - 6000	R 422.67	R 464.94	10.0%
6001 - 7000	R 501.12	R 551.24	10.0%
7001 - 8000	R 573.54	R 630.89	10.0%
8001 - 9000	R 648.44	R 713.29	10.0%
9001 - 10000	R 739.61	R 813.57	10.0%
10001 - 12000	R 838.13	R 921.95	10.0%
12001 - 14000	R 948.32	R 1043.15	10.0%
14001 - 16000	R 1058.52	R 1164.38	10.0%
16001 - 18000	R 1168.58	R 1285.43	10.0%
18001 - 20000	R 1278.78	R 1406.66	10.0%
20001 - 22000	R 1388.83	R 1527.72	10.0%
for every 2000 kg's over 22000 kg's	R 68.57	R 75.43	10.0%



MSUNDUZI ANNUAL BUDGET

3. Parking Fee: Fixed Wing Aircraft

Maximum certified mass in kg of aircraft up to and including

0 - 2000	R 40.41	R 44.45	10.0%
2001 - 3000	R 82.64	R 90.90	10.0%
3001 - 4000	R 117.41	R 129.15	10.0%
4001 - 5000	R 161.48	R 177.63	10.0%
5001 - 10000	R 237.44	R 261.18	10.0%
10001 - 15000	R 311.96	R 343.16	10.0%
15001 - 20000	R 393.28	R 432.61	10.0%
20001 - 25000	R 469.51	R 516.46	10.0%
for every 5000 kg's over 25000 kg's	R 101.12	R 111.23	10.0%

4. Domestic Landings: Helicopters

Maximum certified mass in kg of aircraft up to and including

0 - 500	R 12.73	R 14.00	10.0%
501 - 1000	R 18.63	R 20.50	10.0%
1001 - 1500	R 24.00	R 26.40	10.0%
1501 - 2000	R 28.86	R 31.75	10.0%
2001 - 2500	R 33.98	R 37.38	10.0%
2501 - 3000	R 38.96	R 42.85	10.0%
3001 - 4000	R 54.44	R 59.88	10.0%
4001 - 5000	R 69.66	R 76.63	10.0%
5001 - 6000	R 84.61	R 93.08	10.0%
6001 - 7000	R 100.23	R 110.25	10.0%
7001 - 8000	R 115.44	R 126.98	10.0%
8001 - 9000	R 129.87	R 142.86	10.0%
9001 - 10000	R 145.75	R 160.33	10.0%
10001 - 12000	R 167.78	R 184.56	10.0%
12001 - 14000	R 189.82	R 208.80	10.0%
14001 - 16000	R 211.87	R 233.05	10.0%
16001 - 18000	R 233.78	R 257.15	10.0%
18001 - 20000	R 255.80	R 281.38	10.0%
for every 2000 kg's over 20000 kg's	R 55.22	R 60.74	10.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Municipal Business Entities Management

Airport

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
5. Parking Fee: Helicopter			
Maximum certified mass in kg of aircraft up to and including			
0 - 2000	R 8.14	R 8.95	10.0%
2001 - 3000	R 16.79	R 18.47	10.0%
3001 - 4000	R 23.61	R 25.98	10.0%
4001 - 5000	R 32.41	R 35.65	10.0%
5001 - 10000	R 47.62	R 52.38	10.0%
10001 - 15000	R 62.57	R 68.83	10.0%
15001 - 20000	R 78.71	R 86.58	10.0%
20001 - 25000	R 94.19	R 104.60	10.0%
for every 5000 kg's over 25000 kg's	R 101.12	R 111.23	10.0%
6. Landing Fee: Experimental Aircraft			
Aircraft certified mass unlimited			
0 - Unlimited	R 82.78	R 91.05	10.0%
MISCELLANEOUS CHARGES			
7. Access Control Permits			
Personal permanent access permit	R 84.35	R 92.78	10.0%
Penalty for 1st lost/stolen permit	R 84.41	R 92.85	10.0%
Penalty for 2nd lost/stolen permit	R 168.69	R 185.56	10.0%
Adhoc personal access permit	R 42.20	R 46.43	10.0%
Penalty for 1st lost/stolen permit	R 42.20	R 46.43	10.0%
Penalty for 2nd lost/stolen permit	R 84.41	R 92.85	10.0%
Permanent vehicle access permit	R 50.64	R 55.70	10.0%
Penalty for 1st lost/stolen permit	R 50.64	R 55.70	10.0%
Penalty for 2nd lost/stolen permit	R 101.27	R 111.40	10.0%



MSUNDUZI ANNUAL BUDGET

Adhoc vehicle permit	R 16.88	R 18.57	10.0%
Penalty for 1st lost/stolen permit	R 16.88	R 18.57	10.0%
Penalty for 2nd lost/stolen permit	R 33.76	R 37.14	10.0%



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Municipal Business Entities Management

Municipal Market

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
Hiring, Storage and Ripening			
1. Use of Handling Equipment			
Hiring of light trolley (small) per day or part thereof	R 1.67	R 1.77	6.0%
Hiring of heavy trolley (large) per day or part thereof	R 5.00	R 5.30	6.0%
Cold Storage of Fresh Produce or Other Articles			
2. a. Storage tariffs of fresh produce or other articles (excluding bananas) in cold storage rooms per day or part thereof are indicated hereunder provided that the tariff shall not be less than R6.44 per pallet per day			
	R 6.44	R 6.83	6.0%
2. b. Packed into containers (other than large bags or pockets), the size of which shall be calculated per cubic centimeter and such calculation shall be based on the outer dimensions of the container.			
i) Per container not exceeding 10 000 cm ³ (2 kg grape tray, S/L box)			
	R 0.03	R 0.04	6.0%
ii) Per container exceeding 10 000 cm ³ but not exceeding 20 000 cm ³ (1/2 bushel, WB box, double layer, tomato box, lemon box, etc)			
	R 0.07	R 0.07	6.0%
iii) Per container exceeding 20 000 cm ³ but not exceeding 30 000 cm ³ (jumble pack, multi-layer, pear box, and economy pack)			
	R 0.10	R 0.11	6.0%
iv) Per container exceeding 30 000 cm ³ but not exceeding 40 000 cm ³ (economy pack)			
	R 0.14	R 0.15	6.0%
v) Per container exceeding 40 000 cm ³ but not			



MSUNDUZI ANNUAL BUDGET

	exceeding 50 000 cm ³ (apple, thrift pack, banana box)	R 0.18	R 0.19	6.0%
vi)	Per container exceeding 50 000 cm ³ but not exceeding 60 000 cm ³ (large cardboard box, timber crate – lettuce)	R 0.21	R 0.22	6.0%
vii)	Per container exceeding 60 000 cm ³ but not exceeding 70 000 cm ³ /18 kg economy pack	R 0.24	R 0.26	6.0%
viii)	Tariff for containers exceeding 70 000 cm ³ , per 10 000 cm ³	R 0.04	R 0.04	6.0%
2. c.	Packed into bags or pockets or similar containers:			
	Per bag with net mass not exceeding 7 kg (1/2 pocket)	R 0.06	R 0.06	6.0%
	Per bag with net mass exceeding 7 kg but not exceeding 15 kg (Orange, Potato Pocket)	R 0.12	R 0.12	6.0%
	Per bag with net mass exceeding 15 kg but not exceeding 35 kg (Sugar pocket)	R 0.29	R 0.31	6.0%
2. d.	Unpacked bunched fresh produce or other articles:			
	Per five bunches	R 0.07	R 0.07	6.0%
2. e.	Unpacked loose units of fresh produce or other articles:			
	Per watermelon or pumpkin	R 0.07	R 0.07	6.0%
	Per unit of any other fresh produce or other articles.	R 0.07	R 0.07	6.0%
2. f.	Double the tariffs fixed in 2(b), (c), (d) and (e) shall be payable in respect of cold storage of fresh produce or other articles not purchased on the market or sold through the market.			



SUSTAINABLE DEVELOPMENT & CITIES DEVELOPMENT Municipal Business Entities Management

Municipal Market

	2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
3. Tariffs for Bananas			
3. a. Ripening			
Per standard 20 kg banana box			
per week	R 2.55	R 2.70	6.0%
per day	R 0.36	R 0.38	6.0%
Per 10 kg banana box			
per week	R 1.27	R 1.35	6.0%
per day	R 0.18	R 0.19	6.0%
3. b. Storage			
Per banana box per day	R 0.18	R 0.19	6.0%
4. Tariff for Storage			
Fresh produce sold and not removed from the market hall by 1 p.m. on the day of purchase, shall be subjected to a fee of R1.15 per unit per day or part thereof.	R 1.15	R 1.22	6.0%
5. Salesmen's Permits			
Salesmen's Permits monthly fee	R 6.45	R 6.84	6.0%
6. a. Loading Bays – per annum	R 484.35	R 513.41	6.0%
b. Reserved Open Parking Bays for Agents – per annum	R 484.35	R 513.41	6.0%
7. Cage Hire – per month	R 253.86	R 269.09	6.0%
8. Digital Prints – Condemned Produce (Cost to Agent) – per print	R 12.02	R 12.74	6.0%
9. Transaction Charge	R 0.35	R 0.37	6.0%



MSUNDUZI ANNUAL BUDGET

10.	First Issue of Card	R 12.65	R 13.41	6.0%
	2nd Issue	R 27.19	R 28.83	6.0%
	3rd Issue	R 54.39	R 57.65	6.0%
11.	Floor Storage per day	R 29.89	R 31.68	6.0%



MISCELLANEOUS CHARGES All Departments

	2018/19 Excl. Vat	2019/20 Excl. Va	Inc.
1. Duplicate Statement Fee			
First two statements per request			
More than two statements per request per statement	R 4.01	R 4.25	6.0%
Plus the search fee as per 5 below.			
2. For every photocopy of an A4 size page or part thereof	R 5.34	R 5.66	6.0%
For every photocopy of an A3 size page or part thereof	R 8.01	R 8.49	6.0%
3. Laminations - A4 size page or part thereof	R 5.34	R 5.66	6.0%
PLUS prevailing Cost of the Lamination Sheet/s			
Laminations - A3 size page or part thereof	R 8.01	R 8.49	6.0%
PLUS prevailing Cost of the Lamination Sheet/s			
4. Fax Charges – A4 size page or part thereof	R 5.34	R 5.66	6.0%
PLUS costs relating to the transmission of the facsimile			
5. To search for and prepare any reconciliation, for each hour, or part of an hour, excluding the first half hour, reasonably required for such search and preparation.	R 106.85	R 113.27	6.0%
PLUS Administration Fee	R 33.39	R 35.40	6.0%
(Excluding applications made in terms of the Promotion of Access to Information Act, No. 2 of 2000)			
PLUS all copies incidental to complete the reconciliation	R 4.00	R 4.24	6.0%
6. Consumer's Dishonored Cheques - Penalty	Charged at the prevailing bank fee	Charged at the prevailing bank fee	
PLUS Administration Fee	R 26.73	R 28.34	6.0%
7. Commission Charged in respect of Easy Pay cheque	Commission	Commission	



MSUNDUZI ANNUAL BUDGET

	payments which have dishonored, will be payable by the consumer plus R26.73 administration fee.	R26.73 Admin. Fee	Charged plus R26.73 Admin. Fee	Charged plus 6.0%
8.	Fee to finalise erroneous EFT's, Deposits or Payment Transfers		Charged at the prevailing bank fee	Charged at the prevailing bank fee
Plus administrative costs to finalise these transactions:				
	Amounts between R1 to R1,000	R 107.14	R 113.57	6.0%
	Amounts between R1,001 to R5,000	R 146.62	R 155.42	6.0%
	Amounts between R5,001 to R10,000	R 225.57	R 239.10	6.0%
	Amounts in excess of R10,000	R 338.35	R 358.65	6.0%

The bank fees and administrative costs must be paid first or deducted from the refundable amount upon confirmation by the ratepayer or consumer in writing, prior to the refund being processed. All refunds will only be released upon confirmation by the bank that the monies in question are in our account. The waiting period for these refunds will be between 7 to 10 days.

2019/20 to 2021/22



SURCHARGES All Departments

		2018/19 Excl. Vat	2019/20 Excl. Vat	Inc.
1.	Interest rate per annum	11.25%	11.25%	
2.	Collection Charge Rate per annum	10%	10%	

PROMOTION OF ACCESS TO INFORMATION ACT

Applications made in terms of the Promotion of Access to Information Act, No. 2 of 2000

Schedule of Charges

Public and private bodies registered under the Value-Added Tax Act, No. 89 of 1994, as vendors may add value-added tax to all fees prescribed in this section.

	2018/19	2019/20	Inc.
	Excl. Vat	Excl. Vat	
Fees in Respect of Guide			
1. The fee for a copy of the guide as contemplated in regulation 2(3) (b) and 3(4)(c) for every photocopy of an A4-size page or part thereof is	R 0.60	R 0.60	0.00%
Fees in Respect of Public Bodies			
1. The fee for a copy of the manual as contemplated in regulation 5(c) for every photocopy of an A4-size page or part thereof is	R 0.60	R 0.60	0.00%
2. The fees for reproduction referred to in regulation 7(1) are as follows:			
(a) For every photocopy of an A4-size page or part thereof	R 0.60	R 0.60	0.00%
(b) For every printed copy of an A4-size page or part thereof held on a computer or in electronic or machine-readable form	R 0.40	R 0.40	0.00%
(c) For a copy in a computer-readable form on-			
(i) stiffy disc	R 5.00	R 5.00	0.00%
(ii) compact disc	R 40.00	R 40.00	0.00%
(d) (i) For a transcription of visual images, for an A4-size page or part thereof	R 22.00	R 22.00	0.00%
(ii) For a copy of visual images	R 60.00	R 60.00	0.00%
(e) (i) For a transcription of an audio record, for an A4-size page or part thereof	R 12.00	R 12.00	0.00%
(ii) For a copy of an audio record	R 17.00	R 17.00	0.00%



3.	The request fee payable by every requester, other than a personal requester, referred to in regulation 7(2) is	R 35.00	R 35.00	0.00%
4.	The access fees payable by a requester referred to in regulation 7(3) are as follows:			
(1)	(a) For every photocopy of an A4-size page or part thereof	R 0.60	R 0.60	0.00%
	(b) For every printed copy of an A4-size page or part thereof held on a computer or Electronic or machine –readable form	R 0.40	R 0.40	0.00%
	(c) For a copy in a computer-readable form on-			
	(i) stiffy disc	R 5.00	R 5.00	0.00%
	(ii) compact disc	R 40.00	R 40.00	0.00%
	(d) (i) For a transcription of visual images, for an A4-size page or part thereof	R 22.00	R 22.00	0.00%
	(ii) For a copy of visual images	R 60.00	R 60.00	0.00%
	(e) (i) For a transcription of an audio record, for an A4-size page or part thereof	R 12.00	R 12.00	0.00%
	(ii) For a copy of an audio record	R 17.00	R 17.00	0.00%
	(f) To search for and prepare the record for disclosure, for each hour or part of an hour, excluding the first hour, reasonably required for such search and preparation	R 15.00	R 15.00	0.00%
(2)	For purposes of section 22(2) of the Act, the following applies:			
	(a) Six hours as the hours to be exceeded before a deposit is payable; and			
	(b) one third of the access fee is payable as a deposit by the requester.			
(3)	The actual postage is payable when a copy of a record must be posted to a requester.			



MSUNDUZI ANNUAL BUDGET

PETTY CASH POLICY



CONTENTS

PAGE NO

1	PREAMBLE	3
2	POLICY OBJECTIVES	3
3	SCOPE OF POLICY	3
4	APPLICABLE LEGISLATION	3
5	POLICY PRINCIPLES	4
6	POLICY PROCEDURES	4
7	GENERAL CONTROL MEASURES	8
8	IMPLEMENTATION & REVIEW OF THIS POLICY	10

I. PREAMBLE

- 1.1 Where the need may arise in a department of the municipality to have cash available for payments of a minor and non-recurring nature and it is impracticable to follow Supply Chain Management policies and procedures for every expense, such payments (excluding remuneration for services rendered) may be made by means of petty cash facilities.

2. POLICY OBJECTIVES

The objective is to provide guidelines on the usage and management of petty cash by The Msunduzi Municipality.

3. SCOPE OF POLICY

This policy applies to all The Msunduzi Municipal employees, whether full-time or part-time, or paid on a salaried or an hourly individual basis and to duly appointed cashiers.

4. APPLICABLE LEGISLATION

- 4.1 Municipalities must comply with the requirements of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and The Msunduzi Municipality has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of petty cash.
- 4.2 The MFMA endeavours “to regulate financial management in the municipalities; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those municipalities; and to provide for matters connected therewith.”
- 4.3 In particular, Section 78(1)(b) and (c) of the MFMA places the onus on each employee within the municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee’s area of responsibility. In particular, the employee must take effective and appropriate steps to prevent, within that employee’s area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.



5. POLICY PRINCIPLES

- 5.1 Before approving expenditure or incurring a commitment to spend using petty cash, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation. All transactions must be supported by authentic documents.

6. POLICY PROCEDURES

6.1 Approval of Petty Cash Float

- 6.1.1 The Chief Financial Officer or delegated official shall be responsible for making application for petty cash facility or for increase of the operational amount of an existing petty cash float to the Accounting Officer for consideration and decision.
- 6.1.2 The application shall state sound and valid reasons for the need of petty cash float and the amount required for its operation, as well as the cost centre and vote number from which funds are to be applied for petty cash. The amount applied for must be sufficient to cover expenses for approximately one month.
- 6.1.3 The municipality shall keep petty cash not exceeding R5 000.00 which must be reviewed on annual basis.
- 6.1.4 The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R500.00 including applicable taxes.
- 6.1.5 In cases where the municipality has an account with the supplier or can negotiate opening an account, the municipality should avoid at all cost to use petty cash but use the account in terms of the policies of the municipality, in particular Supply Chain Management policy which regulates acquisition and disposal of goods and services.

6.2 Appointment of Petty Cash Officers

- 6.2.1 The Chief Financial Officer must appoint in writing Finance Official or officials as a petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash. The custodian of petty cash must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of the this policy and MFMA.

- 6.2.2 The Chief Financial Officer must appoint in writing one of the Accountants as a relief petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash in the absence of the designated petty cash custodian. The Accountant must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this policy and MFMA.
- 6.2.3 During absence of the designated petty cash custodian, the designated official must assume the responsibilities as a relief petty cash custodian. The petty cash custodian and relief petty cash custodian must ensure that they are familiar with all relevant statutory requirements and institutional responsibilities attached thereto.
- 6.2.4 Should the Deputy Municipal Managers wish to keep petty cash float within their departments a request in writing must be submitted by the respective Deputy Municipal Manager to the Chief Financial Officer for consideration and approval and the petty cash float limit per department or unit must be R5000.00, the Chief Financial Officer must satisfy himself or herself whether there were proper and sound controls within that department and assess the reasons for request for petty cash float.
- 6.2.5 Where petty cash float has been approved by the Accounting Officer for departments or sub-offices and satellite offices, the responsibility for operating petty cash and safe keeping rest with the Deputy Municipal Manager of that particular department. Deputy Municipal Managers must assign to the designated petty cash custodians who have financial acumen only and who have no previous conviction or suspicions relating to commercial crimes (e.g. theft, fraud, corruption, funds embezzlement, forgery, bribery, uttering, extortion etc).
- 6.2.6 Officials who have garnishee orders against their salaries must not be appointed as petty cash custodians.
- 6.3 Custody & Safe Keeping of Petty Cash
- 6.3.1 The petty cash custodians are responsible for controlling of petty cash float, together with supporting documentation. Specifically the custodian is responsible for the following:
- 6.3.1.1 Petty cash float (including original receipts and vouchers) must be kept secured in a locked cash box.
 - 6.3.1.2 The office and the safe where petty cash float is kept shall at all times be kept locked and the key to the safe where cash float is kept shall be kept by the petty cash custodian.
 - 6.3.1.3 The petty cash custodian must sign for the key and must be always kept in a safe place.
 - 6.3.1.4 Only petty cash custodian must have access to and disburse petty cash. Handling of petty cash must only take place in secure locations.



- 6.3.1.5 The petty cash custodians must ensure that petty cash is only disbursed to authorised officials when an original requisition signed by a duly delegated official has been produced.
- 6.3.1.6 The petty cash custodian must not process requisitions that is not authorised by the Deputy Municipal Manager or delegated official.
- 6.3.1.7 The petty cash custodian must not process requisition that has not been checked, signed and dated by the Accountant who is the supervisor of the custodian.
- 6.3.1.8 The petty cash custodians must not put her personal monies or of any other officials in the box and the safe where petty cash is kept.

6.3.2 If petty cash float is lost, the Petty Cash Officer responsible for that petty cash shall be held liable.

6.4 Application for Petty Cash

6.4.1 The department that requires petty cash has to complete a requisition which must be authorized and signed by the Deputy Municipal Manager. The requisition must be submitted to the delegated official for review.

6.1.2 In cases where minor expenditure was incurred by officials during official trips e.g. parking and toll fees. Such expenditure may be claimed from petty cash but a requisition must still be completed.

6.5 Issuing of Petty Cash

6.5.1 On receipt of requisition the delegated official must check the requisition and be satisfied that it correct in every respect and authentic, sign and date the requisition as evidenced that she has checked it. Once checked and signed the delegated official must submit the requisition to petty cash custodian.

6.5.2 The petty cash custodian completes a petty cash voucher using information on the requisition and hand over cash to the official that submitted the requisition.

6.5.3 The official receiving such cash must acknowledge receipt by appending his or her signature and date on the petty cash voucher. The requisition is then attached to the petty cash voucher by the petty cash custodian.

6.5.4 The official who received petty cash must submit original receipts to the petty cash custodian before the close of business on the date on which petty cash was received.

6.5.5 The municipal official receiving petty cash is entirely accountable for the amount.



MSUNDUZI ANNUAL BUDGET

6.5.6 If the official who received petty cash fails to submit the original receipts before the close of business, the petty cash custodian must follow-up the next morning. If no original receipts are submitted on the following day by close of business, the matter must be escalated to the delegated official who shall refer the matter to the Manager.

6.6 Recording of Petty Cash

6.6.1 The petty cash custodian records the date of petty cash voucher, requisition number, petty cash voucher number, description of what petty cash is required for and the amount on the petty cash register. The petty cash register must be numbered throughout consecutively for control purposes.

6.6.2 The expenditure in respect of the petty cash requested will be debited against the vote of the department that requested cash.

6.6.3 All entries on the requisition, petty cash voucher, expenditure voucher and petty cash register must be recorded in ink and no correcting fluid or tip-ex must be used.

6.6.4 The petty cash register must be balanced at the end of each month by the petty cash custodian or relief petty cash custodian. All petty cash vouchers and requisitions must be reconciled to the petty cash register at the end of each month.

6.6.5 The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.

6.6.6 After the balancing of the petty cash register it must be reviewed by the delegated official. The delegated official must append his or her signature and date on the petty cash register as evidence of review.

6.7 Reimbursements

6.7.1 The petty cash custodian completes the "expenditure voucher" and attaches all requisitions and petty cash vouchers to the expenditure voucher. The expenditure voucher must be signed by the petty cash custodian, a delegated official as a checking official and Manager as authorizing official.

6.7.2

6.7.3 Once the expenditure voucher has been processed the cheque is issued in favour of the City Treasurer. The cheque is presented at the Cash hall for the attention of the Chief Cashier in exchange for cash to replenish petty cash.

7.7.3 Petty cash shall be reimbursed on a monthly basis.



7. GENERAL CONTROL MEASURES

- 7.1 When the petty cash custodian is on leave a proper handing over certificate should be completed with the relief petty cash custodian. The handing over should be done after reconciliation and balancing petty cash. This process should be done under the supervision of the Finance Support Manager. The handing over certificate should be signed by the official handing over and the official taking over petty cash as well as the Finance Support Manager who witnessed the handing over process.
- 7.2 When the petty cash custodian is on sick leave or any unplanned leave due to circumstances that are beyond the official and a proper handing over cannot be done a key to the safe and cash box must be collected by the delegated official and the Finance Support Manager if petty cash is urgently required.
- 7.3 The manager must investigate the reasons for non-compliance with this policy and make recommendations. The recommendation will be based on the written explanation submitted by the official who received petty cash.
- 7.4 Should the matter remain unresolved by the attempts by the manager, the manager must refer the matter to the Process Manager and at this level the Deputy Municipal Manager whose official received petty cash must be involved and be asked to take the necessary disciplinary measures in terms of the code of conduct of the municipality.
- 7.5 Should the Deputy Municipal Manager whose official received petty cash fail to resolve the matter within that month on which petty cash was received the following must take place:
 - 7.5.1 The Deputy Municipal Manager or delegated official who authorised the requisition shall be held responsible for reimbursement of petty cash should proof of purchase in the form of receipt not be submitted before the close of the same day on which petty cash was handed over or within 24 hours from the date of receipt of petty cash.
 - 7.5.2 Should the Deputy Municipal Manager or delegated official fail to comply with paragraph 7.5.1 above the full amount of petty cash shall be deducted from his/her salary without any further notice.
- 7.6 The Finance Support Manager must conduct surprise review of petty cash on hand against the petty cash register and petty cash vouchers and requisitions on quarterly basis.
- 7.7 Internal auditors and Auditor-General staff are entitled to conduct any surprise petty cash audit at any time and must not be prevented from doing so.



MSUNDUZI ANNUAL BUDGET

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 8.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Chief Financial Officer once approved by Council.
- 8.2 In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

2019/20 to 2021/22



CONTRACT MANAGEMENT POLICY



MSUNDUZI ANNUAL BUDGET

Adopted in terms of section 116 of the Municipal Finance Management Act, No.56 of 2003 and the Municipal Supply Chain Management Regulations

MUNICIPAL CONTRACT MANAGEMENT POLICY LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 DATE OF ADOPTION:

Council resolves in terms of section 116 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Contract Management Policy of the Msunduzi Municipality.

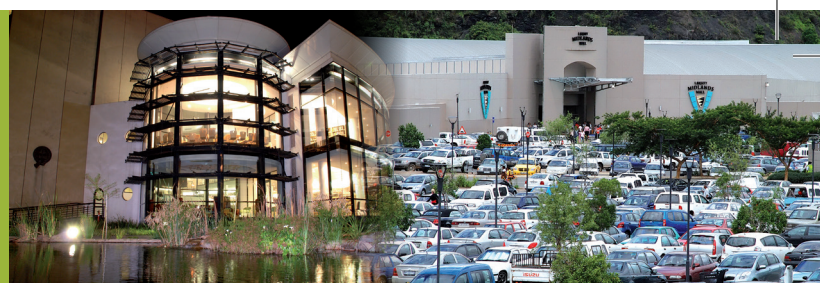


TABLE OF CONTENTS

1. Glossary of Terms

SECTION I IMPLEMENTATION OF CONTRACT MANAGEMENT POLICY

2. Intent And Objectives
3. Scope
4. Exclusions

SECTION 2 STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

5. Application and Framework of the Contract Management Policy

Contract Management Practices

6. Administration and Maintenance
7. Contract Management Roles and Responsibilities of Officials
8. Contracts having Budgetary Implications beyond Three Financial Years
9. Resolution of Disputes, Objections, Complaints and Queries
10. Contract Price Escalations
11. Performance on Contracts
12. Managing Relationships
13. Contract Monitoring
14. Negotiate Contract Variation
15. Implement Review of Contracts

I. GLOSSARY OF TERMS

Term	Definition
Accounting Officer (in relation to a municipality)	The municipal official referred to in section 60 of the MFMA (2003); and includes a person acting as the accounting officer.
Act or MFMA	Municipal Finance Management Act, Act no 56 of 2003
Circular 62	Communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003.
Category Management	A 'Category' is an area of spend determined by known market boundaries separating different products, services or industries. Category management recognises that suppliers within a certain market are likely to have similarities which enable a tailored approach to procurement.
Confidential information	Information that, if released, may prejudice the business dealings of a party e.g. price, discounts, rebates, profits, methodologies and process information.
Contract	The agreement that results from the acceptance of a bid by the Municipality (mutual agreement)
Contract Management	The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to continually deliver both the business and operational objectives required from the contract.
SCM Contract Manager	The SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA.
Contract Owner	The General Manager Finance, Process Manager or Senior manager, as the case may be, that is ultimately accountable for all activities during the life cycle of the contract. The Contract Owner can also be seen as the Budget responsibility holder.
Contract Alteration	Changing technical writing or input errors to the agreement of the contact without changing the scope of contract.
Contract Amendment	Changing the scope, nature, duration, purpose or objective of the agreement or contract (In context of Circular 62 and section 116(3) of the MFMA).
Contract Champion	The official within a specific department, responsible for all day to day activities (Including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function).
Council Staffxx	Includes full-time and part-time Council Staff, and temporary employees, suppliers and consultants while engaged by the Council
Delegation (in relation to a duty)	Includes an instruction or request to perform or to assist in performing the duty.
General Manager Finance	Appointment according to sect 56 of the Systems Act.
Force Majure	The expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers are not liable for damage caused by force majeure or for failure to carry out a contract if prevented (Term and condition in this regard will be determined by every individual contract/s).
Procurement	Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
e-Procurement	e-Procurement is integral to the overall development of procurement processes and Involves the use of an electronic system/s to acquire and pay for supplies, services and works.



Term	Definition
Official (in relation to a municipality)	<p>Is:</p> <p>An employee of the Msunduzi municipality;</p> <p>A person seconded to municipality to work as a member of the staff of the municipality; or</p> <p>A person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee.</p>
Tender Process	<p>The process of inviting parties to submit a quotation by tender using public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.</p>
Probity	<p>Within Local Government, the word “probity” is often used in a general sense to mean “good process.” A Procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with the Council’s policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.</p>
Users	<p>All officials as set out in the organogram of the Msunduzi municipality involved with contracts.</p>
Blacklisting	<p>The act of disqualifying a person or an entity from participating in the procurement process of Msunduzi Municipality</p>

SECTION I IMPLEMENTATION OF CONTRACT MANAGEMENT POLICY

2. INTENT AND OBJECTIVES

To establish sound and consistent contract management practices with respect to contract management activities within Council.

1.1 OBJECTIVES

To ensure that this policy:

Give effect to Section 217 of the Constitution of South Africa (1996) that stipulates:

2.1.1 When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is:-

- 2.1.1.1 Fair
- 2.1.1.2 Equitable
- 2.1.1.3 Transparent
- 2.1.1.4 Competitive and
- 2.1.1.5 Cost-effective

2.1.2 The effective and efficient control of contracts procured through the SCM system ensuring:

2.1.3 Proper recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);

2.1.4 Support to the demand management framework as set out in Circular 62 of National treasury (August 2012), optimizing proper planning, resulting in effective service delivery;

2.1.5 Management of Contract Performance;

2.1.6 Compliance with the regulatory framework;

2.1.7 To assist officials in understanding their legal and managerial responsibilities with regards to contract management;

2.1.8 The optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers, and

2.1.9 The continuous development of effective Management Information systems, resulting in strategic support and risk preventions.

2.1.10 The protection of SCM processes, in that no contract procurement of goods or services (excluding land sales or rentals of Msunduzi Municipal Assets, which are managed by Real Estate Property Management Services), takes place outside of the SCM System



3. SCOPE

All contracts and other documents which create legally binding obligations of the Msunduzi Municipality including, but not limited to, supply chain and procurement contracts. This Policy will apply to a contract until contractual obligations have been concluded.

4. EXCLUSIONS

- 4.1. Employment contracts
- 4.2. Non-binding memoranda of understanding

SECTION 2 STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

5. APPLICATION AND FRAME WORK OF THE CONTRACT MANAGEMENT POLICY

- 5.1. All officials and other role players in the Supply Chain Management system of the Msunduzi Municipality must implement this Policy in a way that gives effect to:
 - 5.1.1. Section 217 of the RSA Constitution;
 - 5.1.2. Section 116 of the MFMA;
 - 5.1.3. Section 33 of the MFMA;
 - 5.1.4. SCM Policy;
 - 5.1.5. SCM Regulations
 - 5.1.6. Anyother legislation pertaining to SCM.
- 5.2. This Policy applies when the Municipality:
 - 5.2.1. procures goods or services;
 - 5.2.2. Disposes of goods no longer needed; and
 - 5.2.3. 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.
- 5.3. Adoption, Amendment and Implementation of the Contract Management Policy
 - 5.3.1. The accounting officer must:
 - 5.3.1.1. At least annually review the implementation of this Policy;and
 - 5.3.1.2. When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council;
 - 5.3.1.3. In terms of section 62(1) (f) (IV) of the Act, take all reasonable stepsensure that the Contract Management Policy is implemented.



MSUNDUZI ANNUAL BUDGET

5.4 Conditions of Contract

5.4.1 A contract or agreement procured through the Supply Chain Management System of the Municipality must:

5.4.1.1 be in writing;

5.4.1.2 stipulate the terms and conditions of the contract or agreement, which must provide for:

- 5.4.1.2.1 the termination of the contract or agreement in the case of non- or underperformance;
- 5.4.1.2.2 dispute resolution mechanisms to settle disputes between the parties;
- 5.4.1.2.3 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
- 5.4.1.2.4 any other matters that may be prescribed.

5.5 Administrative Capacity

5.5.1 The relevant General Manager Finance GENERAL MANAGER FINANCE, with delegated powers from the Municipal Manager, must establish capacity in his/her directorate to assist the Accounting Officer in carrying out the duties set out in section 116(2) of the MFMA.

5.6 Management of Contracts

5.6.1 The Accounting Officer and delegated officials must take all reasonable steps to:

- 5.6.1.1 Ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced;
 - 5.6.1.2 Monitor on a monthly basis the performance of the contractor under the contract or agreement.
 - 5.6.1.3 Administrate the contract with the necessary competencies and delegations, ensuring effective management of contracts.
- 5.6.2 The Contract Owner must ensure that contract champions submit suppliers' performance reports to the SCM contract manager within five (5) business days after the end of each month.
- 5.6.3 The SCM Contract Manager submits a consolidated report to the relevant General Manager Finance General Manager Finance and Contract Owner within 10 business days after the end of each month for purposes of Section 116 (2)(b) of the Act.
- 5.6.4 The SCM Contract Manager submits a consolidated report on the performance of contracts or agreements for purposes of Section 116 (2) (d), to the Accounting Officer within 15 business days of the end of each quarter.



5.7 Amendment of Contracts

- 5.7.1 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, in exceptional circumstances in order to mitigate abuse, in perception after the fact to prevent financial inefficiencies and influencing financial sustainability.
- 5.7.2 In terms of Section 116(3) of the MFMA, (56 of 2003), amendments (in compliance with SCM procedures), may only be made after:
 - 5.7.2.1 the reasons for the proposed amendment have been tabled in the Bid Adjudication Committee ; and
 - 5.7.2.2 the local community has been given 14 (fourteen) calendar days notice of the intention to amend the contract or agreement in Construction works once the contract variation value has exceeded 20%; and
 - 5.7.2.3 the local community has been invited to submit representations to the municipality as per 5.7.2.2.
- 5.7.3 Amendments of contracts where the expansion or variation is not more than (NT Circular 62):
 - 5.7.3.1 20% (construction related goods, services and/or infrastructure projects),
and Contracts may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services
 - 5.7.3.2 15% (all other goods and/or services) of the original value of the contract must 15% or R15 million (including all applicable taxes) for all other goods and/or services of the original value of the contract, whichever is the lower amount.
 - 5.7.3.3 be submitted directly to the Contract Management Office for approval and further reference to the SCM Bid Adjudication Committee system for approval in terms of the relevant delegations.
- 5.7.4 Amendments of contracts where the expansion or variation is more than the threshold prescribed by National Treasury (Circular 62), must be dealt with in terms of the provisions of section 116(3) of the MFMA, and are exempt from this process.
- 5.7.5 Amendments to the contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 5.7.6 No agreement to amend or vary a contract shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties.
- 5.7.7 When an amendment has a budgetary implication for a term longer than three (3) years, section 33 of the MFMA will apply to this amendment (Section 116 (3) of the MFMA will be followed with section 33, when amending an existing contract for longer than three (3) years.
- 5.7.8 No Contract can be amended after the original contract has ceased to exist

CONTRACT MANAGEMENT PRACTICES

6. ADMINISTRATION AND MAINTENANCE

Contract administration ensures the formal governance of the actual contract and changes to the contract documentation. The administrative function is then concerned with the mechanics of the relationship between the Council and the Supplier/Service Provider.

- 6.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented. Maintaining an updated contract file, including: a hard, signed copy of the contract that is easily accessible when required and all on-going correspondence and contract information.
- 6.2 Contractors/service provider will have no claim on the pre-awarded contract before the SCM appeal period and/or appeal has been finalised.
- 6.3 The contract must be signed by all parties concerned (The relevant official should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).
- 6.4 The contract will only be enforceable after all the signatures of the relevant parties are documented and safe custody of all contract documentation ensured by the relevant stakeholders i.e. Contracts Management Section.
- 6.5 A signed Service Level Agreement, vetted by Legal services (where and if applicable) must be compiled and signed by the Accounting Officer and will incorporate all the relevant sections of the tender documentation.
- 6.6 All once-off purchases shall have a specified end delivery date,
- 6.7 The SCM Contracts Manager must ensure there is regular reporting of contract information, including payments, compliance levels, performance metrics and variations
- 6.9 An inventory of all contracts must be maintained on a contract register. It is important for the contract register to be updated and maintained daily for all formal and informal contracts. The contract register serves as an early warning signal to identify potential over or under spending, pending closeout contracts or potential renewal contracts.

7. CONTRACT MANAGEMENT ROLES AND RESPONSIBILITIES OF OFFICIALS:

In a contract management system, resource capacity is important to manage the actual contract in particular, high value infrastructure related contracts with a greater operational risk that may require considerable resources. The municipality will ensure that the right municipal personnel are assigned to carry out the contract management activities in crucial projects. The contract management team together with the Contract Manager must:

- Have a detailed knowledge of the specification, governing contract and other relevant issues such as SLAs and KPIs.
- Actively participate in the bidding process or have a full handover from the staff responsible for the tendering/contract award.
- Have the appropriate contract management skills, commercial awareness and industry expertise to manage the contract and resolve any issues.
- Hold the necessary delegated authority to monitor the financials and ensure variations are appropriately approved by Procurement and in accordance with Council requirements as per the relevant Circular.



7.1 SCM Contract Manager:

- 7.1.1 The SCM Contract Manager is the SCM official responsible for system administration, status and SCM performance reporting on all contracts related activities.
- 7.1.2 For the purposes of contract management activities performed by the relevant role players, the SCM Contract manager will monitor and report on the following activities:
 - 7.1.2.1 Identification and classification of contracts for management purposes in terms of the SCM processes;
 - 7.1.2.2 Recognition, measurement and disclosure;
 - 7.1.2.3 Oversight of contract management as is provided for in this policy;
 - 7.1.2.4 Document and information management;
 - 7.1.2.5 Relationship management:-
 - 7.1.2.6 Performance management;
 - 7.1.2.7 Contract risk management.
 - 7.1.2.8 Establish procedures and guidelines for managing all contracts
 - 7.1.2.9 Verify payments consistent with the correct with the contract terms and conditions of payment
 - 7.1.2.10 Contract Champions and Contract Owners are responsible for the electronic capturing of the contract information and maintenance thereof on the Contract Management system.
 - 7.1.2.11 Attend monthly meetings with contractors/ service providers
 - 7.1.2.12 Perform and conduct negotiation meetings as per Bid Adjudication Committee resolution

7.2 Contract Champion

- 7.2.1 The contract champion is responsible for the following activities:
 - 7.2.1.1 ensuring that all the necessary legal formalities in entering into the contract are adhered to;
 - 7.2.1.2 ensuring that purchase orders are processed on the financial system in accordance with the pricing schedule;
 - 7.2.1.3 maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
 - 7.2.1.4 inform the Asset Management section of the Expenditure Department of the location of newly procured assets for asset register and insurance purposes; and
 - 7.2.1.6 to take appropriate action in consultation with the contract owner and the SCM contract manager, where a contractor is underperforming or is in default or breach of the contract.
 - 7.2.1.7 ensure performance of suppliers is managed appropriately to the terms and conditions of the contract.
 - 7.2.1.8 Authorise payments due in terms of the contract by processing invoices/ goods received notes
 - 7.2.1.9 Submit monthly performance reports, payment vouchers to the contract manager on service provider/ supplier performance in meeting the terms and conditions of the contract including price



MSUNDUZI ANNUAL BUDGET

escalations

7.2.1.10 All parties participate in joint performance reviews where appropriate, and seek improvement opportunities and advise the contract manager of any amendment, deviations, variations, extensions and cancellation of contracts

7.3 Contract Owner

7.3.1 The contract owner is responsible for ensuring that contract champions are assigned to all contracts.

7.3.2 The contract owner is ultimately responsible for management of the activities.

7.3.3 The Contract Owner must monitor delivery under the contract to ensure that it achieves its original objective and effect any necessary changes to the contracts

7.3.4 Submit at the end of a project for construction related projects a close-out report

7.4 General Manager Finance

7.4.1 The Accounting Officer is responsible for signing of contracts with the relevant service provider, in line with the Delegation of Powers and Duties Policy.

7.4.2 The Accounting Officer is ultimately accountable for the contract.

8. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Msunduzi Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

9. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES:

The accounting officer is responsible to establish a dispute resolution mechanism as per paragraph 5.4.1.2.2 and also as required by section 116(1) of the MFMA and paragraph 50 of the SCM Policy.

10. CONTRACT PRICE ESCALATIONS:

10.1 An appropriate contract price adjustment formula or specified terms of price escalation must be specified in the bid documents

10.2 Escalation notification must be in writing and presented timeously before the implementation date thereof.

This must be in line with industry provisions.



- 10.3 User departments/Business Units are responsible for the management, verification and implementation of price escalations as per originally agreed terms and conditions set out in the specifications of the contract. Proof of evidence must be kept for the newly agreed escalations on the contract system for all other relevant stakeholders to access.
- 10.4 No price escalation should preferably be considered for a contract less than twelve (12) Months.
- 10.5 Contractual Price Adjustment may be considered provided that the service provider provides documentary proof or an audit certificate of price adjustment claimed to warrant such adjustment.

11. PERFORMANCE ON CONTRACTS:

- 11.1 In terms of the SCM Policy and the Municipal Systems Act, the Accounting Officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved in terms of the Performance Management System Implementation Policy (Paragraph 9).
 - 11.1.1 Municipality's Performance:
 - 11.1.1.1 The Msunduzi municipality is required to pay creditors within thirty (30) days of receiving all relevant invoice statements.
 - 11.1.1.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
 - 11.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, within the validity period of the contract.
 - 11.2.1 Supplier Performance:
 - 11.2.1.1 The supplier of goods and services is required to perform as per the terms and conditions agreed upon and should inform the municipality if circumstances prevents them to perform, with reasons provided, within fourteen (14) working days (to be included in all contracts).
 - 11.2.1.2 For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives as enshrined in the IDP.
 - 11.2.1.3 Suppliers performance will be reviewed by Msunduzi Officials i.e. SCM : Contracts Monitoring on a monthly basis (every 25th of the month) giving effect to section 116 of the MFMA, 2003 and the Performance Management System Implementation Policy
 - 11.2.1.4. Prescribed procedures to evaluate performance of service providers must be complied with.(Refer to the Performance Management Framework Policy)

THE FOLLOWING PROCEDURES NEED TO BE FOLLOWED:

1. The requirements of this policy must be included in the contract between the Msunduzi Municipality and the Supplier/Service provider.
2. The performance of the Supplier/Service provider under the contract or service level agreement must be assessed monthly by the assigned Contract Monitoring Officer.
3. The assessment must be completed in the contract management tool..
5. The quarterly assessment and reporting must be completed within fifteen (15) working days after the end of each quarter. (Refer to the Performance Management Framework Policy, paragraph 9.2.1).
6. The Contract Monitoring Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
7. Supply Chain Management Unit (Contract Management Office) will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
8. The Accounting Officer need to develop the necessary forms and report structures to be utilized to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
9. in the eventuality of under-performance within a contract:-

The Msunduzi Municipality will facilitate support interventions to service providers in the identified areas of under-performance ideally through the SMME/Enterprise Development initiatives/programmes
Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.

The impact of support interventions must be monitored by the Enterprise/SMME Development component.
Support and corrective action should be documented in writing within the contract management system
The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

12. Managing Relationships (Supplier Relationship Management)

Relationship management underpins successful contract management and fundamentally it must be established in the earlier stages of the procurement lifecycle. It is then inherently important for the Contracts manager to nurture the relationship between the Msunduzi Council and Suppliers/Service Providers against awarded contracts. This will ensure that the Contract Management Section is aware of any problems or issues that can arise during the contract cycle.

The Contracts Manager will ensure that an appropriate type of relationship established is based on where the category and the contract sit in its supplier portfolio analysis, which cannot be the same across but not limited to the following:-

- Number of suppliers in the market place and associated industry dynamics
- Relationship type between the parties i.e. long term strategic vs. transactional
- The details of the good or service to be provided and complexity of requirements
- Duration of contract

NB: The Contracts Manager must establish and maintain a constructive relationship with the Supplier and have regular communication. Providing positive and constructive feedback will assist in maintaining such a relationship.



13. Contract Monitoring

Contract Monitoring section will focus on collecting and analysing information to provide assurance to the Council that progress is being made in line with agreed timeframes and towards providing the contract deliverables. The Key Performance Indicators (KPIs) must be clearly set within the contract scope of works and then measured, reported and monitored on a regular basis in correlation with the Project Plan. The information provided by a supplier for monitoring purposes must be reviewed and audited, as necessary, to ensure its accuracy and reliability.

The Project Manager/Business Unit also has responsibility for ensuring that the Msunduzi Council complies with its responsibilities under the contract.

Details of areas that need to be monitored include:

- a) Specific goods or services provided on time to the required quality;
- b) Client or user satisfaction;
- c) Performance against contract requirements;
- d) Invoicing and payments; and
- e) Council contract compliance.

NB: Regardless of how the contract monitoring function is performed by the Contract Monitoring section, accountability for accepting contract deliverables remains with the Council.

14. Contract Variations

This policy allows for the provisions to ascertain reasonableness in contract variations as a standard feature of all contracts in line with the regulatory parameters. The functionality and execution for varying of the contract scope will be controlled by Contract Management section and approved by the Council within the respective delegations of authority. The variation mechanism system must provide for variations to be agreed between the Council and the Supplier in writing through a written formal amendment of the contract and should only occur in defined circumstances.

Proposed variations would be assessed to ensure that they do not breach legislation, procurement policy and financial delegation levels and the reasons clearly documented.

The Bid Adjudication Committee would receive the variation submissions from the responsible Contract Owner as a governance structure and would then ensure variations are analysed and assessed independently of the Contract Management Section prior to approval and sign off. Necessary negotiations are necessary for significant variations.

The Variation submission may include but not limited to the following in line with the actual Contract:-

- Change in scope of work (positive and negative)
- Change in execution of the work
- Change in resources or facilities required

- Revision of rates
- Extension of the duration of the contract
- Settlement of a claim arising from the contract

NB: Under no circumstances must Variations be used to mask poor performance or serious underlying problems, as the effect on original timeframes, deliverables and value for money must be assessed.

15. SUPPLIER PERFORMANCE

15.1. All Service Providers or prospective Service Providers must be made aware of the following: -

15.2 Assessment and reporting on Service Provider's performance;

15.2.1 The use of Service Provider performance reports when evaluating service Providers for selective tender, expression of interest or awarding of a contract;

15.2.2 The exchange of information on Service Provider performance reports between Government departments;

15.2.3. The appointed Service Provider must be given an opportunity to discuss the performance criteria with the user department before commencement of the contract;

15.2.4 Any amendments must be agreed to by the parties, be in writing, signed and be incorporated into the Service Level Agreement;

15.2.5 A Service Provider's performance must be assessed in the context of the project as a whole. The roles and obligations of the Municipality and Service Provider under the contract must be taken into account;

15.2.6 Officials preparing or reviewing the performance of a Service Provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are: -

15.2.6.1 Outside the Service Provider's control, or

15.2.6.2 The result of some action by the Municipality,

15.2.7 If there is evidence that the underperformance or non-performance of the Service Provider is due to factors caused by the Municipality the following will happen: -

15.2.7.1 There will be no penalization of the Service Provider.

15.2.7.2 The Accounting Officer, or delegated official must take corrective action where necessary.

15.2.7.3 the performance assessment reports will be made available to inter-departmental and inter-governmental departments, on completion of a contract if there are no pending disputes.



16 BLACKLISTING

Before action is taken in terms of regulation 15, the Accounting Officer must issue a final notification to the contractor by registered mail indicating the action to be taken in accordance with the contract conditions unless the contractor complies with the contract conditions and delivers satisfactory supplies or services within a specified reasonable time. Such time limit should be decided upon by the Accounting Officer and should not be less than seven (7) and not longer than fourteen (14) calendar days.

If the contractor still does not perform satisfactorily despite this final notification, the Accounting Officer may, in addition to any contractual or other remedy the municipality or entity may have against the contractor, elect to exercise any or all of the actions stipulated in regulation 15(2) of the Preferential Procurement Regulations.

- 16.1 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;
- 16.2 allow the contractor and / or person(s) fourteen (14) calendar days to provide reasons why the envisaged restriction should not be imposed;
- 16.3 if requested, allow the contractor and / or person(s) the right to present evidence in person;
- 16.4 consider any reasons submitted by the contractor and / or person(s) in terms of paragraph (2) above;
- 16.5 impose the restriction or amended restriction;
- 16.6 inform the contractor and/ or person(s) of the decision; and
- 16.7 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.
- 16.8 Any restriction imposed on any person by the Accounting Officer, will at the discretion of the Accounting Officer, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first-mentioned person, and with which enterprise or person the first-mentioned person, is or was in the opinion of the Accounting Officer actively associated.
- 16.9 The Accounting Officer of a municipality or entity, based on sound reasons, can amend or uplift any restriction imposed in terms of regulation 15(2)(d) of the Preferential Procurement Regulations by the municipality or entity and must inform the contractor and/ or persons(s) and the National Treasury accordingly within five working days of the decision. The reasons for such a decision must be documented.
- 16.10 Right of appeal by the contractor
A contractor or any other person restricted by the Accounting Officer in this manner has a right to contest this restriction in a Court of Law. The municipality or entity that imposed the restriction is responsible and accountable for any costs associated with court proceedings and for the cost of any decision that may result.



MSUNDUZI ANNUAL BUDGET

17. IMPLEMENTATION AND REVIEW OF CONTRACTS

- 17.1 In terms of section 116 (1) of the MFMA, a contract or agreement procured through the SupplyChain Management system must have a periodic review once
- 17.2 This policy will be effective from the date approved by Council of Msunduzi Municipality.

2019/20 to 2021/22



ASSET MANAGEMENT POLICY

TABLE OF CONTENTS

OBJECTIVES OF THE ASSET ACCOUNTING POLICIES

ROLE OF THE CITY MANAGER

ROLE OF THE CHIEF FINANCIAL OFFICER

ROLE OF OTHER STRATEGIC BUSINESS UNITS

DEFINITION AND ROLE OF AN ASSET

FORMAT OF THE FIXED ASSET REGISTER

CLASSIFICATION AND IDENTIFICATION OF FIXED ASSETS

HERITAGE ASSETS

DONATED ASSETS

BIOLOGICAL ASSETS

CAPITALISATION CRITERIA

CALCULATION OF CAPITALISATION COST OF ASSETS

DEPRECIATION OF ASSETS

REVALUATION OF FIXED ASSETS

DISPOSAL OF ASSETS

RECOGNITION OF ASSETS IN THE FINANCIAL STATEMENTS

FUNDING SOURCES

IMPAIRMENT LOSSES

INVESTMENT PROPERTY

REPLACEMENT STRATEGY

ASSET RISK MANAGEMENT: INSURANCE

MAINTENANCE OF ASSETS

GENERAL REQUIREMENTS

FIXED ASSET LIVE

PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2004



DEFINITIONS AND ABBREVIATIONS

ITEM	DESCRIPTION
Carrying Amount	The amount at which an asset is included in the statement or financial position after deducting any accumulated depreciation and any impairment losses thereon
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction
Depreciation	This is the systematic allocation of the depreciable amount of an asset over its useful life
Depreciable amount	The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value
Disposal Committee	A committee established in accordance with the provisions of section 4 of Msunduzi Municipality's Supply Chain Management Policy.
Fair Value	The amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction
AMS/FAR	Assets Management System/Fixed Assets Register
IIR	Insignificant Items Register
GRAP	Standards of Generally Recognised Accounting Practice
IAS	International Accounting Standards
PPE	Property, Plant & Equipment – These are tangible assets that: are held by an entity for use in the production or supply of goods or services, for rental to others or for administrative purposes are expected to be used during more than one reporting period
Recoverable amount	The amount that the entity expects to recover from the future use of an asset, including residual value on disposal
Residual Value	The net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal
SCM	Supply Chain Management
GM	General Manager
CM	City Manager
CFO	Chief Financial Officer
Useful Life	Useful life is either: the period over which an asset is expected to be used by the entity, or the number of production or similar units expected to be obtained from the asset by the entity.
Fixed Asset Register	Fixed asset register is the controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy (FAR).
Impairment	Impairment is when the recoverable amount of an asset is less than the carrying value of such an asset.
Recognition	Recognition is the process by which expenditure is included in the Financial Asset Register as an asset or attractive item.
Accounting Standards Board (ASB)	Accounting Standards Board was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.
Replacement Value	Replacement Value is the amount which is needed in current terms to replace an asset.

SECTION I

OBJECTIVES OF THE ASSET ACCOUNTING POLICIES

The Asset Management Policy has as its objective to create a framework for asset management so that the municipality can ensure that the assets are used effectively for achieving the strategic objectives of the municipality and that adequate control and accounting for assets exists.

From an accounting perspective the policy is to be used to ensure that the management adopt appropriate and correct, accounting and control of Fixed Assets owned or controlled by The Msunduzi Municipality.

The overall objectives of this Accounting Policy are:

- ✓ To provide the accounting treatment of the assets acquired and used in terms of the accounting policy of the Municipality; and
- ✓ To comply with current legislation, the Municipal Finance Management Act plus standards specified by the Accounting Standards Board e.g. GRAP 17 Property Plant and Equipment.

This policy complies with all relevant legislative requirements, including:

- ✓ The Constitution of the Republic of South Africa, 1996
- ✓ Municipal Structures Act 117 of 1998
- ✓ Municipal Systems Act 32 of 2000
- ✓ Division of Revenue Act (enacted annually)
- ✓ Municipal Finance Management Act, Act 56 of 2003

Also, this policy complies with the standards specified by the Accounting Standards Board (ASB). However, this policy does not over rule the requirement to comply with other policies like Supply Chain Management, tendering or budget policies etc.



SECTION 2 ROLE OF THE CITY MANAGER

As Accounting Officer of the City, the City Manager shall be the principal custodian of all the Municipality's assets and shall be responsible for ensuring that the Asset Management Policy is scrupulously applied and adhered to.

The City Manager or his or her duly delegated representative is responsible to ensure implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA), which include:

- ✓ The management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.
- ✓ Ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality.
- ✓ Ensure that the municipality's assets are valued in accordance with the standards of generally recognised accounting practise.
- ✓ Ensure that the municipality maintains a system of internal control of assets, including an asset register.

Therefore, the City manager shall be the principal custodian of all the Municipality's assets.

In terms of section 79 (3) (e), even though the City Manager may have delegated his/her duties, it does not divest the City manager from the responsibility of the delegated duty. The

City Manager will still be responsible for monitoring the activities of the person delegated to, to ensure that they are performing the responsibilities and duties delegated to them.

SECTION 3 ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) shall be the custodian of the assets management system of the City, and shall ensure that a complete, accurate and up-to-date computerised assets management system is maintained. No amendments, deletions or additions to the assets management system shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

The CFO shall be responsible for the operation and management of the Asset Management Unit.

3.1 The Asset Management Unit

1. Shall ensure that complete and accurate records of asset items are kept, verified and balanced regularly.
2. Shall ensure that all movable assets are properly tagged and accounted for (see also 23.1)
3. Ensure that physical asset verification is performed annually by all Business Units in conjunction with Asset unit to verify the assets on the asset register. The results of this verification must be reported to the City Manager and Council.
4. Upon completion of the physical verification cycle, ensure that a verification report is compiled. The report shall –
 - a. Reflect a complete list of all assets found during the verification;
 - b. Reflect whether appropriate records have been maintained indicating what articles should have been found during verification;
 - c. Reflect any discrepancies (gaps) between the articles found during verification and the record referred to above;
5. Shall ensure that the assets management system is balanced monthly with the general ledger and the financial statements in conjunction with the CFO.
6. Shall ensure adequate bar codes, descriptions, name-plates etc. to exercise the function relating to assets control are available always.



7. Provide the Auditor-General (AG) or his personnel, on request within the indicated reporting/response period, with the financial records relating to assets belonging to Council as recorded in the assets management system.
8. Ensure that all audit queries are resolved in a timeous manner.
9. Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the Strategic Business Units and provided to the Strategic Business Unit Finance in the prescribed format.
10. Shall ensure that asset acquisitions are allocated to the correct asset code.
11. Shall ensure that, before accepting an obsolete or damaged asset(s) or asset inventory item(s), a completed asset disposal form, countersigned by the Asset Management Unit, is presented.
12. Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from Strategic Business Units.
13. Shall compile a list of the items to be auctioned in accordance with their guidelines in the Supply Chain Management (SCM) Policy.
14. Shall compile and circulate a list of unused assets to enable other Strategic Business Units to obtain items that are of use to them.
15. Shall ensure that the Supply Chain Management is notified of any auctioning or disposing of or written-off asset(s) or asset inventory item(s).

3.2 Supply Chain Management

1. Ensure that invoices authorised for payment are matched to the goods received note, quotation received, and order issued before processing such payment.
2. Shall dispose of assets in accordance with the provisions in the Supply Chain Management (SCM) Policy, MFMA and Municipal Asset Transfer Regulations.
3. The Bid Adjudication / Bid Specification Committee must comply with and be constituted in accordance with the procurement SCM policy.

3.3 Role of the Asset Steering Committee

The role of asset steering committee is:

- (a) To monitor the development and implementation of Asset Management Plans for different Units covering 10 years;
- (b) To monitor the development and implementation of Comprehensive Asset Management Plan for the Council covering 10 years;
- (c) To monitor the development of Long-term Financial Plan covering 10 years;
- (d) To monitor the development and implementation of Asset Management Strategy for the Council;
- (e) To monitor unbundling of Infrastructure Assets of the Council;
- (f) To monitor conditional assessment of Infrastructure Assets
- (g) To monitor and assess progress and determine responsibility for implementation of projects arising from the Comprehensive Asset Management Plan, Asset Management Plans and the Asset Management Systems Review.
- (h) To assist in the preparation of progress reports for the Audit Committee, Strategic Management Committee, Executive Committee and Council;
- (i) To complement the work undertaken by the Development Services Department with a view to realise integration opportunities for sustainable asset management and service planning.
- (j) To create synergy between Asset Accounting and Asset Management within the Council



SECTION 4

ROLE OF OTHER STRATEGIC BUSINESS UNITS

1.1 Human Resources Departments of Business Units

The Human Resources Departments:

1. Shall ensure that no monies are paid out on termination of service without receiving the relevant asset resignation form signed off by the relevant Strategic Business Unit. (See also 23.6)
2. Shall ensure that every asset resignation form is counter signed by the Asset Management Unit before processing the termination of service.

4.1 All Strategic Business Units

1. Shall ensure that employees in their Strategic Business Units adhere to the approved Asset Management Policies and Procedures.
2. Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in his / her Strategic Business Unit. The Asset Management Unit must be notified of who the responsible person is. The relevant person will be officially appointed in this role by the City Manager. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the GM.
3. Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policy.
4. Shall ensure that the assets and / or inventory items of the City are not used for private gain.
5. Shall ensure that all their movable asset is reflected, correctly and accurately on the Fixed Asset Register and are bar-coded, as applicable
6. Shall ensure that the Asset Management Unit is notified of any changes in the status of the assets under the Strategic Business Unit's control.



MSUNDUZI ANNUAL BUDGET

This must be done on the prescribed form and include the following:

- a. Movements/Disposals which relate to the transfer of assets (inter departmental transfers)
 - b. Changes in the estimated useful lives of assets for depreciation purposes.
 - c. The identification of impairment losses on assets by following the procedures as outlined in Section 18 of this policy document.
7. Shall certify in writing that they have assessed and identified impairment losses on all assets as outlined in Section 18 of this policy document.
 8. Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Unit without delay.
 9. Shall be responsible for maintaining and managing their own Strategic Business Unit Inventory Listing (DIL) for items that will not be recorded in the Fixed Asset Register or Insignificant Items Register. These inventory assets are acquired via the operational budget. The information to be recorded in the DIL must include the description, quantity and location of the items.
 10. Shall ensure that the correct cost element and description are being used before authorising any requisitions.
 11. Shall not procure any asset until the asset number is obtained; asset number allocated and will ensure that assets are bar-coded by the Asset Management Unit and insured by Finance (Insurance Department).

The detailed projects as created, are categorized and classified as follows:

a. Immovable Assets:

- i. Infrastructure assets
- ii. Buildings
- iii. Land
- iv. Community Assets
- v. Recreational Facilities
- vi. Asset under construction (WIP) (Only an asset after completion)

2019/20 to 2021/22



- vii. Town Developments
- viii. Investment Properties
- ix. Intangible assets

- x. Agricultural assets
- xi. Heritage assets

b. Movable Assets:

- 0. Office Equipment
 - i. Furniture and Fittings
 - ii. Bins and Containers
 - iii. Emergency Equipment
 - iv. Motor Vehicles
 - v. Watercraft
 - vi. Plant and Equipment

SECTION 5

DEFINITION AND ROLE OF AN ASSET

5.1 Definition of an Asset

A fixed asset is a resource, either movable or immovable, owned by or under the control of the municipality, and from which the municipality reasonably (resources) expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year, which cost or fair value can be measured reliably. (GRAP 1).

Capital assets are all assets that have a life cycle of more than one year and above the capitalisation threshold (where applicable).

Property, Plant and Equipment (PPE) are tangible items that:

1. Are held for use in the production or supply of goods or services, for rental or others, or for administrative purposes; and
2. Are expected to be used over more than one reporting period.

Fixed assets will include Property, Plant and Equipment (as defined in GRAP 17), Intangible Assets (as defined in GRAP 102), Investment Property (as defined in GRAP 16), Heritage Assets (as defined in GRAP 103), as well as Assets held under a finance lease, in accordance with the principles contained in GRAP 13.

5.2 Role of Assets

The role of assets is to support the delivery of a service to the public. Assets should exist to support programme delivery.



SECTION 6

FORMAT OF THE FIXED ASSET REGISTER

6.1 Format

The fixed asset register shall be maintained in the format determined by the CFO, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the fixed asset register shall reflect at least the following information:

- a. a brief but identifiable description of each asset;
- b. The links to data hierarchy in the fixed asset register linking the main asset to its components;
- c. the date on which the asset was acquired or commissioned;
- d. the location of the asset;
- e. the departments or cost centre within which the assets will be utilised;
- f. the title deed number or other reference in terms of this policy, in the case of fixed property;
- g. the stand number and physical address, in the case of fixed property;
- h. where applicable, the identification number, as determined in compliance with 7.2 below;
- i. the original cost or fair value if no costs is available;
- j. the (last) revaluation date of the fixed assets subject to revaluation;
- k. the re-valued value of such fixed assets;
- l. The expected useful life of the asset showing the useful life on main asset and on asset component
- m. accumulated depreciation to date;
- n. the carrying value of the asset;
- o. the method and rate of depreciation;
- p. impairment losses;
- q. impairment recovery;
- r. the source of financing;
- s. the current insurance arrangements;
- t. the date on which the asset is disposed of;
- u. the disposal price; and

- v. the date on which the asset is retired from use, if not disposed of.

All GM's of Strategic Business Units under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing of any information required to compile the fixed asset register and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed asset register, as soon as it is acquired. If the asset is constructed over a period, it shall be recorded as work-in-progress until it is available for use, thereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed asset register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a

reason for writing-off such an asset.

Immovable assets on the asset register will not be physically numbered with barcode labels but will have a unique asset master record number.

If an asset has been fully depreciated but is still being used by the Municipality, it indicates that the asset's estimated useful life needs to be reviewed and re-estimated. Therefore, the municipality will have to account for a change in estimate based on the Business Unit, using the asset's adjusted estimated useful life. (This applies to assets with material values).

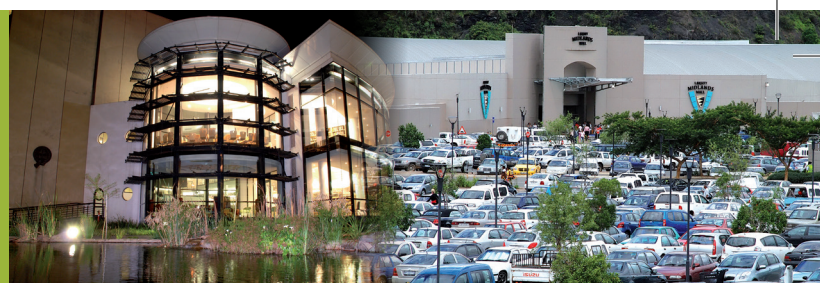
6.1 Different categories of registers

The following is an outline of the requirements relating to the various types of asset registers that the City will maintain:

- a. The Chief Financial Officer is responsible for ensuring that complete records of asset items are kept, verified and balanced regularly.
- b. The Fixed Asset Register (FAR) for the City will contain the following types of assets categorized as immovable or movable assets:

Immovable Assets:

- a. Infrastructure assets:
 - i. Electricity assets
 - ii. Water networks and related assets
 - iii. Waste water networks and related assets
 - iv. Roads and Storm-water
- b. Land and Buildings
- c. Investment properties



- d. Community assets
- e. Heritage assets
- f. Intangible assets
- g. Agricultural assets
- h. Other assets

Movable Assets:

- a. Office Equipment
 - b. Furniture and Fittings
 - c. Bins and Containers
 - d. Emergency Equipment
 - e. Motor Vehicles
 - f. Aircraft
 - g. Watercraft
 - h. Plant & Equipment
-
- c. The FAR will consist of all the asset master records of assets capitalised each inclusive of non-claimable VAT. These assets, except for group assets must be numbered with the approved barcode labels.
 - d. Immovable assets on the FAR will also be physically numbered with barcode labels and will have a unique asset master record number.
 - e. Capital work-in-progress (WIP); Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

SECTION 7

CLASSIFICATION AND IDENTIFICATION OF FIXED ASSETS

7.1 Classification

In compliance with the requirements of GRAP, the Chief Financial Officer shall ensure that all fixed assets, or items of property, plant and equipment, are classified under the following headings, and Heads of Departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

- a. Land (not held as investment assets)
- b. Infrastructure assets (assets which are part of a network of similar assets)
- c. Community assets (resources contributing to the general well-being of the community)
- d. Heritage assets (culturally significant resources)
- e. Intangible assets (ordinary operational resources)
- f. Investment properties (resources held for capital or operational gain).
- g. Biological Assets

The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives (as per Assets Procedure Manual), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

7.2 Property, Plant and Equipment (PPE)

In terms of generally recognised accounting practise, property, plant and equipment is defined as tangible assets that:

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- Are expected to be used for a period more than one financial year.

The different classifications for property, plant and equipment are as follows:

1. Land (not held as investment assets);
2. Buildings excluding buildings classified as investment assets and buildings classified as Heritage assets



3. Emergency equipment
4. Office equipment
5. Furniture and fittings
6. Bins and containers
7. Motor vehicles
8. Aircraft
9. Watercraft

10. Plant and equipment

Inventory assets

The municipality is not selling assets in the normal course of business. Any property developments, housing schemes, etc. will be held as inventory in terms of GRAP 12 until it is transferred to the beneficiaries. The carrying amount of those inventories shall be recognised as an expense in the period in which it is transferred.

In many cases property developments take place on large properties that is subdivided for that purpose. This can be referred to as the parent property of the development scheme. The whole of the parent property will be shown as an asset during the development process. On completion of the development process and when the individual developed units have been transferred the remaining portion of the parent property will be reclassified as appropriate in accordance with the relevant accounting framework.

7.3 Infrastructure Assets

Infrastructure assets are defined as any asset that is part of a network of similar assets. These assets usually display some or all the following characteristics:

- a. They are part of a system or network;
They are specialised in nature and do not have alternative uses,
- b. They are immovable; and
- c. They may be subject to constraints on disposal.

Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals

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

Other assets are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings. The different classifications for infrastructure assets are as follows:

- a. Electricity
- a. Gas
- b. Sewerage
- c. Road
- d. Pedestrian malls
- e. Airports
- f. Water
- g. Buildings

7.4 Community assets

Community assets are land and buildings used for the delivery of services to the community. These assets cover a wide spectrum and include town halls, community centres, sports facilities, affordable housing and libraries.

Community assets are those assets which are specifically designed to service the surrounding community and should be identified separately. These assets include:

- a. Buildings
- b. Recreational facilities
- c. Security



7.5 Land

The municipality have jurisdiction over the land within its boundaries. The land is identified through its Surveyor General Identification number. In most cases the land is also registered in the Deeds Office to a specific owner.

As described elsewhere the land that forms part of assets is disclosed separately from the structures on the land. This is to facilitate the depreciation of the structures. Land as part of investment properties can however be disclosed as a unit with any structures on it as the investment as a whole is valued and not depreciated.

All land owned by the municipality should be recorded either as PPE or an investment property. The land not owned by the municipality is recorded in the Land Management System and cascaded down into the financial system.

Ownership of land can be complex and for the purpose of this policy the following process will be followed to determine ownership

- All properties registered to the municipality through the deeds office
- All properties transferred to the municipality through an endorsement on the original deed. (Normally properties allocated to the municipality from national and local government)
- All properties that is under development where the subdivided properties are not registered with the deeds office in full. This is irrespective if the original deed of the parent land has been cancelled by the deeds office. The value of the original land should be impaired with the value of the subdivided properties transferred through the deeds office using the proportion of the area transferred as the measure
- All remaining portions of a developed land where the remaining portion is material in terms of land assets and future land development. The assessment of materiality of the remaining portions of land will be done on a case by case basis by the Land Management Unit of the municipality in conjunction with the Finance Division. Materiality will be assessed against both the significance of the land in terms of land development and future benefits that can be derived from the land as well as the accounting definition of an asset.

7.6 Heritage assets

In terms of this policy heritage assets are defined as any asset with a clearly definable intrinsic and remarkable heritage significance acknowledged by the South African Resources Agency in accordance with the National Heritage Resources Act, 1999 (Act No. 25 of 1999) or any other asset that has a cultural, environmental or historical significance. Examples are works of art, historical buildings, statues, conservation areas and nature reserves.

7.7 Investment property

Investment properties shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of financial position.

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

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

Investment assets shall be not depreciated but shall be annually valued on balance sheet date to determine their fair value as prescribed in GRAP 16. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned, where it cannot be accounted for against the Revaluation reserve.

A Professional Valuator or Internal Valuator who possess proper qualification and experience shall be engaged by the municipality to undertake the valuations.

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

7.7 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. This asset can be held for any purpose but must be controlled by the municipality and expected to provide future economic benefit to the municipality or to be used for service delivery.

The Chief Financial Officer acting in strict compliance with the criteria set out in GRAP31 dealing with research and development expenses, may recommend to council that specific development costs be recognised as an asset

The following are examples of items that generally have a physical substance of some sort, but where the physical substance is secondary (incidental) to the intangible asset. Physical substance is deemed to be incidental when it is not the driver of the value of the asset.



The entity pays for the right of use of, e.g. software. Thus, an entity does not pay for the tangible item being the piece of paper on which the licence agreement is printed, but rather for information contained on the document (you can't touch a right of use).

The value of application software is not driven by the CD that it is loaded on, but rather by the knowledge that it embodies. Thus, the physical substance is deemed to be incidental.

The value of a patent is not driven by the piece of paper that it is printed on, but rather by the knowledge that it embodies. Thus, the physical substance is deemed to be incidental.

7.8 Identification

The City Manager shall ensure that the city maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the City Manager, acting in consultation with the Chief Financial Officer and other GM's of Strategic Business Units, and shall comply with any legal prescriptions, as well as any requirements of the Auditor-General, and shall be decided upon within the context of the city's budget.

Every GM of a Strategic Business Unit shall ensure that the asset identification system approved for the city is scrupulously applied in respect of all fixed and movable assets controlled or used by the Strategic Business Unit in question.

7.9 Verification of Movable Assets

Every Head of Department shall undertake a comprehensive verification of all movable assets controlled or used by the department concerned.

An annual complete electronic verification of all movable assets must be done in the first half of the financial year thereafter within the second half of the same financial year written confirmation must be submitted to the Asset Control Unit that the inventory lists remain unchanged as per the inventory lists produced during the electronic verification.

Should the inventory need to be altered, these amendments must be reported to the Asset Control Unit immediately as soon as the activity that resulted in the inventory change to update the Fixed Asset Register.

Activities which will result in changes to inventory:

- a. Movements
- b. Disposals
- c. Theft or Losses
- d. Impairments

The verification must be done in compliance with the relevant written directives issued by the Chief Financial Officer, the directives issued by the Chief Financial Officer shall stipulate the date(s) when such verification shall be undertaken.

Every Head of Department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, all relevant results of such movable asset verification, and the resultant report shall be submitted to the Chief Financial Officer not later than stipulated date.

7.10 Safekeeping

Section 63 of the Municipal Financial Management Act (Act no. 56 of 2003) determines that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of these assets.

Section 78 of the Municipal Financial Management Act (Act no. 56 of 2003) determines each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. A senior manager or such official must perform the functions subject to the directions of the accounting officer of the municipality.

Every GM of a Strategic Business Unit shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the Strategic Business Unit in question.

In exercising this responsibility, every GM of a Strategic Business Unit shall adhere to any written directives issued by the City Manager to the Strategic Business Unit in question, or generally to all Strategic Business Units regarding the control of or safekeeping of the city's fixed assets.

7.11 Correction of error (GRAP 3)

7.11.1 Error

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

Errors can be made in any of the 4 elements of financial statements (recognition, measurement, presentation and disclosure) in prior periods. Errors in the current period can be corrected before the financial statements are issued; Therefore, they are not relevant in this case. It is important to keep in mind that an omission or misstatement is an error only if the information was available at the time the transaction or event occurred, but not used at all, or used incorrectly.

Financial statements do not comply with GRAP when:

- material errors exist; or
- immaterial errors exist, which were made intentionally to achieve a specific presentation of the entity's financial position, performance and cash flow situation.

In determining whether an error is material; management should assess the error in the context of the affected entity's financial statements.

The following could be the reasons of what may constitute an error omission of amounts from the financial statements e.g. revenue or expenditure items are not included in the financial statements; calculation errors e.g. incorrect casting of a note; or incorrect application of an accounting policy.



7.11.2 Correction of errors

All errors must be corrected in the financial statements of the entity. Retrospective application will be applied for all errors discovered in subsequent periods.

These errors should be corrected by:

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

If the error occurred before the earliest period presented, restate the opening balances of the earliest period's assets, liabilities and net assets.

7.11.3 Disclosure

The disclosure of a prior period error is very similar to the disclosure required for a change in accounting policy as both will result in retrospective adjustment of financial figures, unless impracticable. Refer to the disclosure section of change in accounting policy for an example. The only difference is that there will be no disclosure in the current period column as is the case with a change in accounting policy. The results from the correction of an error must be disclosed in the period in which the financial statements were restated. The financial statements for subsequent periods need not repeat the required disclosure.

7.12 Derecognition

Derecognition- is the removal of a previously recognized financial asset or liability from municipality balance sheet. A financial asset should be derecognized if either the municipality contractual rights to the asset's cash flows have expired or the asset has been transferred to a third party (along with the risks and rewards of ownership). If the risks and rewards of ownership have not passed to the buyer, then the municipality must still recognize the entire financial asset and treat any consideration received as a liability. Part of the year-end closing procedure may include a step to review all fixed assets currently on the books to see if any should be derecognized. Otherwise, an excessive amount of accumulated depreciation may clutter the balance sheet.

An asset is derecognized upon its disposal, or when no future economic benefits can be expected from its use or disposal. Derecognition can arise from a variety of events, such as an asset's sale, scrapping, or donation. You can recognize a gain or loss from an asset's derecognition, though a gain on derecognition cannot be recorded as revenue. The gain or loss on derecognition is calculated as the net disposal proceeds, minus the asset's carrying value.

SECTION 8

HERITAGE ASSETS

8.1 Definition

Heritage assets are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

8.2 Disclosure of Heritage Assets

Heritage assets shall be carried at its cost less any accumulated impairment losses after recognition as an asset, in accordance with GRAP 103.

If no original costs or reasonable values are available in the case of one or more or all heritage assets, the Chief Financial Officer may, if it is believed that the determination of a reasonable value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the assets management system without an indication of the costs or reasonable value concerned. For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note, with reasons why the value of such heritage assets or class of heritage assets, if any, could not be measured reliably.

8.3 Recognition

A heritage asset shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity and the cost or fair value of the asset can be measured reliably; or
- (b) Only if the portion not Heritage Asset is insignificant.

8.4 Depreciation

Heritage assets are not depreciated. The reason is that these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.



SECTION 9

DONATED ASSETS

9.1 Definition

The donations are defined as the assets identified to be received by the municipality without any monies changing hands.

9.2 Transaction

All asset donations require approval by the accounting officer prior to the donation.

Donations of assets refer to assets that have been donated to the entity (municipality) by other departments, other State institutions and non-governmental organisations (NGOs). These assets must be reported to asset management for further management and updating of the asset register upon receipt of all supporting documents/information.

- i) The accounting officer may approve the acceptance of any gift, donation or sponsorship to the State, whether such gifts, donations or sponsorship are in cash or kind.
- ii) Where it is not apparent for what purpose a gift, donation or sponsorship should be applied,
- iii) the relevant executive authority may decide how it must be utilised.
- iii) Donor funding received in terms of the Reconstruction and Development Fund Act, 1994 (Act 7 of 1994), as amended by Act 79 of 1998), must be dealt with as determined by the National Treasury from time to time.

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the assets management system at such reasonable value as the Chief Financial Officer assigns to the asset in question, and the CFO will be authorised to utilise the services of valuers, if deemed necessary.

The asset's fair value shall either be its market price or the amount the asset can be sold for in an arm's length transaction between two knowledgeable willing parties.

SECTION 10

BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of GRAP 27.

The Chief Financial Officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised Valuator in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the Head of Department concerned in the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record, and such details shall reflect the information which the Chief Financial Officer, in consultation with the Head of Department concerned and the internal auditor, deems necessary for accounting and control purposes.

The Chief Financial Officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the Council of the municipality considers such insurance desirable and affordable.



SECTION II

CAPITALISATION CRITERIA

11.1 Capitalisation

All fixed assets that comply with the definition of an asset and role of asset of this policy must be capitalised in the Fixed Asset Register inclusive of non – claimable vat.

Definition of an Asset

A fixed asset is an asset, either movable or immovable, owned by or under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year, which cost or fair value can be measured reliably.

Fixed assets will include Property, Plant and Equipment (as defined in GRAP 17), Intangible Assets (as defined in GRAP 31), Investment Property (as defined in GRAP 16), Heritage Assets (as defined in GRAP 103), as well as Assets held under a finance lease, in accordance with the principles contained in GRAP 13.

Role of Assets

The role of assets is to support the delivery of a service to the public. Assets should exist to support programme delivery.

Group Assets

Meters (Water and electricity) and chairs for halls will be classed as a group asset. All group asset purchases inclusive of non-claimable VAT must be capitalised in the Fixed Asset Register and provided for on the capital budget.

Providing for asset expenditure in the budget:

It is essential that actual costs are expensed on the correct capital vote in accordance to the asset classification. Below is a guideline on the item code to be used as per asset classification when creating a vote (account) for the acquisition of an asset.

Item

Road Construction

Storm water Drainage

Sewers

Water loss Programme

Mains and services

Distribution

Major overhead lines

Substations

Buildings

Purchase of land

Plant and equipment

Computers

Furniture and fittings

Vehicles

Internal insurance funded assets

11.2 Capitalisation criteria

All asset types approved by the Chief Financial Officer for capitalisation shall be treated as capital assets and recorded in the asset register.

11.3 Capitalisation Criteria: Material Value

No item with an initial cost or fair value of less than R5 000 (five thousand rand), or such other amount as the Council of the municipality may from time to time determine on the recommendation of the municipal manager, shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalization benchmark, it shall be treated as an ordinary operating expense.

Every head of department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stock sheet. Every head of department shall moreover ensure that the existence of items recorded on such stock sheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.

11.4 Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset is enhanced more than the originally assessed standard of performance.

If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and should be expensed. The following will assist in distinguishing capital expenditure from maintenance expenditure:

- a. Enhancing an existing asset so that its use is expanded (Capital)
- b. Maintaining an asset so that it can be used for the period for which it was initially intended. (maintenance)
- c. Replacing an existing asset (capital)
- d. Further developing an existing asset so that its original useful life is extended (capital)



- e. The Chief Financial Officer will be responsible for implementing procedures to ensure that operating expenses are not capitalised.

11.5 Intangible Assets

Items belonging to the category “intangible” do not have a physical form and meets

the identification criterion in the definition of an intangible asset when it:

- a. is separate, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract asset or liability; or
- b. arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations; and can be further classified as:
 - c. Intangible assets with a finite useful life; and
 - d. Intangible assets with an infinite useful life.

An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Examples of intangible items are:

1. Mineral exploration rights
2. Computer software (not operational software)
3. Valuation Roll
4. Licensing rights
5. Servitudes

Intangible items are treated in accordance with the provisions of GRAP 102 and in applying the cost model are initially recorded at their cost price. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

11.5.1 Retirements and Disposal

An intangible asset shall be de-recognised:

- a. on disposal; or
- b. When no future economic benefits are expected from its use or disposal.

11.5.2 Review of useful life assessment

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

SECTION 12

CALCULATION OF CAPITALISATION COST OF ASSETS

12.1 Initial Cost

The initial recording (or measurement at recognition) of an asset is dealt with as follows in GRAP 17:

An item of property, plant and equipment that qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Examples of directly attributable costs are:

- a. The cost of site preparation,
- b. Initial delivery and handling costs,
- c. Installation costs, and
- d. Professional fees such as for architects and engineers;
- e. The estimated cost of dismantling the asset and restoring the site, to the extent that it is recognised as a provision.
- f. Administrative and other general overhead costs are only a component of cost if it can be directly attributed to the acquisition or construction of the asset without which the asset could not have been brought to working condition.

Where there is insufficient supporting documentation to verify or confirm the actual costs, the deemed cost method shall apply, where the asset concerned shall be recorded in the asset register at its fair value, as determined by the Chief Financial

Officer. The asset's fair value shall either be its market price or the amount the asset can be sold for in an arm's length transaction between two knowledgeable willing parties.

12.2 Costs incurred on existing PPE subsequent to the initial recording of the cost price

Assets are often modified during their life. There are two main types of modification:

12.2.1 Enhancement / Rehabilitation:

This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.

Disbursements of this nature relating to an asset, which has already been recognised in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the entity over the



remaining life of the asset.

To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

- a. Modification of an item or plant to extend its useful life, including an increase in its capacity;
- b. Upgrading machine parts to achieve a substantial improvement in the quality of output;
- c. Adoption of new production enabling a substantial reduction in previously assessed operating costs;
- d. Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
- e. Improve the performance of the asset;
- f. Increase the capacity of the asset;
- g. Prolong the expected working life of the asset;
- h. Increase the size of the asset; or
- i. Change the shape of the asset.

12.2.2 Maintenance / Refurbishment:

Expenditure related to repairs or maintenance of property plant and equipment are made to restore or maintain the future economic benefits or service potential that an entity can expect from the asset.

Refurbishment of works does not extend functionality or the life of the asset but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

Thus, if the improved performance or extended life of an asset is not beyond what has originally been estimated for the asset and the expenditure is only to bring performance back to the level that is normally expected for the asset, the expenditure will be considered an operating expense.

SECTION 13

DEPRECIATION OF ASSETS

13.1 Definition

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed, from the date that the asset is brought into use i.e. acquired and available for use (purchase dates/invoice date).

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

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

13.2 Assets to be depreciated

All fixed assets, except Land, Investment property, and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Although typically disclosed together, land and buildings are separable assets and because land normally has unlimited life it is not depreciated whilst buildings are. Heritage assets such as works of art, historical buildings and statues are also not normally depreciated. The reason is that these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.

13.3 Determining Useful Lives of assets and residual values

The Chief Financial Officer shall assign a useful operating life (or Expected Useful Life, EUL) and residual value to each depreciable asset recorded on the city's Fixed Asset Register. In determining such a useful life, the Chief Financial Officer shall adhere to the useful lives set out in the annexure to this document (refer Annexure A) or to the recommendation of the head of the department involved. The residual values should only be applicable where the estimated useful life is significantly different to the economic life of an asset. In most cases, the residual value of an asset is insignificant and therefore immaterial in the calculation of a depreciable amount.

In the case of a fixed asset which is not listed in this annexure, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the GM of the Strategic Business Unit who shall control or use the fixed asset in question,

and shall be guided in determining such useful life either by the useful lives assigned in the annexure to the fixed asset most closely comparable to the asset in question or

by the likely pattern in which the asset's economic benefits or service potential will be consumed. An municipality shall assess at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or



residual value accordingly.

The amortisation period of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life and reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be amended accordingly.

13.4 Depreciation Calculation

13.4.1 Tangible assets

The city uses the straight-line depreciation method whereby items of property, plant and equipment are depreciated on a constant or uniform amount over their estimated useful life. For example, if a vehicle is purchased and has an estimated useful life of 5 years, each month 1/60th of the vehicle will be depreciated.

Depreciation is an expense both calculated and debited on a monthly basis against the appropriate line item in the Strategic Business Unit or vote in which the item of property, plant and equipment is used or consumed and should be recognised as such.

Depreciation shall be charged from the calendar month following the month in which an item of property, plant and equipment is brought into commission and will continue until the accumulated depreciation equals the cost or valuation amount of the respective item of property, plant and equipment or the item is disposed or written off.

When depreciation is calculated, a corresponding accumulated depreciation account is created. The accumulated depreciation account is a statement of financial position

item (it is an asset provision). This account balance reflects the depreciation charge that has been expensed or capitalised since the asset was brought into commission.

The balance on the accumulated depreciation account can never exceed the cost or valuation of the specific item of property, plant and equipment to which it relates.

13.4.2 Intangible assets

Amortisation period and amortisation method

a. Finite useful life

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used.

The amortisation charge for each period shall be recognised in profit or loss unless this or another Standard permit or requires it to be included in the carrying amount of another asset.

b. Infinite useful life

No amortisation will take place.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

(a) Amendment of Asset Lives and Diminution in the Value of Fixed Assets

Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the Council of the municipality of such amendment.

The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, based on the reports submitted from departmental heads.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully impaired in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the assets management system.

In all the foregoing instances, the additional depreciation expenses or impairment charge shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing event arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully impaired, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full impairment charge concerned.

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.

(b) The use of the asset has changed, because of the following:

- (i) The entity has changed the manner in which the asset is used.
- (ii) The entity has changed the utilisation rate of the asset.
- (iii) The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- (v) Legal or similar limits placed on the use of the asset have changed
- (vi) The asset was idle or retired from use during the reporting period.

(c) The asset is approaching the end of its previously expected useful life.

(d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.



- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

13.6 Alternative Methods of Depreciation in Specific Instances

The Chief Financial Officer may employ the sum-of-unit's method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The Chief Financial Officer shall only employ this method of depreciation if the Head of Department controlling or using the fixed asset in question gives a written undertaking to the City Manager to provide:

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

The Head of Department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

Where the Chief Financial Officer decides to employ the sum-of-unit's method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the municipality of the decision in question.

13.7 Disclosure Requirements

According to GRAP 17 the following information relating to depreciation should be disclosed in the financial statements:

- 1. In the Accounting Policy Notes**
 - a. The depreciation methods used and the depreciation rates or useful lives.
- 2. On the Statement of Financial Position**
 - a. The depreciation is part of the Net Property, Plant and Equipment amount.
- 3. On the Statement of Financial Performance**
 - a. The depreciation charged in arriving at the net surplus or deficit disclosed in the income statement.

4. In the notes to the Statements

- a. The gross carrying amount and the accumulated depreciation at the beginning and end of the period in respect of each class of property, plant and equipment, together with all the other movements on the asset accounts.

5. In Annexure B and C to the Financial Statements

- a. These Annexures disclose a more detailed analysis of the various classes of assets (Annexure B) as well as a detailed analysis on the allocation of assets (Annexure B) on the allocation of assets to the various departments and functions (Annexure C). These Annexures must show a reconciliation of the carrying amount at the beginning and end of the period showing:
 - i. Additions
 - ii. Disposals
 - iii. Acquisitions through business combinations
 - iv. Increases or decreases resulting from revaluations
 - v. Reductions in carrying amount (Impairment loss)
 - vi. Depreciation
 - vii. Other Movements

When property, plant and equipment is disposed of whether by selling or destroyed, the asset values must be offset against the proceeds, if any, resulting in a profit or loss on the particular item of property, plant and equipment. If this item was previously financed from a Government Grant and there is still a balance left regarding this item on the Deferred Income Account: Government Grant, this balance must then be transferred to the Accumulated Surplus / Deficit account.

- b) Disclosure for capital under construction with comments for project status, projects open beyond estimated timeframe and classifications of each project.



SECTION 14

REVALUATION OF FIXED ASSETS

14.1 Heritage Assets

The Municipality has adopted revaluation model in respect of artworks. The revaluation of artworks is performed every 4 years.

14.2 Revaluation Reserve

The Chief Financial Officer shall also, where applicable, create a revaluation reserve for fixed assets equal to the difference between the value as recorded in the asset register and the fair value of the fixed assets being valued.

14.3 Investment Property

Investment properties will be revalued on a regular basis in order to reflect any significant changes in the market conditions as at the reporting date, and any increases or decreases will be recorded against the surplus or deficit. The revaluation does not necessarily have to take place annually, as long as there are no indications of significant changes in the market conditions. Any gains or losses on the disposal shall be accounted for as below, and the carrying value will be written off against the surplus or deficit.

The CFO can also utilize the services of a Valuator to determine the values of investment properties, where it is expected that the Net Realisable Value, as calculated from the values reflected in the Valuation roll, differ materially from what can be expected, due to changes in market conditions since the fixed date used for the determination of market values in the valuation roll. Any adjustments made in this regard will be accounted for as gains or losses in the municipality's operating account.

SECTION 15

DISPOSAL OF ASSETS

15.1 Disposal

In compliance with the principles and prescriptions of the Municipal Financial Management Act (Annexure B) and Municipal Asset Transfer Regulations, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the city's supply chain management policy. (Note the transfer of land during housing schemes are not deemed to be a disposal and can therefore be transferred at a cost deemed appropriate by management and within the objectives of the housing scheme)

Every Head of Department shall report in writing to the Chief Financial Officer on a quarterly basis on all fixed assets controlled or used by the department concerned which such Head of Department wishes to dispose by public auction or public tender. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the Municipal Manager of the municipality, as the case may be, recommending the process of disposal to be adopted.

Any items declared obsolete or damaged will be handed in to the Asset Management Unit for safekeeping. No items will be received by the Asset Management Unit without a completed asset disposal form countersigned by the Asset Management Unit, describing the status of the item and the reason for writing-off the item.

Each Strategic Business Unit must take the necessary steps to ensure that all their obsolete or damaged assets are disposed of in the correct and approved manner. It is the responsibility of each Strategic Business Unit to ensure that all such assets to be disposed of are delivered to and received at the Asset Management Unit.

The Council shall ensure that the disposal of any fixed asset takes place in compliance with Section 14 of Municipal Financial Management Act of 2004 and the Supply Chain Management Policy.

Every GM of a Strategic Business Unit shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the Strategic Business Unit in question is promptly reported in writing to the Insurance Section as well as the Asset Management Unit by using the asset disposal form. Such incidents must also be reported to the Internal Audit Unit and, in cases of suspected theft or malicious damage, also to the South African Police Services. Once the fixed assets are disposed, the Chief Financial Officer shall remove the relevant records from the fixed asset register.

The Council shall delegate to the City Manager the authority to approve the alienation of any fixed asset with a carrying value less than R50 000.00 (Fifty Thousand Rand).

It is important to note that a disposal of an asset must comply with the following requirements:

- a. Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
- b. Capital assets may only be disposed of after the municipal council in a meeting open to the public:



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

15.2 Replacement of components

The replacement of components that reached the end of its useful life or where management has elected to replace a component does not constitute a disposal. It is viewed as part of the life cycle management activities of the main asset. It is on main asset level where the considerations of the preceding paragraph is relevant.

15.3 Demolishment of assets

Any demolishing or disposals in terms of refurbishments or upgrades that was approved as part of the budget and Strategic Asset Management Plan is deemed to be approved in terms of those plans and need not be approved by the City Manager or Council

In the event of the approval of a refurbishment, upgrade or demolition of an asset that was not part of the original plans approval needs to be obtained from Council or as delegated in terms of the delegations. The approval will be deemed to include all the component attached to that asset.

15.4 Asset Disposal Committee

The Asset disposal committee will deliberate on recommendations from Business Units for the disposal and transfer of all movable and immovable assets including land and leases.

The committee will report to the Accounting Officer their recommendations regarding the disposal and transfer of municipal assets. Thereafter the Accounting Officer shall submit considerations and recommendations of the disposal and transfers to the appropriate portfolio committee for their recommendations and final approval.

The Asset Disposal Committee shall comprise of the following officials:

- a. Senior Manager: Assets and Liabilities
- b. Manager: Fleet
- c. Manager: Real Estates and Valuations
- d. Legal Advisor
- e. Senior Manager: Area Based Management
- f. Senior Manager: ICT
- g. Manager: Assets

15.5 Responsibility for disposal of moveable assets

(a) Disposal of movable assets must be at market-related value or by way of price quotations, competitive bids or auction, whichever is most advantageous to the state, unless determined otherwise by the relevant treasury.

(b) Accounting officers and accounting authorities may transfer movable assets free of charge to other departments, constitutional institutions or public entities by means of formal vouchers.

(c) The accounting officer or accounting authority must, when disposing of computer equipment, firstly approach any state institution involved in education and/or training to determine whether such an institution requires such equipment. In the event of the computer equipment being required by such a state institution, the accounting officer or accounting authority may transfer such equipment free of charge to the identified institution.

15.6 Identification of assets for disposal

During the regular physical verification of assets, Asset Management officials will assess the physical condition of all assets and verify their existence and location. A schedule of all assets that are identified as disposable is drawn and attached to the physical verification report. These assets are placed together in a secured and suitable storeroom/location for further inspection.

Identification of moveable assets to be reflected on physical verification report:

- been damaged and cannot be repaired economically
- parts removed from it and it cannot be repaired economically
- reached the end of its useful life and it cannot be maintained or refurbished economically
- become excessive
- become obsolete due to:
 - the advent of new technology, making it non-compatible with existing systems and it cannot be redeployed in the Department
 - changed service delivery demands and it cannot be used or redeployed in the Department
 - changes in legislation on use of the moveable asset

The Municipality should continuously identify excessive moveable assets and moveable assets not suitable for service delivery. Moveable assets to be withdrawn from service and disposed must be identified by the user and approved by the asset manager.

15.5 Methods of disposal

The methods of disposal must be fair, equitable, transparent and cost effective. All moveable assets will be disposed of in accordance with municipal standards.

- Disposal of moveable assets must be at market related value.
- The disposal method should be most beneficial in terms of economical, effectiveness and efficiency considerations, unless determined otherwise by the relevant treasury or other regulatory body.

It is therefore necessary that a valuation be done on any moveable asset prior to disposal to ensure compliance with the above regulation and to request Provincial Treasury approval should it not be deemed possible or advantageous to the municipality to dispose of the moveable asset at market-related value.



15.7 Disposal methods

The following disposal methods, among others, may be applied when departmental moveable assets are disposed of:

- Sale by public auction or bidding process
- Transfer to another municipality
- Transfer to other government institutions at market related prices
- Donation to public educational and/or other public institutions
- Sold as scrap
- Sale by private treaty (for example PPP contract)
- Sale to staff
- Write off

15.8 Requesting bids from the public(suppliers)

A request for bids from the public must be accompanied by the terms of offer for the specific moveable asset or moveable assets. The terms of an offer are the commencement date, cut-off dates and treatment of administration costs. A reserve or minimum bidding price may be fixed.

An evaluation committee must be established to evaluate all bids. No employees of the Department may bid for any of the moveable assets to be disposed of in this manner.

15.9 Public auction

Auctioneering services may be sourced from any qualifying company. Service fees and related expenses incurred by the service provider appointed to dispose the moveable assets by auction will be set off against the proceeds from such auctions.

15.10 Specific disposal methods

Computer equipment and related moveable assets

In terms of Treasury Regulation, computer equipment and related moveable assets, should as far as possible be disposed by transferring those moveable assets to a state institution involved in education.

If no educational institution requires the equipment offered by the Department, the equipment should be disposed by public auction or bidding process, or sold as scrap, whichever is the most advantageous to the Department.

Before disposal of computer hardware through donation, the hard disks must be formatted and then forensically sanitised to ensure data cannot be extracted. In cases where computer equipment is not suitable for donation, the municipality must ensure that hard drives and memory disks are crushed prior to disposal.

Municipal vehicles and transportation assets



MSUNDUZI ANNUAL BUDGET

All municipal transportation assets must be sold via an auction process.

The municipality should ensure that any municipal signage on transportation and any other moveable assets are removed prior to final disposal of the moveable assets.

Other moveable assets

Moveable assets not listed above may be disposed by -

- Public auction or bidding process;
- Sale or transfer to other government entities;
- Any combination of the above, or
- Whichever option is the most advantageous to the Department.

15.11 Demolition and dumping of moveable assets

Where it has been determined that the general condition of moveable assets to be disposed have deteriorated to such an extent that it will not be possible to obtain the required market value for them, they may be destroyed under observation and dumped at a public dumping site and destroyed in an environmentally friendly manner (photographic evidence required).



15.12 Other Write-Offs

A fixed asset, even though fully depreciated, shall be written-off only on the recommendation of the GM of a Strategic Business Unit controlling or using the concerned, and with the final approval of Council.

Every GM of a Strategic Business Unit shall report to the Chief Financial Officer on any fixed assets which such GM of the Strategic Business Unit wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports and shall promptly submit a recommendation to the Council on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the disposal of such fixed assets, shall be the loss, theft, destruction, incorrect capitalisations or material impairment of the fixed asset in question.

15.13 Proceeds / Loss on Disposal of Assets

When assets are disposed of whether by disposal or written off the asset values needs to be readjusted and offset against the proceeds. If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the cost centre of the Strategic Business Unit concerned.

If this asset has an outstanding balance on the government Grants Reserve account or the Revaluation Reserve, this balance must be transferred to the Accumulated Surplus.

All proceeds realised on the disposal of assets shall be appropriated annually to the city's Capital Replacement Reserve and all losses on the disposal of assets shall remain as expenses on the cost centre of the department concerned. If, however, both gains and losses arise in any one financial year in respect of the disposal of assets of any department, only the net gain (if any) on the disposal of such assets shall be appropriated.

15.14 Disclosure of Assets Disposed of

The carrying value of the asset disposed of is removed from the records and will not reflect on the Statement of Financial Position as part of the balance on Property, Plant and Equipment under Non-Current assets.

The gain or loss will be reflected in the Statement of Financial Performance as a gain under Revenue or as a loss under Expenditure.



SECTION 16

RECOGNITION OF ASSETS IN THE FINANCIAL STATEMENTS

Recognition is the process of incorporating in the Statement of Financial Position or Statement of Financial Performance, an item that meets the definition and satisfies the criteria for recognition.

Assets are classified into categories as set out in section 7 (Classification of Assets) and the information for each category summarised in a table format is disclosed as:

1. A note to the Financial Statements;
2. With a detailed disclosure as an annexure reflecting the movements for the financial year by category and subcategory;
3. Movements are also reflected on an annexure per Strategic Business Unit;
4. The net value (carrying value at year-end), for all categories is added together and reflected as a single line item in the statement of financial position.

The failure to recognise such items is not rectified by disclosure of the accounting policies used, or by notes or explanatory material.

To be able to assess the utilisation of assets all assets should be listed once the recognition criteria are met.

An Asset item should be recognised in the Financial Statements if it meets the:

1. Probability criteria (it is probably that any future economic benefits or service potential associated with the asset will flow to the entity);
2. Measurement criteria (the asset has a cost or value that can be measured with reliability).

In many cases, cost or value must be estimated; the use of reasonable estimates is an essential part of the preparation of Financial Statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made, the item is not recognised in the Statement of Financial Position or Statement of Financial Performance.

An item that possesses the essential characteristics of an asset but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate

2019/20 to 2021/22



when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of the city by the users of Financial Statements.

No asset is recognised in the Statement of Financial Position for expenditure incurred where it is improbable that economic benefit or service potential will flow to the city beyond the current financial year. Where the probability is low, such a transaction will result in the recognition of an expense in the Statement of Financial Performance.

Where the expenditure has been incurred in connection with an asset already recognised, consideration should be given to the probability that the expense will result in an extension of the asset's estimated useful life. If the probability is high the expense will be added to the value of the asset in the Statement of Financial Position and written off by way of depreciation over the remaining life of the asset.

Expenditure incurred on an existing asset that will not extend the useful life or the functionality of the asset, will be reflected in the Statement of Financial Performance as an expense (maintenance).

Assets may be acquired for safety or environmental reasons. The acquisition of such assets, while not directly increasing the future economic benefits or service potential of any particular existing asset, may be necessary in order of the city to obtain the future economic benefits of service potential from its other assets. When this is the case, such acquisitions of assets qualify for recognition as assets, in that they enable future economic benefits or service potential from related assets to be derived by the city in excess of what it could derive if they had not been acquired. However, such assets are only recognised to the extent that the resulting carrying amount of such an asset and related assets does not exceed the total economic benefits or service potential that the entity expects to recover from their continued use and ultimate disposal.

SECTION 17

FUNDING SOURCES

The main sources of finance utilised to acquire assets are:

1. External Loans
2. Grants, Subsidies and Public Contributions
3. Revenue Contributions
4. Capital Replacement Reserve

The sources of finance that may be utilised to finance assets are utilised in accordance with the provisions of Section 19 of the Municipal Finance Management Act.

There will be a departure from GRAP 1.144 regarding Capital Reserves, in accordance with GRAP 1.22 and .23, read with GRAP 3.07, as the inclusion of capital receipts applied for the purchase of Property, Plant and Equipment in the Accumulated surplus will lead to a misinterpretation by users, particularly Council and Ratepayers/Consumers. These Reserves will be disclosed in accordance with GRAP 1.86.

17.1 External Loans

Major expenditure on PPE, especially Infrastructure and major items of Plant, can be financed from external financing sources, if the municipality complies to the requirements of the MFMA in this regard. Costing of this source of finance must include finance costs and depreciation against the Statement of Financial Performance over the period of financing. The period of financing should ideally be aligned to the estimated lifespan of the assets thus financed but should never exceed such.

17.2 Grants, Subsidies and Public Contributions

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Grants Reserve equal to the Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Reserve to the accumulated surplus/ (deficit). The purpose of this procedure is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Grants.

Unspent conditional grants are reflected on the Statement of Financial Position under current liabilities as Unspent Conditional Grants. These funds always have to be backed by cash. The following conditions are set for the creation and utilisation of these funds:



- a. The cash which backs up the grant is invested until it is utilised.
- b. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If the conditions are silent on investment interest it is recognised as interest earned in the Statement of Financial Performance and might be allocated, in part or fully, to the unspent portion of the grant if it is so stated in the accounting policy.
- c. Whenever an asset is acquired from a conditional government grant an amount equal to the cost of the asset is transferred from the Unspent grant creditor to the Statement of Financial Performance as revenue. Thereafter an equal amount is transferred to the Grant Reserve. This account must have equal book value of assets purchased from conditional government grants and is utilised to offset depreciation charged on assets purchased out of conditional government grants.

When an asset, previously financed by a conditional government grant, is disposed of with a balance left on the Grants Reserve account such a balance must be transferred to the Accumulated Surplus account.

17.3 Capital Replacement Reserve

The CRR is an asset financing source that represents an alternative to the other funding sources available to the municipality namely external loans (interest bearing borrowings) and government grants & subsidies. It is a GRAP requirement that the balance on the CRR must always be represented by cash, which must be held in a separate identifiable investment account.

Subsequent to the implementation of GRAP in 2008, Reserves and Funds had to be discontinued as they are not permissible in terms of GRAP. However, the National Treasury determined that the CRR is one of the few funds and reserves that are allowed. Therefore, it is a requirement that since fund accounting is not allowed in terms of GRAP, for disclosure in the Annual Financial Statements, CRR should form part of Accumulated Surplus and should not be disclosed on the face of the Statement of Financial Position.

As a matter of principle, the focus is the manner in which these reserves are created and accounted for, which in this instance is the capital replacement of major components of Infrastructure Assets in the event of technical failure. For accounting purposes, the CRR will be created by transferring amounts out of Accumulated surpluses/deficits to the respective reserve account, or vice versa, in the Statement of Changes in Net Assets. The net effect of these transfers will be nil in the Statement of Changes in Net Assets and will not affect the value of reserves in totality. It is the requirement of GRAP that no transactions should be accounted for, directly to the Statement of Changes in Net Assets other than those specifically allowed in terms of GRAP, i.e. Revaluation Surplus Reserve. Therefore, situations should be avoided where reserves are created and accounted for, by taking amounts directly to the Statement of Changes in Net Assets thereby circumventing the Statement of Financial Performance.



MSUNDUZI ANNUAL BUDGET

The municipality should determine a policy on the revenue sources that will be used to maintain or increase the balance of the CRR. These revenue sources may include, but not limited to, the following:

- o Interest earned by the municipality on the CRR investment account;
- o Cash proceeds from the sale of any item of PPE or Investment Property;
- o Percentage of amount that was utilised in the previous financial year for the purchase of items of PPE;
- o VAT input recovered from SARS.

The CRR will only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and will not be used for the maintenance of such items.



SECTION 18

IMPAIRMENT LOSSES

18.1 Impairment

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

All impairments must be done in compliance to:

- a. Impairment of cash-generating assets (GRAP 26)
 - i. Cash-generating asset: asset held with primary objective of generating commercial return
- b. Impairment of non-cash generating assets (GRAP 21)
 - ai. Non-cash generating assets are primarily held for service delivery purpose, no commercial return)

Recoverable amount is the amount that the city expects to recover from the future of an asset, including its residual value on disposal.

When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation on properties in which case it should be charged to the Revaluation Reserve

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amounts of the smallest grouping of assets for which it is possible to make an assessment of recoverable amounts.

The following may be indicators that an asset has become impaired:

- a. The item has been damaged,
- b. The item has become technologically obsolete;

- c. The item remains idle for a considerable period of either prior to it being put into use or during its useful life;
- d. Land is purchased at market value and is to be utilised for subsidized housing developments, where the subsidy is less than the purchase price.

Example:

An example of where the City has suffered an impairment loss is the purchase of land for an amount of R 5,000,000. The land will be utilised for new subsidised housing developments. If at year-end the expectation is that the City will receive only R 1,000,000 by way of subsidies, an impairment loss of R 4,000,000 needs to be recognised. The recoverable amount (R 1,000,000) is calculated as being the larger of:

- 1. Net Selling Price of the land which is the amount obtainable from the sale of the market in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.
- 2. Value in use of the land which is the present value of the estimated future net cash inflows expected from the continuing use of the asset and from its disposal at the end of its useful life.

18.2 Disclosure of Impairment Losses

All impairment losses must reflect on the Statement of Financial Performance.

The Financial Statements should also disclose, in the reconciliation of the carrying amount at the beginning and end of the period for each class of property, plant and equipment recognised in the Financial Statements any impairment losses recognise in the statement of financial performance during the period and impairment losses reversed in the statement of financial performance during the period.

Material impairment losses need to be disclosed in the notes to the income statement as a separately disclosable item.

18.3 Reversal of an Impairment Loss

- a. The same procedures as for the identification of impaired assets are followed as to whether there is an indication that impairment may have decreased. If so, the recoverable amount must be added to the carrying value of the asset.
- b. The life cycle must be adjusted.
- c. The increased carrying amount due to reversal should not be more that what the depreciated historical cost would have been if the impairment had not been recognised.



- d. Reversal of an impairment loss is recognised as income in the income statement.
- e. Depreciation must be adjusted for the remaining life cycle.

18.4 Identification of Impairment: Cash Generating Assets

To assess whether there is any indication that an asset may be impaired; the following indications are considered **as a minimum**:

18.4.1 External sources of information:

- a. Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. For example, sanctions have been imposed on the exporting of the asset;
- b. Market value of the asset has declined significantly during the period (not as a result of passage of time of use). For example, an asset sold to the public has received a bad reputation for not being reliable, as a result the market value of the asset has decreased significantly;
- c. Interest rates (such as market interest rates) have increased and those increases will most likely affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount significantly.

18.4.2 Internal sources of information:

- a. Obsolescence or physical damage of the asset (for example, flood damage to a building);
- b. Significant changes in the extent to which, or manner in which, an asset is used or expected to be used that have an adverse effect on the entity, have taken place during the period or are expected to take place in the near future. These changes may include the asset becoming idle, plans to discontinue or restructure the operation to which as asset belongs, or plans to dispose of an asset before the previously expected date; and
- c. Internal reporting indicated that the economic performance of an asset is, or will be, significantly worse than expected. This evidence relates to the ability of the asset to perform - to generate future economic benefits or service potential (i.e. internal source). Examples can include:
 - i. increase in costs to maintain or operate the asset that are significantly higher than those originally budgeted;

- ii. actual net cash flows or net surplus or deficit flowing from the asset that are significantly worse than those budgeted;
- iii. a significant decline in budgeted net cash flows or surplus or a significant increase in budgeted loss, flowing from the asset; or
- iv. Deficits or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

This list is not exhaustive and other indicators of impairment should be considered.

18.5 Identification of Impairment: Non-Cash Generating Assets

18.5.1 External sources of information:

The demand or the need for services provided by the asset has ceased or is about to cease. For example, the need for a service (provided by an asset) has ceased because the parties to whom the service was provided for has obtained its own asset to perform the service. Another example may be where the demand for the service has decreased due to adverse economic circumstances;

Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which the entity operates. For example, sanctions have been imposed on the importing of a significant component of the asset, or a vehicle that does not meet new emission standards;

The demand or the need for services (not necessarily a near cessation or cessation as indicated in first bullet point above) provided by the asset has taken a significant long-term decline. For example, a number of countries have made use of services provided by certain assets of an entity, but during the current period, other entities also provided similar services to certain of those countries. As a result, the entity will be experiencing a significant long-term decline in the demand for the services provided by its assets; and

Market value of the asset has declined significantly during the period (, more than what is expected from passage of time or use).

18.5.2 Internal sources of information:

- a. Obsolescence or physical damage of the asset (for example, flood damage to a building);
- b. Significant changes in the extent to which, or manner in which, an asset is used or expected to be used that have an adverse effect on the entity, have taken place during the period or are expected to take



place in the near future. These changes may include the asset becoming idle, plans to discontinue or restructure the operation to which as asset belongs, or plans to dispose of an asset before the previously expected date; and

- c. Internal reporting indicated that the economic performance of an asset is, or will be, significantly worse than expected. This evidence relates to the ability of the asset to perform - to generate future economic benefits or service potential (i.e. internal source).

Examples can include:

- i. increases in costs to maintain or operate the asset that are significantly higher than those originally budgeted;
 - ii. actual net cash flows or net surplus or deficit flowing from the asset that are significantly worse than those budgeted;
 - iii. a significant decline in budgeted net cash flows or surplus or a significant increase in budgeted loss, flowing from the asset; or
 - iv. Deficits or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.
- d. Entity has decided to halt the construction of the asset before it is complete or in a usable; and
 - e. Internal reporting indicated that the economic performance of an asset is, or will be, significantly worse than expected. This evidence relates to the ability of the asset to provide services (i.e. internal source), rather than a decline in the demand or need for services provided by the asset (i.e. external source). Examples can include a significant increase in the cost of maintaining or operating the asset and significantly lower service or output levels than those originally budgeted and expected respectively.

This list is not exhaustive and other indications of impairment should be considered

If, based on the assessment, indications of possible impairment are identified; the relevant assets should be tested for impairment. This implies that the test of impairment of assets (other than intangible assets with an indefinite useful life, or intangible assets that are not yet available for use) will be performed at the end of each reporting period.

- i. It will be the responsibility of all Business Units and Budget and Budget and Treasury Department to;



MSUNDUZI ANNUAL BUDGET

- ii. At each reporting date consider whether there is an indication of a possibility of impairment for any asset. If there is an indication that an asset is impaired the business units will be responsible to perform an impairment test that will have to be reported to the Assets unit in Budget and Treasury Department, if satisfied with the calculation, will refer the possible impairment to the Chief Financial Officer for approval.

- iii. Irrespective of whether there is an indication of impairment, the entity shall also test intangible assets with indefinite useful life or an intangible asset.



SECTION 19

INVESTMENT PROPERTY

Investment Property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of financial position.

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

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

Investment assets shall be not depreciated but shall be annually valued on balance sheet date to determine their fair value as prescribed in GRAP 16. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned, where it cannot be accounted for against the Revaluation reserve.

A professional Valuator shall be engaged by the municipality to undertake such valuations. However, the municipality may make use of an internal staff member who is suitably qualified to perform this valuation just as the external professional valuator would have.

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

19.1 Definition of Investment Property

Investment Property is defined as:

- a. Property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:
 - i. Use in the production or supply of goods or services or for administrative purposes; or
 - ii. Sale in the ordinary course of operations.

- b. Investment Property generates cash flows largely independently of the other assets of the city.

Investment Property is held to earn rentals or for capital appreciation of both

The following are examples of Investment Property

- a. Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- b. Land held for a currently undetermined future use. (If the city has not determined that it will use the land for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation);
- c. A building owned by the city (or held by the city under a finance lease) and leased out under one or more operating leases on a commercial basis; and
- d. A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following are examples of items that are not investment property:

- a. Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- b. Property being constructed or developed on behalf of third parties;
- c. Own-occupied property, including (among other things) property held for future use as own-occupied property, property held for future development and subsequent use as own-occupied property, property occupied by employees such as housing (whether or not the employees pay rent at market rates) and own-occupied property awaiting disposal;
- d. Property that is being constructed or developed for future use as investment property. GRAP 17 applies to such property until construction or development is complete, at which time the property becomes investment property. However, existing investment property that is being redeveloped for continued future use as investment property remains investment property;
- e. Property held to provide a social service, and which also generates cash inflows. For example, a housing department may hold a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an "Investment Property" and would be accounted for in accordance with GRAP 17; and
- f. Property held for strategic purpose which would be accounted for in accordance with GRAP 17.



- g. Where a property is utilised partly in the ordinary course of operations and partly to generate rentals or for capital appreciation it will only be classified as investment property if a significant portion is utilised to generate investment income.

19.2 Initial measurement of Investment Property

- a. Investment property is measured initially at its cost (including transaction costs). Where an investment property is acquired at no cost (for example donated assets), or for a nominal cost, its cost is its fair value as at the date of acquisition.
- b. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure, such as, professional fees for legal services, property transfer taxes and other transaction costs.
- c. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the city applies the GRAP standard on accounting for PPE. At the completion date, the property becomes investment property and the Standard on Investment Property applies.
- d. Investment Property is only recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity and the cost or fair value of the investment property can be measured reliably.

19.3 Measurement of Investment Property subsequent to Initial Measurement

- a. Subsequent expenditure relating to an investment property that has already been recognised should be added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of performance of the existing investment property, will flow to the entity. All other subsequent expenditure should be recognised as an expense in the period in which it is incurred.

For example: If a city purchases a building as an investment property and will incur renovation costs, the renovation cost may be capitalised if it improves the condition of the asset over its most recently assessed standard of performance. Assume that before the renovation the building can earn R 5,000 per month rental income. In this case the renovation cost will be added to the carrying amount of the investment property.

- b. After initial recognition of the investment property the city may choose to reflect the investment property at fair value or at cost less accumulated depreciation.

- c. The fair value of investment property is usually its market value. Fair value is measured as the most probable price reasonably obtainable in the market at the reporting date in keeping with the fair value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. After initial recognition, an entity that chooses the fair value model should measure all of its investment property at its fair value at each Statement of Financial Position date. A gain or loss arising from a change in the fair value of investment property should be included in net surplus/deficit for the period in which it arises. No depreciation will be calculated on this property.

For Example: The city purchases four houses at a cost of R 200,000 each for purposes of leasing them out to senior manager of the city at market related rates. The legal fees and transport duties relating to the transaction amount to R 16,000. At the end of the financial year the fair value of the houses is determined to be R 900,000. This means that the city will recognise a fair value gain in the Statement of Financial Performance for the year of R 84,000. (R900,000 – R816,000).

- d. If, after initial recognition, the city chooses the cost model it should measure all of its investment property using the guidelines for normal assets that is, at cost less any accumulated depreciation and accumulated impairment losses.

19.4 Transfers and Disposals of Investment Properties

19.4.1 Transfers

- a. Transfers to, or from, investment property should be made when, and only when, there is a change in use, evidenced by:
- i. Commencement of own-occupation, for a transfer from investment property to own-occupied property;
 - ii. Commencement of development with a view to sale, for a transfer from investment property to inventories;
 - iii. End of own-occupation, for a transfer from other classified property to investment property;
 - iv. Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; or
 - v. End of construction or development, for a transfer from property in the course of construction or development to investment property.



- b. For a transfer from investment property carried at fair value to own-occupied property or inventories, the property's cost for subsequent accounting under the relevant GRAP Standards on PPE or inventories should be its fair value at the date of change in use.
- c. If an own-occupied property becomes an investment property that will be carried at fair value, an entity should apply the relevant GRAP standard on PPE up to the date of change in use. The city should treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation under the relevant GRAP Standard on PPE by crediting a reserve.
- d. For a transfer from inventory to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in net surplus/deficit for the period.
- e. When the city completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in net surplus/deficit for the period.

19.4.2 Disposals

On disposal or permanent withdrawal from use of investment property:

- a. An investment property should be eliminated from the Statement of Financial Position;
- b. Gains or losses arising from the retirement or disposal of investment property should be determined as the difference between the net disposal proceeds and the carrying amount of the asset. For the purposes of display in the Financial Statement, the gain or loss should be included in the Statement of Financial Performance as an item of revenue or expense.

19.5 Budget Implications relating to Investment Property

The following amounts will have to be budgeted for in the operating budget relating to investment properties:

- a. Gains on the disposal of investment properties that are intended to be sold during the next financial year.
- b. Fair value gains that are expected to be obtained on investment properties that will be held during the next financial year.

- c. Depreciation on investment properties that are intended to be transferred to own-occupied properties during the next financial year.
- d. The effect of reduced depreciation on own-occupied properties that are intended to be transferred to investment properties during the next financial year.
- e. Revenue through operating lease income; and
- f. Fair values gain where the intention to sell a building (inventory) is changed and the inventory is held as an investment property on which rental income and capital appreciation will be earned by the city in the next financial year.

19.6 Disclosure

The disclosure requirements adhered disclosing information on investment property reflected at fair value:

- a. The criteria developed by the city to distinguish investment property from own-occupied property and from property held for sale in the ordinary course of operations;
- b. The methods and significant assumptions applied in determining the fair value was supported by market evidence or was more heavily based on other factors (which the entity should disclose) because of the nature of the property and lack of comparable market data;
- c. The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent Valuator who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact should be disclosed;
- d. The amounts included in the Statement of Financial Performance for:
 - i. Rental revenue from investment property;
 - ii. Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental revenue during the period; and
- e. Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental revenue during the period;
- f. The existence and amounts of restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal;



- g. Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements;
- h. A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following:
- Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalised subsequent expenditure;
 - Additions resulting from acquisitions through entity combinations;
 - Disposals;
 - Net gains or losses from fair value adjustments;
 - The net exchange differences arising on the translation of the financials statements of a foreign entity;
 - Transfers to and from inventories and owner-occupied property; and
 - Other movements.
- i. The fair value of the investment property. In the exceptional cases, when the city cannot determine the fair value of the investment property reliably, the entity should disclose:
- A description of the investment property;
 - An explanation of why fair value cannot be determined reliably; and
 - If possible the range of estimates within which fair value is highly likely to lie.

SECTION 20

REPLACEMENT STRATEGY

The City Manager, in consultation with the Chief Financial Officer and other GM's of Strategic Business Units shall formulate strategies and standards for the replacement of all operational property, plant and equipment. Such strategies and standards shall be incorporated in a formal policy, which shall be submitted to the Council for approval. This policy shall cover the replacement of infrastructure and operational movable vehicles and equipment.

This strategy should take into consideration:

- a. The nature of the asset
- b. The usage of the asset
- c. Priorities
- d. Available funding
- e. Operational and maintenance costs
- f. Operational skills
- g. Future expected developments
- h. Technology
- i. Outsourcing
- j. Private sector partnerships



SECTION 21

ASSET RISK MANAGEMENT: INSURANCE

21.1 Insurance

Strategic Business Units are responsible for managing the risks associated with their activities. The City Manager shall ensure that all movable / immovable assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

If the municipality operates a self-insurance reserve, the Chief Financial Officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

The City Manager shall recommend to the Council of the municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed asset; either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The Chief Financial Officer shall annually submit a report to the Council of the municipality on any reinsurance cover which is deemed necessary to procure for the municipality's self-insurance reserve.

21.2 Other risk reducing methods

Departmental regulations or "operating policies" can also reduce risks. Departments should investigate their operations and set operating policies as to how personnel should operate and use property, plant and equipment to minimize risk. Examples are as follows:

- a. Only authorised personnel should be allowed in areas where expensive equipment is kept;
- b. Only authorised personnel should be allowed to operate plant or vehicles;
- c. The keys for office vehicles should be controlled in a central office during the day, and employees should sign when they take the keys;
- d. Ensure that drivers or operators have the necessary qualifications and licences;
- e. It should be part of service conditions that employees incur personal liability if they drive while under the influence of alcohol, drugs, medication, and so forth; or if they leave the vehicle unattended and unlocked;
- f. Physical access to buildings, or areas within buildings, should be restricted, especially after hours.

SECTION 22

MAINTENANCE OF ASSETS

22.1 Maintenance Plans

Regular maintenance can prevent unplanned and expensive breakdowns. Maintenance plans must therefore be drawn up to ensure minimum maintenance standards and execution to achieve the optimum use of assets as planned.

Every Head of Department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000.00 (One Hundred Thousand Rand) or more is promptly prepared and submitted to the Council of the municipality for approval.

If so directed by the City Manager, the maintenance plan shall be submitted to Council prior to any approval being granted for the acquisition or construction of new infrastructural assets.

The GM of Strategic Business Units controlling or using the infrastructure asset in question, shall budget for the executing of the approved plan and will annually report to Council, not later than 31 March, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance and/or budgetary constraints may have on the useful operating life of the asset concerned.

22.2 Deferred Maintenance

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructural asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the GM of a Strategic Business Unit controlling or using such asset shall re-determine the useful operating life of the fixed asset in question, if necessary consultation with the Asset Management Unit and the Asset Management Unit shall recalculate the annual depreciation expenses accordingly.

22.3 General Maintenance

Every GM of a Strategic Business Unit shall be directly responsible for ensuring that all assets that are in his/her care are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.



SECTION 23

GENERAL REQUIREMENTS

23.1 Tagging

Tagging means to place a control number on a piece of equipment or property. All movable assets must be tagged.

The primary purpose of tagging is to maintain a positive identification of assets. Tagging is important to:

- a. Provide an accurate method of identifying individual assets
- b. Aid in the annual physical inventory
- c. Control the location of all physical assets
- d. Aid in maintenance of fixed assets

Fixed property and plant is not tagged; such as:

- a. Buildings (record legal description in asset record),
- b. Land (record legal description in asset record),
- c. Infrastructural assets.

Consistently place asset tags in the same location on each similar type asset. If possible, the tags shall be accessible for viewing. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will aid in taking inventory.

23.2 Physical Inventory of all Movable Assets

A physical inventory of movable assets is taken to verify assets recorded in the Asset register. Inventories are taken twice a year and shall be completed prior to the financial reporting due date.

The Asset Management Unit in liaison with all Strategic Business Unit will conduct a physical inventory of movable assets twice a year. They will require the co-operation of departmental personnel in accomplishing the physical inventory task and will attempt to minimize the time demanded of them.

The designated officials in the different Strategic Business Units within the City must execute the functions listed below:

- a. Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- b. Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Unit.
- c. Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.
- d. Asset Management Unit must be notified by the relevant Strategic Business Unit within 14 days of any of the following possible movements:
 - i. Donations
 - ii. Additions / Improvements
 - iii. Departmentally manufactured items
 - iv. Loss or damage
 - v. Transfers
 - vi. Terminations
 - vii. Land Sales

23.3 Acquisition

Acquisition – In making the decision to acquire an asset the following fundamental principles should be carefully considered:

- a. The purpose for which the fixed asset is required is in keeping with the objectives of the city and will provide significant, direct and tangible benefit to it.
- b. The fixed asset has been budgeted for.



- c. The purchase is absolutely necessary as there is no alternative city asset that could be upgraded or adapted.
- d. The fixed asset is appropriate to the task or requirement and is cost effective over the life of the asset.
- e. The fixed asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources.
- f. Space and other necessary facilities to accommodate the asset are in place.
- g. The most suitable and appropriate type, brand, and model etc. has been selected.

23.4 Asset Management Responsibilities

- a. Utilisation – All assets should be used for the purposes they were acquired.
- b. Asset performance should be regularly reviewed to identify under-utilised and under-performing assets. The reasons for this should be critically examined and appropriate action taken.
- c. Disciplinary action must be taken against individuals if there is misuse of Council's assets.

23.5 Additions / Improvements

Depending upon the type of addition or improvement to a specific asset the responsible official in the Strategic Business Unit must notify Asset Management Unit of the change in status. The asset master record will be amended on receipt of the required asset acquisition form from the responsible Strategic Business Unit.

When capital expenditure is incurred for any enhancement / improvement of an asset, the Strategic Business Unit shall complete the necessary asset acquisition form and forward it to the Asset Management Unit.

When any changes to vacant land or land and buildings are effected such as subdivision, transfer to another Strategic Business Unit, extent or holders title, the current owner must complete the relevant asset movement form and forward it to the Asset Management Unit.

23.6 Termination of Employee's Service

At the termination of an employee's service, the applicable Strategic Business Unit representative must complete the asset resignation form and forward the original to the Asset Management Unit. This form is a statement that the inventory and assets entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary. A copy of this form is forwarded to the HR Business Unit concerned or its relevant Strategic Business Unit for further investigation in the case of missing assets.

23.7 Transfer of Assets

When a Strategic Business Unit transfers an asset or inventory item within the

Strategic Business Unit, the asset movement form must be completed and forwarded to the Asset Management Unit. The copy of this form must be forwarded to the party receiving the asset or inventory item.

2019/20 to 2021/22



When a Strategic Business Unit transfers an asset or inventory item to another Strategic Business Unit, the transferring Strategic Business Unit must approve the transfer. After approval has been granted the asset movement form must be completed and forwarded to the Asset Management Unit.

23.8 Sale of Land and Buildings

The Manager Real Estates and Valuation must submit the properly completed asset disposal forms together with copies of all relevant approvals, in terms of the Land Disposal policy, for the sale of land and buildings to the Asset Management Unit.

ANNEXURE A

FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in the corresponding column in each case.

1. Electricity

High Voltage Overhead lines	50
High voltage substations	50
High voltage underground cables	50
Low voltage street lighting	50
Medium voltage ground mounted transformers	50
Medium voltage mini substations	50
Medium voltage overhead line	50
Medium voltage substations	10
Medium voltage underground cables	50
Medium voltage pole mounted transformer	50
Medium voltage ring main unit	45

2. Roads

Overhead Gantry	100
Concrete Roads	40
Flexible roads	30
Unpaved roads	10
Structures	80
Signalised intersections	15
Airport runway	40
Other roads	20

2019/20 to 2021/22



3. Storm water

Major culverts	50
Minor culverts	40
Kerb inlets	25
Manholes	25
Open channels	50
Reticulation	50
Head and wing walls	25

4. Water

Water supply – bulk water pipes	50
---------------------------------	----



MSUNDUZI ANNUAL BUDGET

Water supply – pressure reduce valves	15
Pump stations	55
Reservoirs	50
Water reticulation	50
Water meters	15

5. Sewerage

Pump stations	55
Sewerage treatment works	55
Bulk sewer	50
Sewer Reticulation	60

6. Security

Access control systems	5
Security systems	5
Security fencing	10
Security lighting	10

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

7. Buildings and Other Assets

Cemeteries	50
Civic Theatres	50
Clinics and hospitals	50
Community centres	50
Fire Stations	50
Game Reserves and Rest Camps	50



Indoor Sports	50
Libraries	50
Museums and art galleries	50
Parks	50
Public Conveniences and Bath houses	50
Recreation centres	50
Sports and related stadiums	50
Zoos	30

8. Recreational Facilities

Bowling Greens	50
Tennis Courts	50
Swimming pools	50
Golf Courses	50

Outdoor sports facilities	50
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	20
Fountains	30
Floodlighting	10

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- a. Museum Exhibits
- b. Works of Art (which will include paintings and sculptures)
- c. Public statues

- d. Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each city. However, the following will be among the most frequently encountered:

Office parks (which have been developed by the city itself or jointly between the city and one or more other parties)	50
Shopping centres (again developed along similar lines)	50
Housing developments (that is, developments financed and managed by the city itself, with the sole purpose of selling or letting such houses for profit)	50

OTHER ASSETS

The following is a list of other assets, again showing the estimated useful life in years:

1. Buildings

Housing Schemes	50
Kilns	50
Fresh produce and other markets	50
Nurseries	50
Office buildings	50
Old Age homes	50
Tip sites	55



Training centres	50
Transport facilities	50
Workshops and depots	30

2. Office equipment

Computer hardware	5
Computer software	5
Office machines	5
Air conditioners	5

3. Furniture and Fittings

Chairs	10
Tables and desks	10
General	10
Cabinets and cupboards	10

4. Bins and containers

Household refuse bins	5
Bulk refuse containers	10

5. Emergency Equipment

Fire hoses	5
Other fire-fighting equipment	15
Emergency lights	5

6. Motor Vehicles

Ambulances	10
Fire engines	20
Tankers	20
Mobile Libraries	15
Buses	15



MSUNDUZI ANNUAL BUDGET

Trucks and light delivery vehicles	7
Ordinary motor vehicles	7
Motor cycles	3

7. Plant and Equipment

Chlorination Equipment	5
Compactors	5
Electronic Equipment	5
Fire Hoses	5
General	5

2019/20 to 2021/22



Generators	10
Graders	15
Horticultural Equipment	5
Mobile Pumps	5
Other Fire Fighting Equipment	15
Pumps	5
Tractors	15
Trailers	20
Mechanical horses	10
Farm Equipment	5
Lawn mowers	5
Compressors	5
Laboratory equipment	5
Radio Equipment	5
Firearms	5
Telecommunication equipment	5
Irrigation systems	15
Cremators	15
Lathes	15
Conveyors	15
Feeders	15
Tippers	15
Workshop Equipment	5
Pulverising mills	15

8. Airports

Aprons	20
Runways	40
Taxiways	20
Airports / Radio beacons	20



ANNEXURE B

PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2004

A City may not dispose of any capital asset required to provide a minimum level of basic municipal services.

A city may dispose of any other capital asset, provided that:

- The Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services; and
- The Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

2019/20 to 2021/22





MSUNDUZI ANNUAL BUDGET

SUPPLY CHAIN MANAGEMENT POLICY

2019/20 to 2021/22



**ADOPTED IN TERMS OF SECTION III OF THE MUNICIPAL FINANCE
MANAGEMENT ACT,
NO.56 OF 2003 AND THE MUNICIPAL SUPPLY CHAIN
MANAGEMENT REGULATIONS
9TH REVIEW MAY 2016**

**MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT,
2003
DATE OF ADOPTION:**

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the Msunduzi Municipality.

TABLE OF CONTENTS

1. Definitions
2. Policy Statement

CHAPTER I IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy
3. Amendment of supply chain management policy
4. Delegation of supply chain management powers and duties
5. Sub delegations
6. Oversight role of council
7. Supply chain management units
8. Training of supply chain management officials

CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system

Part I: Demand management

10. System of demand management

Part 2: Acquisition management

11. System of acquisition management
12. Range of procurement processes
13. General preconditions for consideration of written quotations or bids
14. Lists of accredited prospective providers
15. Petty cash purchases
16. Written or verbal quotations
17. Formal written price quotations
18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations
19. Competitive bidding process
20. Process for competitive bidding
21. Bid documentation for competitive bids
22. Public invitation for competitive bids
23. Procedure for handling, opening and recording of bids
24. Negotiations with preferred bidders
25. Two-stage bidding process



26. Committee system for competitive bids
27. Bid specification committees
28. Bid evaluation committees
29. Bid adjudication committees
30. Procurement of banking services
31. Procurement of IT related goods or services
32. Procurement of goods and services under contracts secured by other organs of state
33. Procurement of goods necessitating special safety arrangements
34. Proudly SA Campaign
35. Appointment of consultants
36. Deviation from, and ratification of minor breaches of, procurement processes
37. Unsolicited bids
38. Combating of abuse of supply chain management system

Part 3: Logistics, Disposal, Risk and Performance Management

39. Logistics management
40. Disposal management
41. Risk management
42. Performance management

Part 4: Other matters

43. Prohibition on awards to persons whose tax matters are not in order
44. Prohibition on awards to persons in the service of the state
45. Awards to close family members of persons in the service of the state
46. Ethical standard
47. Inducements, rewards, gifts and favors
48. Sponsorships
49. Objections and complaints
50. Resolution of disputes, objections, complaints and queries
51. Contracts providing for compensation based on turnover

Part 5: Preferential Procurement

52. Calculation of Preferential Point system
52. Contract Price Adjustment
53. Local Production and Content
54. Other Specific Goals
55. Increasing Employment Opportunities
56. Targeted Labour and/or Targeted Enterprises



MSUNDUZI ANNUAL BUDGET

57. Provisional Sums and Prime Cost or Sub-contract Allowances
58. Award of contracts
59. Commencement date of the Policy



DEFINITIONS

“black designated groups” has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“black people” has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

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

“Cession” Mean when a contract/ agreement is relinquished to another individual/institution.

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

“designated sector” means a sector, sub-sector or industry or product designated in terms of regulation 8(1)(a);

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“competitive bid” means a bid in terms of a competitive bidding process;

“people with disabilities” has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

“military veteran” has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

“contract price” the all-inclusive price of the contract over the complete duration of the contract and includes price escalations, cost of contract variations, disbursements, VAT, etc.

“contract price adjustment” the adjustment of rates or tender price due to changes in production cost Or material price changes after 12 month on the contract or on Government regulated prices

“Emergency” referred to in subparagraph 36(1) (a) (i) of this policy means a deviation that is based on it being an emergency case that is reasonable/justifiable based on evidence that:

- Immediate action is necessary in order to avoid a dangerous or risky situation or misery;
- The time available would make it impossible/ impractical to go through a bidding process;
- The deviation is not as a result of the need for procurement being identified/agreed upon/budgeted/ planned in the past but not attended to timeously and
- The deviation is not as a result of improper planning

“final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;

“GCC” means General Conditions of Contract

“in the service of the state” means to be –

(a) a member of –

- (i) any municipal council;
- (ii) any provincial legislature; or
- (iii) the National Assembly or the National Council of Provinces;

(b) a member of the board of directors of any municipal entity;

(c) an official of any municipality or municipal entity;

(d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

(e) a member of the accounting authority of any national or provincial public entity; or

(f) an employee of Parliament or a provincial legislature;

“JBCC” means a principal building agreement issued by the Joint Building Contracts Committee

“long term contract” means a contract with a duration period exceeding one year;

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

“other applicable legislation” means any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Single provider” referred to in subparagraph 36(1) (a) (ii) of this policy means a deviation that is based on it being an sole supplier/provider case that is reasonable/justifiable based on evidence that:

- A thorough analysis of the market was done and
- Where required, a transparent and equitable pre-selection process.

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;



“the Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
“township” means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 34350 of 2011;
QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Urgency” referred to in subparagraph 22(1)(b)(2) of this policy means a deviation that is based on it being an urgency case that is reasonable/justifiable based on evidence that:

- The early delivery of the goods/services is of critical importance;
- The time available would make it impossible/ impractical to go through a bidding process;
- The deviation is not as a result of the need for procurement being identified/agreed upon/ budgeted/planned in the past but not attended to timeously and
- The deviation is not as a result of improper planning

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

POLICY STATEMENT

2. Introduction

- Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act.
- In addition, the PPPFA requires an Organ of State to determine its Procurement Policy and to implement it within the framework prescribed. This requirement is given effect to in the Preferential Procurement section of this Policy.

Desired Outcomes

- The desired outcome of this Policy is to provide a mechanism to ensure sound, sustainable and accountable supply chain management within Msunduzi Municipality, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

- To stimulate and promote local economic development in a targeted and focused manner
- To facilitate creation of employment and business opportunities for the people of Msunduzi Municipality with particular reference to B-BBEE
- To promote the competitiveness of local businesses, to increase the small business sector access, in general, to procurement business opportunities created by Council

This Policy will also strive to ensure that the objectives for uniformity in supply chain management systems are maintained.

Regulatory Context

The objectives of this Policy are

- To give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective
- To comply with all applicable provisions of the MFMA including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and to comply with any National Treasury Circulars/Guidelines specifically adopted by Council, in terms of the MFMA
- To ensure consistency with all other applicable legislation and regulations.

Compliance with Ethical Standards

In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that:

- The City Manager and all representatives of the Msunduzi Municipality involved in supply chain management activities shall act with integrity and in accordance with the highest ethical standards.
- All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards.

CHAPTER I IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
 - (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;



- (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the Msunduzi Municipality–
- (a) procures goods or services;
 - (b) disposes goods no longer needed;
 - (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies,
 - (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The accounting officer must –
- (a) at least annually review the implementation of this Policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council
- (2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
- (a) ensure that such proposed amendments comply with the Regulations; and
 - (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.



MSUNDUZI ANNUAL BUDGET

- (4) In cases where council adopt special programs to achieve set policy objectives and where the special programs impacts on the mechanism of supply chain the accounting officer must:
 - (a) Prepare a report setting out the arrangements for the project
 - (b) Show the impact on supply chain management

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- (3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the Msunduzi Municipality or to a committee which is not exclusively composed of officials of the Msunduzi Municipality
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

Sub delegations

5. (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- (2) The power to make a final award –
 - (a) above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or



- (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member;
- (c) not exceeding R2 million (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee.
- (3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
 - (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) must be submitted –
 - (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

- 6. (1) The council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –

- (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor.
 - (3) The reports must be made public in accordance with section 21A of the Municipal Systems Act.
 - (4) Section 117 of the MFMA prohibits a Municipal Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councilor attend any such meeting as an observer.

Supply chain management unit

7. (1) A supply chain management unit is hereby established to implement this Policy.
- (2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

8. The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –
 - (i) demand management;
 - (ii) acquisition management;
 - (iii) logistics management;
 - (iv) disposal management;
 - (v) risk management; and



- (vi) performance management.

PART I: DEMAND MANAGEMENT

System of demand management

- 10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Msunduzi Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan and Resources required are delivered at the right time, at the right price and at the right location, and that the quantity and quality satisfy the need of the Municipality

- (2) All Department Heads must as part of the Budget Approval process submit a procurement plan Containing all planned procurement 30 days before the beginning of the new financial year. This procurement plan must be approved by the Departmental Head or his/her delegate prior to its submission to SCM Unit

Further to the above a central contract register is to be maintained by SCM Unit for all contracts within the Municipality. Items will only be permitted onto the register if contained within an approved procurement plan. Emergencies are excluded, but must be added to the approved procurement plan within 30 days

- (3) Municipal Entities must submit the procurement plans referred above within the same timeline
- (4) information must be furnished in the format contained in a standardized procurement Template to be issued by the Senior Manager Supply Chain Management

- (2) The demand management system must –

- (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
- (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature,
- (c) provide for the compilation of the required specifications to ensure that its needs are met; and
- (d) take into account an analysis of the past spending.
- (e) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

- (3) Demand management system must be implemented by:

- (a) Establishing requirements;
- (b) Determining needs
- (c) Deciding on appropriate procurement strategies.

Demand management accordingly must involve the following activities:

- (a) Understanding the future needs;
- (b) Identifying critical delivery dates
- (c) Identifying the frequency of the need
- (d) Linking the requirement to the budget;
- (e) Conducting expenditure analyses based on past expenditure;
- (f) Determining requirements (including the internal capacity to implement),
- (g) Conducting commodity analyses in order to check for alternatives and
- (h) Conducting industry analyses

PART 2: ACQUISITION MANAGEMENT

System of acquisition management

11. (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
- (a) that goods and services are procured by the Msunduzi Municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that the approval of the thresholds for supply chain officials are set and reviewed annually;
 - (e) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;
- and
- (f) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including –
- (a) the kind of goods or services; and
 - (b) the name of the supplier.
- (5) Publications in the Media
- In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of the City, there is no requirement for a competitive bidding process to be followed
- (6) The Head: Supply Chain Management may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30 000 (including construction works)



- (7) Msunduzi Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of section 33 of the MFMA have been fully complied with.

Range of procurement processes

12. (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R500 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R500 up to R5 000 (VAT included);
 - (c) Written price quotations for procurements of a transaction value over R5 000 up to R30 000 (VAT included);
 - (d) Formal written price quotations for procurement of a transaction value over R30 000 to R200 000.00 (VAT included)
 - (e) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.
- (2) The accounting officer may, in writing-
- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R5 000;
 - (ii) written price quotations be obtained for any specific procurement of a transaction value lower than R30 000;
 - (iii) formal written price quotation (7 day quotation) process to be followed for any specific procurement transaction value lower than R200 000,or
 - (iv) a competitive bidding process be followed for any specific procurement of a transaction value over R200 000.
- (8) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.
- (9) Publications in the Media
In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of the City, there is no requirement for a competitive bidding process to be followed
- 9.1 Rotation of suppliers and service providers on long term multiple awards contracts
- (a) Rotation of Supplier or Service providers on Multiple awards contract is a Legislative Safeguard to ensure equitable distribution of works amongst Supplier and service providers and only SCM Unit will be responsible for this function, Departments are prohibited from choosing supplier and service providers under these type of contracts. Failure to comply to this requirement will result in the

Accounting Officer or Delegated Official taking appropriate Disciplinary Action against offenders.

(b) Rotation means that each Listed Service provider must be treated equally and afforded equal opportunity in relation to other service providers this means rotation on these type of contracts must be precisely to ensure that there is no favoritism and / irregularity in the selection process

(c) The process for the rotation of Suppliers and service provider under these contracts will be as follows:

When SCM Unit receive request from Departments to utilize these contract, the delegated Official from SCM Unit will give chance to the service provider who is not yet receive work under the contract after all the service providers have received work the rotation will be based on who is next on line and will consider total money values of awards to each service provider.

General preconditions for consideration of written quotations or bids

13. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid
- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
 - (b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
 - (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

14. (1) The accounting officer must –
- (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written or verbal quotation and formal written price quotation



- (d) disallow the listing of any prospective provider whose name appears on the National Treasury database as a person/company prohibited from doing business with the public sector, or who is prohibited in terms of section 44 of this policy or is blacklisted/restricted in terms of this policy.
 - (e) No quotations may be solicited from any supplier/service provider/contractor who is not registered and verified by the appropriate branch on the Central Supplier Database, or is in a position to be so before the award.
 - (f)
2. Key information of prospective suppliers is verified on the CSD in line with PFMA, Instruction Note No. 4A of 20016/20017 and regulatory requirements. The following information must be verified:
- (a) Business registration, including details of directorship and membership
 - (b) Bank account holder information
 - (c) In the service of the state status
 - (d) Tax compliance status
 - (e) Identity number
 - (f) B-BBEE status level
 - (g) Tender defaulting and restriction status and
 - (h) Any additional and supplementary verification information communicated by the National treasury

Petty cash purchases

15. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –
- (a) verbal quotations must be obtained from at least three different providers registered with National Treasury Central Supplier Database;
 - (b) If it is not possible to obtain at least three verbal quotations the reason must be recorded and reported quarterly to the Head of Supply Chain Management or another official designated by the accounting officer;
 - (c) the names of and prices quoted by the potential suppliers must be recorded and the order must only be placed against a written confirmation from the selected supplier
 - (d) the Chief Financial officer must set the maximum number of petty cash purchases or the maximum amounts per month for each manager and these numbers or amounts must be reviewed each month by the accounting officer;
 - (e) the manager reporting directly to the Chief Financial Officer may delegate responsibility for the petty cash in writing to an official reporting directly to him; and
 - (f) a monthly petty cash reconciliation report from each manager must be provided to the chief financial officer, including –

- (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.
- (e) the accounting officer must review the monthly petty cash reconciliation regularly

Written or verbal quotations

16. The conditions for the procurement of goods or services through written or verbal quotations, are as follows:
- (a) Quotations must be obtained from at least three different providers registered with National Treasury Central Supplier Database;
 - (b) to the extent feasible, providers must be requested to submit such quotations in writing;
 - (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported to the Head Supply Chain Management or another official designated by the accounting officer;
 - (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
 - (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
 - (f) a schedule of the prospective providers from whom the quotations were requested and the date of request must be kept and reviewed regularly by the Accounting Officer against the list of the accredited prospective providers registered with central supplier database to ensure that rotation of prospective suppliers is being done.

Formal written price quotations

17. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:
- (a) quotations must be obtained in writing from at least three different providers registered with National Treasury Central Supplier Database;
 - (b) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Head: Supply Chain Management or an official designated by the chief financial officer, and
 - (c) a schedule of the prospective providers from whom the quotations were requested and the date of request must be kept and reviewed regularly by the Accounting officer against the list of the accredited prospective providers registered with central supplier database to ensure that rotation of prospective suppliers is being done

Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

18. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:
- (a) when using the list of accredited prospective providers registered with central supplier database, the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
 - (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at



- least seven days on the website and an official notice board of the municipality;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
 - (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;
 - (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
 - (d) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
 - (e) all contracts awarded by the Msunduzi Municipality must be recorded in a contracts register of the municipality detailing at least (i) the name of the selected provider (ii) the date of the award (iii) the duration of the contract (iv) retention percentage If applicable (v) Surety and or penalty amount

Competitive bids

19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

20. The procedures for the following stages of a competitive bidding process are as follows:
- (a) Compilation of bidding documentation as detailed in paragraph 21;
 - (b) Public invitation of bids as detailed in paragraph 22;
 - (c) Site meetings or briefing sessions as detailed in paragraph 22;
 - (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
 - (e) Evaluation of bids as detailed in paragraph 28;
 - (f) Award of contracts as detailed in paragraph 29;
 - (g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
 - (h) Proper record keeping
 - (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –
- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) if the value of the transaction is expected to exceed R10 million (VAT included) may only be awarded to the preferred bidder after the Chief Financial Officer has verified in writing that the budgetary provision exists for the acquisition of the goods, infrastructure projects and or services and that is consistent with the integrated Development Plan, the bidders are required to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
 - (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
 - (f) all bids must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated bid box by no later than the date and time stipulated in the bid documentation.
 - (g) The Msunduzi Municipality may disqualify any offer or bid submitted for the following reasons:
 - (i) the bidder failed to comply with all submission requirements as stated in the tender document;
 - (ii) the entity or one of its directors are listed on National Treasury's database as a person prohibited from doing business with the public sector;
 - (iii) there are outstanding municipal rates and taxes or service charges from any municipality



- by the entity or any of its directors that are in arrears for longer than 3 months unless credit arrangements have been made in terms of council policies;
- (iv) the entity has failed to perform satisfactory on previous contracts with any municipality or other organ of the state, after that entity was given written notice that performance was unsatisfactory;
 - (v) any of the directors committed a corrupt or fraudulent act in competing for a particular contract or in the execution of a contract;
 - (vi) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of a contract that benefited the entity or any of its directors;
 - (vii) the entity or any its directors abused the supply chain management system or committed any improper conduct in relation to such system;
 - (viii) any director has been convicted for fraud or corruption during the last 5 years;
 - (ix) the entity or any of its directors has willfully neglected, reneged on or failed to comply with any government municipal or other public sector contract during the last 5 years;
 - (x) the entity or any of its directors has misrepresented facts or information in the tender document submitted;
 - (xi) the entity or any of its directors has submitted two tender documents (from the same company) unless the other tender document is an alternative offer;
 - (xii) any persons whose tax matters have not been declared as being in order by the South African Revenue Services for awards in excess of R30 000 incl Vat;
 - (xiii) the accounting officer or designated committee must ensure that the municipal rates and taxes or municipal charges owed by the preferred bidder or any of its directors to the municipality or municipal entity are not in arrears for more than three months.
- (f) The Msunduzi Municipality may give preference to local suppliers and/or service providers
- (g) The Msunduzi Municipality may reject all bids if and when deemed necessary i.e. when there is a lack of effective competition or bids are not substantially responsive.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, is as follows:
- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) date, time and venue of any proposed site meetings or briefing sessions.;



MSUNDUZI ANNUAL BUDGET

- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

23. The procedures for the handling, opening and recording of bids, are as follows:
 - (a) Bids–
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
 - (a) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
 - (b) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
 - (d) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website in terms of section 75 of the MFMA, the reference number of the bid, the description of the goods, services or infrastructure projects, names of all bidders, the B-BBEE status level of contribution of all bidders, the aforementioned information should be published in 10 working days after closure of the bid.

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
 - (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.



Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –
 - (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years;
 - (d) projects where evaluation of bids is based on functionality as a criterion
 - (e) projects where evaluation of bids is based on a stipulated minimum threshold for local production and content
- (2) In the first stage:
 - (a) projects referred to in subparagraphs (1)(a) to (c), technical proposals or bids on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments;
 - (b) projects referred to in subparagraphs (1) (d), proposals or bids must be invited and evaluated in terms of the functionality evaluation criteria embodied in the bid documents
 - (c) projects referred to in subparagraphs (1) (e), proposals or bids must be evaluated in terms of the stipulated minimum threshold for local production and content.
- (2) In the second stage:
 - a. Projects referred to in subparagraphs (1) (a) to (c), final technical proposals and priced bids should be invited.
 - b. Projects referred to in subparagraphs (1) (d) to (e), only proposals or bids that achieve the minimum qualifying score/percentage for functionality and minimum stipulated threshold for local production and content respectively must be evaluated further in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6.

Committee system for competitive bids

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –

- (a) paragraph 27, 28 and 29 of this Policy; and
 - (b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of bids in terms of the points system set out in the Preferential Procurement Regulations 2011; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid evaluation committees

- 28.. (1) A bid evaluation committee must –
- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f).



- (b) evaluate each bidder's ability to execute the contract;
 - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) A bid evaluation committee must as far as possible be composed of-
- (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

Bid adjudication committees

29. (1) A bid adjudication committee must –
- (a) Confirm bid process compliance and consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include –
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (c) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5)(a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the accounting officer.
- (b) The accounting officer may –
- (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid



MSUNDUZI ANNUAL BUDGET

- adjudication committee referred to in paragraph (a); and
- (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days

Procurement of banking services

30. (1) A contract for banking services –
- (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).



- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

Procurement of goods and services under contracts secured by other organs of state

32. (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1)(c) and (d) do not apply if –
- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
 - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

Proudly SA Campaign

34. The Msunduzi Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
- Firstly – suppliers and businesses within the municipality or district;
 - Secondly – suppliers and businesses within the relevant province;
 - Thirdly – suppliers and businesses within the Republic.

Appointment of consultants

35. (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.



MSUNDUZI ANNUAL BUDGET

- (2) Consultancy services must be procured through competitive bids if
 - (a) the value of the contract exceeds R200 000 (VAT included); or
 - (b) the duration period of the contract exceeds one year.

- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.

- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

Deviation from, and ratification of minor breaches of, procurement processes

36. (1) The accounting officer may –
 - (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (iv) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

Plant and equipment

- (c) ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids or Quotations; and repairs to plant and equipment by original equipment manufacturer or only accredited agents where it is deemed that the nature of the repair by unaccredited persons/vendors, could compromise the lifespan, performance or integrity of the item, subject to approval by Senior Manager supply chain management or his/her delegate. a rotation register be utilized as far as possible, to ensure the distribution of work as per above, to various Service Providers.



- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
- (4) The Chief Financial Officer, Senior Manager SCM or appropriate senior official is delegated authority to make a final award on deviations below R 200 000.00 but these are to be included in the reports in subparagraph (2) above.
- (5) In the case of emergencies greater than R 200 000 (VAT included) where practicable, prior authority must be sought via the Accounting Officer to deviate from the official processes and the Chairperson of the relevant Committee shall be notified of such emergency situation. All emergency procurement must be formalised in a report to the Accounting Officer within 1 working day and to the next possible Executive Committee meeting.
- (6) Emergency procurement should not be used to evade the use of standard procurement procedures
 - (a) as a consequence of insufficient stock-levels for items that are used on a daily basis
 - (b) as a result of working programmes not adequately planned for; or
 - (c) as a result of no or insufficient communication between departments and supply chain management.
- (7) the circumstances which may give rise to an emergency which may not have been foreseeable, or where it is impractical or impossible to follow official procurement processes or may have been the result of negligent conduct a motivation for the use of this section must show one or more of the following
 - (a) the imminent threat to health, injury or death to person
 - (b) the imminent threat of damage to property, or suffering and death of livestock and animals
 - (c) the unforeseeable interruption of essential services whose provision is within the municipal competency, including transportation and communication facilities or support services critical to the effective function or the municipality as a whole.
 - (d) the imminent and or unforeseeable of serious damage occurring to the natural environment
 - (e) the imminent threat and or damage of the municipal assets
- (8) The Municipality is still required to comply with Section 217 (1) of the Constitution in the event of an emergency situation with specific reference to Obtaining goods and services on the best possible terms
- (9) In an emergency situation, and where possible, at least three quotations must be obtained.
- (10) the value of and duration of contracts which have been concluded as a result of the emergency situation must be in accordance with the goods and services required in order to address and/or remedy the immediate emergency. Any other goods and services which may be required subsequent to the emergency and relating to such emergency must wherever possible follow the normal tendering process

and procedures.

Procuring goods and services from sole supplier occurs in instances where:-

- (a) only one supplier manufactures or renders goods and services due to unique nature of the requirements.
- (b) goods and services already in the municipality's value chain/employ are only supplied by an Original Equipment Manufacturer (OEM) or by a licensed agent thereof and there is a requirement for compatibility, continuity and alignment.
- (c) the process for approved list of sole supplier (s) will be as follows:
 - (i) Department requiring the use of sole supplier must issue a circular calling for the all supplier (s) who wish to be on the list or database of sole suppliers.
 - (ii) Response to the circular must contain appropriate motivation in terms of constitutional pillars of fair, equitable, transparent, cost effective and competitive.
 - (iii) The response to the circular and compilation of the list of sole suppliers must be categorized, screened and supported by a relevant appointed team. In instances here is no consensus among the team members such be escalated to Senior Manager Supply Chain Management for decision and support.
 - (iv) the supported list of sole suppliers be advertised for public comments and or objections.
 - (v) in instances where there are objections, such objections be referred to the Senior Manager Supply Chain Management for decision and support.
 - (vi) the list of sole suppliers must be reviewed and reported annually to Senior Manager Supply Chain Management.
 - (vii) the report must outline how value for money will be achieved and managed.
- (13) The respective Department must sign off a report to BAC invoking section 36 (1) (a) (v) that is accepting full responsibility, accountability for the report and its contents.

Unsolicited bids

- 37. (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act,



together with –

- (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
 - (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
 - (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
 - (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
 - (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
 - (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Criteria for breaking deadlock in scoring

- (1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.
- (2) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- (3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

Award of contracts to tenderers not scoring highest points

11. (1) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

- (2) If the Msunduzi Municipality wants to apply objective criteria in terms of section 2(1)(f) of the Act, the Municipality must stipulate the objective criteria in the tender documents.

Cancellation of tender

13. (1) the Msunduzi Municipality may, before the award of a tender, cancel a tender invitation if-
- (a) due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
 - (b) funds are no longer available to cover the total envisaged expenditure;
 - (c) no acceptable tender is received; or
 - (d) there is a material irregularity in the tender process.
- (2) The decision to cancel a tender invitation in terms of subregulation (1) must be published in the same manner in which the original tender invitation was advertised.
- (3) the Msunduzi Municipality may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

Combating of abuse of supply chain management system

38. (1) The accounting officer must-
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified -
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder-
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
 - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - (f) cancel a contract awarded to a person if -
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or



- (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (v) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (vi) (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

PART 3: LOGISTICS, DISPOSAL, RISK AND PERFORMANCE MANAGEMENT

Logistics management

39. The accounting officer must establish and implement an effective system of logistics management, which must include -
- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (i) the accounting officer must establish and implement an appropriate disposal management system in order to ensure that the disposal or letting of assets, including unserviceable, redundant or obsolete assets is in terms of the MFMA;
 - (ii) the disposal management system must include the disposal plan, market assessment, disposal method, how to execute the disposal and the updating of the procurement plan and asset register.
- (2) Assets may be disposed of by
- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of asset
 - (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset.
- (7) The accounting officer must ensure that –
- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
 - (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
 - (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:
- (a) the Chief Financial Officer must;



- (i) assess the nature and extent of the risks associated with the municipality’s operation
 - (ii) decide the degree of tolerance or an acceptable level of loss or degree of failure
 - (iii) decide how to manage or minimize the risks identified
 - (iv) monitor, report and from time to time reassess the level and implication of the risk exposure
 - (v) maintain a risk register that identifies and assesses all known risks and the action taken to manage those risks
- (b) the risk register must be regularly updated and the outcome reported to the Executive committee
- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks;
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
 - (f) the Senior Managers: Finance must effect all insurance cover and maintain a record of all policy details for noted financial risks
 - (g) the Strategic Executive Managers are responsible for implementing the risk management policy, including financial risks within their business units
 - (h) projects sureties must be determined according to affordability and risk for different categories of contracts as follows:

Project Type	JBCC	GCC	Project Value
Micro	0%	0%	Not Exceeding R60 000
Small	0%	0%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000



MSUNDUZI ANNUAL BUDGET

- (i) the minimum for retention monies held from a contractor during the construction period must be determined according to affordability and risk for different categories of contracts as follows:

Project Type	JBCC	GCC	Project Value
Micro	2.5%	2.5%	Not Exceeding R60 000
Small	3.5%	3.5%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000

- (j) payments for small and micro projects must be made within 14 days after submission of a valid tax invoice which has been approved by the Msunduzi Municipality's Representative or as specified in the municipality's Special Conditions of Contracts
- (k) the municipality shall at its discretion, accept signed cessions by Small Medium Enterprises to suppliers so that payments are made directly to suppliers for the supply of materials as a form of assisting Small Medium Enterprises. All cessions shall be in terms of the conditions of the GCC or JBCC, whichever is appropriate
- (l) the service provider may not cede or assign a contract or any monies due or that may become due to it, without the prior written consent of the Head: Supply Chain Management or in terms of the conditions of the contract.
- (m) penalties on late completion of work shall be as per the GCC or JBCC or as specified in the tender documents
- (n) the senior managers: Finance with the assistance from relevant Senior managers shall carry out all negotiations with insurers, in respect of insurance claims, where necessary.
- (o) the value and the responsibility for specific insurances required by contractors and service providers shall be specified in the tender documents
- (p) (i) in some instances it may be in the best interest of the municipality to allow price adjustments due to escalation.
 (ii) a careful analysis of escalation clauses and formulas should be taken into account to ensure that the best interests of the municipality are served.
 (iii) if the accounting officer resolves to allow escalation, this must be specified in the bid documents, including the formula and the time frames at which intervals such price adjustments will be considered.
- (q) (i) exchange rate fluctuations must be considered when items are imported or have imported component.
 (ii) the future fluctuations of the rand are particularly important if the contract period is over a specific period or if delivery is due at a date some time in the future.
 (iii) the accounting officer must make a decision as whether or not the municipality will take risk or whether suppliers will be allocated the risk.



- (iv) The standard approach is that the bidder must arrange for forward cover.
 - (v) An award made during tender validity period expiring, the price will remain fixed and firm
 - (f) (i) extra works or variations and extensions to a contract shall be authorized in writing by the appropriate Senior manager or duly authorized official
 - (ii) any variation and extension of contract which would produce an increase in the amount of an accepted tender or approved budget shall be reported to the adjudication committee and will require the approval of the Adjudication Committee and/or Accounting Officer before any payment is made.
- (4) contracts may be extended, varied or expanded by not more than 20% (including all applicable taxes) for construction related goods, works and/or services and 15% (including all applicable taxes) for all other goods, works and/or services of the original value of the contract.
- (5) Furthermore, anything beyond the abovementioned thresholds must be reported to Council, any expansion, extension or variation in excess of these thresholds must be dealt with in terms of the provisions of the section 116(3) of the MFMA which will be regarded as an amendment to the contract.
- (s) The Msunduzi Municipality may, prior to the award of the bid, cancel the bid if:
- (i) due to changed circumstances there is no longer a need the goods or services for which the bid were solicited;
 - (ii) funds are no longer available to cover the total envisaged expenditure; or
 - (iii) no acceptable bids were received
- (t) The Msunduzi Municipality may reject all bids if and when deemed necessary.

Performance management

42. (1) The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.
- (2) In the monitoring of supply chain management performance, the accounting officer together with the Chief Financial Officer, must set goals and performance criteria for SCM officials against which performance can be measured,
- (3) Issues that need to be included in the relevant reviews include:
- (a) achievement of goals
 - (b) compliance to norms and standards

- (c) savings generated
- (d) Stores efficiency
- (e)) cost variances per item and across business units
- (f) contract management
- (g) cost efficiency of the procurement process
- (h) supply chain management objectives in line with the provisions of the CIDB Act and regulations
- (i) principles of co-operative governance as expounded in the Constitution are observed
- (j) regional economic disparities are being addressed and promoted.

PART 4: OTHER MATTERS

Prohibition on awards to persons whose tax matters are not in order

43. (1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
- (3) In order to comply with the new TCS system and the conditions of bids that a successful bidders tax matters must be in order, Accounting officers of all Municipalities and municipal entities should:
- (i) Designate officials, preferably from the supply chain management unit, whose function will be to verify the tax compliance status of a taxpayer and to manage the TCS system on the SARS website and have the functionality to verify the tax compliance status of a taxpayer on the SARS' e-Filing system.
 - (ii) Utilise the Municipal Bid Document 1 (MBD1) issued with circular 90 when inviting bids.
 - (iii) As a bid condition, request bidders to register on government's Central Supplier Database (CSD) and include in their quotations or bids, their Master Registration Number or tax compliance status PIN to enable the municipality to verify the bidder's tax compliance status.
 - (iv) Utilise the Master Registration Number or tax compliance status PIN to verify bidders' tax compliance status.
 - (v) Print the tax compliance status screen view or letter with the result of the bidder's status at the date and time of verification to file with the bidder's bid documents for audit purposes.



The CSD and tax compliance status PIN are the approved methods to be used to prove tax compliance as the SARS no longer issues Tax Clearance Certificates but has made provision online, via e-Filing, for bidders to print their own Tax Clearance Certificates which they can submit with their bids or price quotations.

Accounting Officers may therefore, accept printed or copies of Tax Clearance Certificates submitted by bidders and verify them on e-Filing. The verification result should be filed for audit purposes.

Where a supplier does not submit a tax compliance status PIN but provides a CSD number, the accounting officer should utilise the CSD number via its website www.csd.gov.za to access the supplier records and verify tax compliance status. A printed screen view at the time of verification should then be attached to the supplier's records for audit purposes.

The designated official(s) should verify the bidder's tax compliance status prior to the finalisation of the award of the bid or price quotation.

Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality or municipal entity must be verified via the CSD or e-Filing.

The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above. Where goods or services have been delivered satisfactorily without any dispute, accounting officers should not delay processing payment of invoices due to outstanding tax matters.

Prohibition on awards to persons in the service of the state

44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - (a) who is in the service of the state;
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the municipality.

Awards to close family members of persons in the service of the state

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Ethical standards

46. (1) A code of ethical standards as set out in the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –
- (a) mutual trust and respect; and
 - (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) General Principles

- (a) the municipality commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.
- (b) Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.
- (c) Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

(3) Conflict of interest

An official or other role player involved with supply chain management –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;



- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

(8) Accountability

- (a) Practitioners are accountable for their decisions and actions to the public.
- (b) Practitioners should use public property scrupulously.
- (c) Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- (d) All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.



MSUNDUZI ANNUAL BUDGET

- (e) Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- (f) Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
 - (iii) any alleged breach of this code of conduct.
- (g) Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the mayor who must ensure that such declaration is recorded in the register.

(9) Openness

- (a) Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

(10) Confidentiality

- (a) Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractor's personal rights.
- (b) Matters of confidential nature in the possession of officials and other role players involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.
- (c)



(11) Bid Specification / Evaluation / Adjudication Committees

- (a) Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- (b) Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- (d) All members of bid adjudication committees should be cleared by the accounting officer at the level of “CONFIDENTIAL” and should be required to declare their financial interest annually.
- (e) No person should-
 - i. interfere with the supply chain management system of the municipality; or
 - ii. amend or tamper with any price quotation / bid after its submission.

(12) Combative Practices

- (a) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
 - (i) Suggestions to fictitious lower quotations;
 - (ii) Reference to non-existent competition;
 - (iii) Exploiting errors in price quotations / bids;
 - (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

(9) A breach of the code of ethics must be dealt with as follows -

- (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;



MSUNDUZI ANNUAL BUDGET

- i. in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - ii. In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.
Inducements, rewards, gifts and favours to municipalities, officials and other role players
47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
 - (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
 - (a) a provider or prospective provider of goods or services; or
 - (b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system may, within 14 days of the decision or action –
 - (a) if the objection or complaint is against the procurement process, submit a written objection or complaint against the decision or action to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 for resolution; or
 - (b) if such complaint or objection is against the award of a bid, lodge a written appeal with the Municipal Bid Appeals Tribunal in accordance with the provisions of paragraph 50A.



Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes to assist in the resolution of objections and complaints between the municipality and any other person regarding –
- (a) the implementation of the procurement process in terms of the supply chain management system; or
 - (b) any matter arising from the implementation of the procurement process in terms of the supply chain management system.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
- (a) strive to resolve promptly all objections or complaints received; and
 - (b) submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.
- (4) If the independent and impartial person referred to in paragraph 50.1, is of the view that a matter which should be dealt with in terms of paragraph 50A, he or she shall forthwith refer the matter to the Municipal Bid Appeals Tribunal and that Tribunal shall then hear and determine the matter in accordance with the provisions of paragraph 50A.
- (5) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury if:
- (a) the objection or complaint is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (6) If the Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

50 A. MUNICIPAL BID APPEALS TRIBUNAL

- (1) The council shall establish a Municipal Bid Appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.
- (2) The accounting officer of the municipality, in consultation with the Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Bid Appeals Tribunal.
- (3) The powers, duties and functions of the Municipal Bid Appeals Tribunal, and matters incidental thereto, are set out in the Rules which are appended to this Supply Chain Management Policy and marked Appendix A.
- (4) The administrative and secretarial work involved in the performance of the duties and functions of

the Municipal Bid Appeals Tribunal shall be performed by officers of the Provincial Treasury as set out in the Rules referred to in paragraph 50A.3.

- (5) There shall be no further appeal against a decision of the Municipal Bid Appeals Tribunal.”.

Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of Msunduzi Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate:
- (a) a cap on the compensation payable to the service provider; and
 - (b) that such compensation must be performance based.

PART 5 – PREFERENTIAL PROCUREMENT

52. CALCULATION OF THE PREFERENT POINTS SYSTEM

Preference point system

- (a) The 80/20 preference point system is applicable to bids with a rand value equal to, or above R30 000 and up to a rand value of R50 million(all applicable taxes included).
- (b) The 90/10 preference point system is applicable to bids with a Rand value above R50 million (all applicable taxes included)

Calculation of points for price

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilized in calculating points scored for price are as follows: 80/20 Preference point system (for acquisition of services, works or goods up to a Rand value of R50 million) (all applicable taxes included)

$$Ps = 80 \left(1 - \frac{Pt - Pmin}{Pmin}\right)$$

Where

Ps = Points scored for comparative price of bid or offer under consideration

Pt = Comparative price of bid or offer under consideration

Pmin = Comparative price of lowest acceptable bid or offer.

Preference point system (for acquisition of services, works or goods with a Rand value above R50million) (all applicable taxes included)



$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

P_s = Points scored for comparative price of bid or offer under consideration

P_t = Comparative price of bid or offer under consideration

P_{min} = Comparative price of lowest acceptable bid or offer.

Points scored must be rounded off to the nearest 2 decimal places.

Pre-qualification criteria for preferential procurement

- 4.(1) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-
- (a) a tenderer having a stipulated minimum B-BBEE status level of contributor;

Subcontracting as condition of tender

- (1) If feasible to subcontract for a contract above R30 million, Msunduzi Municipality will apply subcontracting to advance designated groups.
- (2) If the Msunduzi Municipality applies subcontracting as contemplated in subregulation (1), the Municipality must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-
- (a) an EME or QSE;
- (b) an EME or QSE which is at least 51% owned by black people;
- (c) an EME or QSE which is at least 51% owned by black people who are youth;
- (d) an EME or QSE which is at least 51% owned by black people who are women;
- (e) an EME or QSE which is at least 51% owned by black people with disabilities;
- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (g) a cooperative which is at least 51% owned by black people;
- (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
- (i) more than one of the categories referred to in paragraphs (a) to (h).
- (3) The Msunduzi Municipality will make available the list of all suppliers registered on database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in subregulation (2) from which the tenderer must select a supplier.

Subcontracting after award of tender

- (1) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the Municipality.
- (2) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- (3) A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.
- (4) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

Tenders to be evaluated on functionality

5.
 - (1) the Msunduzi Municipality must state in the tender documents if the tender will be evaluated on functionality.
 - (2) The evaluation criteria for measuring functionality must be objective.
 - (3) The tender documents must specify-
 - (a) the evaluation criteria for measuring functionality;
 - (b) the points for each criteria and, if any, each sub-criterion; and
 - (c) the minimum qualifying score for functionality.
 - (4) The minimum qualifying score for functionality for a tender to be considered further-
 - (a) must be determined separately for each tender; and
 - (b) may not be so-
 - (i) low that it may jeopardise the quality of the required goods or services; or
 - (ii) high that it is unreasonably restrictive.
 - (5) Points scored for functionality must be rounded off to the nearest two decimal places.
 - (6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
 - (7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.

2019/20 to 2021/22



Calculation of points for B- BBEE status level contributor

Points must be awarded to a bidder for attaining the B- BBEE status level of contribution in accordance with the below:

B- BBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	6	14
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant contributor	0	0

or, in respect of Exempted Micro Enterprises (EMEs)

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference (80/20 System)	Number of Points for Preference (90/10 System)
100%	1	20	10
At least 51%	2	18	9
>50%	3	16	8
>50%	4	12	5

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B- BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score zero (0) out of the maximum 10 or 20 points respectively for B- BBEE.

80/20 preference point

(1) A tenderer must submit proof of its B-BBEE status level of contributor.

(2) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-

(a) may only score points out of 80 for price; and

(b) scores 0 points out of 20 for B-BBEE.

(3) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended



MSUNDUZI ANNUAL BUDGET

subcontractor is an EME that has the capability to execute the subcontract.

(4) The points scored by a tenderer for B-BBEE in terms of subregulation (2) must be added to the points scored for price under subregulation (1).

(5) The points scored must be rounded off to the nearest two decimal places.

(6) Subject to subregulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.

(7)(a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

(b) The organs of state may-

(i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

(ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the organ of state must cancel the tender.

90/10 preference point system for acquisition of goods or services with Rand value above R50 million

(1) A tenderer must submit proof of its B-BBEE status level of contributor.

(2) A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-

(a) may only score points out of 90 for price; and

(b) scores 0 points out of 10 for B-BBEE.

(3) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.

(4) The points scored by a tenderer for B-BBEE contribution in terms of subregulation (2) must be added to the points scored for price under subregulation (1).



(5) The points scored must be rounded off to the nearest two decimal places.

(6) Subject to subregulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.

(7)(a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

(b) The Municipality may-

(i) negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

(ii) if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the Msunduzi Municipality must cancel the tender.

Calculation of total points scored for the price and B-BBEE status level of contribution

The points scored for the price must be added to the points scored for the B- BBEE status level of contribution to obtain the bidder's total points scored out of 100.

C. B-BBEE Status Level Certificates

In order to qualify for the above preference points,

Exempted Micro Enterprises (EME) must have submitted, to Msunduzi Municipality, a certificate issued by a registered auditor, accounting officer (as contemplated in section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an accredited verification agency confirming their status as such.

In order for an EME to qualify as a Level 1 or Level 2 BEE Contributor, EME must submit a sworn affidavit on an annual basis, confirming Annual Total Revenue of R10 Million or less, and Level of Black Ownership (Ownership (as contemplated in paragraph 4 of Government Gazette No. 36928)..

In order for a Qualifying Small Enterprise(QSE) to qualify as a Level 1 or Level 2 BEE Contributor, QSE must submit to Msunduzi Municipality a sworn affidavit on an annual basis, confirming Annual Total Revenue of R50 Million or less, and Level of Black Ownership (as contemplated in paragraph 5 of Government Gazette No. 36928).

Any misrepresentation in terms of the above constitutes a criminal offence as set out in the B-BBEE Act as amended

Bidders other than Exempted Micro Enterprises or Qualifying Small Enterprise must submit, to Msunduzi Municipality, their original and valid B-BBEE status level verification certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of

Trade and Industry in the Government Gazette.

Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.

Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.

Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises or Qualifying Small Enterprise must be verified in terms of the gazetted generic Codes of Good Practice in order to qualify for a preference.

For the purposes of transparency, bidders shall, in respect of all quotations (above R30 000) and competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.

Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

D. Evaluation of bids that scored equal points

In the event that two or more bids have scored equal total points, the successful bid must be the one that scored the highest points for B- BBEE.

If two or more bids have equal points, including equal preference points for BBBEE, the successful bid must be the one scoring the highest score for functionality, if functionality is part of the evaluation process.

In the event that two or more bids are equal in all respects, the award must be decided by the drawing of lots.

E. Conditions Relating to the Granting of Preferences

Bidders must, in the manner stipulated in the bid documentation, declare that:

- I. the information provided is true and correct;
- II. the signatory to the bid document is duly authorised; and
- III. documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the City.

Only bidders who have completed and signed the necessary declarations may be considered.

The Bid Evaluation Committee must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.

A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.



Remedies

(1) Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the Municipality will must-

(a) inform the tenderer accordingly;

(b) give the tenderer an opportunity to make representations within 14 days as to why-

(i) the tender submitted should 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;

(ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10percent of the value of the contract; and

(iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and

(c) if it concludes, after considering the representations referred to in subregulation

(1)(b), that-

(i) such false information was submitted by the tenderer-

(aa) disqualify the tenderer or terminate the contract in whole or in part; and

(bb) if applicable, claim damages from the tenderer; or

(ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.

(2)(a) An organ of state must-

(i) inform the National Treasury, in writing, of any actions taken in terms of subregulation (1);11

(ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and

(iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.

(b) The National Treasury may request an organ of state to submit further information pertaining to subregulation (1) within a specified period.

(3) The National Treasury must-

(a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and

(b) maintain and publish on its official website a list of restricted suppliers.

Circulars and guideline

A trust or joint venture will qualify for preference points for their B-BBEE status level as a legal entity, provided that the entity has submitted its verified B-BBEE status level certificate (or certified copy thereof) to the City.

A trust or joint venture will qualify for preference points for their B-BBEE status level as an unincorporated entity, provided that the entity has submitted its consolidated B-BBEE scorecard as if it is a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid. The consolidated B-BBEE scorecard must be submitted in the form of a certificate issued by an accredited verification agency (or a certified copy thereof).

A bidder may not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that the bidder qualifies for, unless the intended subcontractor is an Exempted Micro Enterprise (EME) that has the capability and ability to execute the sub-contract.

A bidder that has been awarded a contract may not sub-contract more than 25% of the value of the contract to enterprises that do not have an equal or higher B-BBEE status level than the bidder concerned, unless the subcontractors are Exempted Micro Enterprises that have the capability and ability to execute the sub-contract. Compliance with this particular requirement must be monitored by the Responsible Agent during the execution of the contract.

If a service is required that can only be provided by tertiary institutions, such services must be procured through a bidding process from the identified tertiary institutions.

The tertiary institutions referred to in above clause, must submit their B-BEE status in terms of the specialized scorecard contained in the BBBEE Codes of Good Practice.

If a service is required that can be provided by one or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a service provider/contractor must be done by means of a competitive bidding process.

Public entities must submit their B-BBEE status in terms of the specialized scorecard contained in the gazetted B-BBEE Codes of Good Practice.

52. Contract Price Adjustment

- For all contract periods exceeding one year in duration, an appropriate contract price adjustment formula must be specified in the bid documents.
- In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- However, if as a result of a delay in the award of a contract beyond the original tender validity period, the due completion or end delivery date of a fixed price contract exceeds a period of one year from the expiry of the original tender validity period, then the contract will automatically be subject to contract price adjustment for that period by which the extended time line exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.



- Similarly, if as a result of any extension of time granted the duration of the contract period exceeds one year, then contract price adjustment will automatically apply to that period which exceeds such one year.
- Furthermore, if the award of a contract is delayed beyond the original tender validity period, and a bidder is prepared to extend the validity period conditional to contract price adjustment being applied in the first year, then such price adjustment may be considered provided it is reasonable and does not prejudice any other bidder.

Local production and content

(1) The Department of Trade and Industry may, in consultation with the National Treasury-

(a) designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and

(b) stipulate a minimum threshold for local production and content.

(2) An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.

(3) The National Treasury must inform organs of state of any designation made in terms of regulation 8(1) through a circular.

(4)(a) If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.

(b) The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.

(5) A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

54. Other Specific Goals

Unbundling Strategies

In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.

Unbundling must however be considered in the context of:

- economies of scale being lost;
- abortive work becoming necessary;
- additional demands (not only financial) being placed on the City's resources; and
- the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

It is important to note that while it is the City's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parceling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

55. Increasing Employment Opportunities

One of the City's key socio-economic objectives is to facilitate the creation of employment for the people of Pietermaritzburg.

Increasing employment opportunities through procurement may be achieved by labour intensive technologies and/or methods of construction in the bid.

It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

All labour earning less than a threshold wage, determined in accordance with National Guidelines, that is employed for the provision of services or construction works for the City, shall be reported in the prescribed format, on a monthly basis, to Project Management Unit.

56. Targeted Labour and/or Targeted Enterprises

The targeting of labour and/or enterprises from specific areas within the boundaries of the Msunduzi Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

57. Provisional Sums and Prime Cost or Sub-contract Allowances



- 57.1 Where monetary allowances in excess of R200 000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:
- 57.2 An open competitive bidding process in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the selected sub-contractor/supplier is chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement, and assumes the risk for the performance of the sub-contractor/supplier. The contractor may, on reasonable grounds, elect not to employ a particular sub-contractor/supplier.
- 57.3 A two-stage selection process, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume the risk for the performance of the selected sub-contractor/supplier identified through this process.
- 57.4 A nominated process, whereby the City instructs the contractor to appoint a particular (typically specialist) sub-contractor/supplier. In this process the sub-contractor/supplier is a nominated sub-contractor/supplier, and the risk is transferred from the contractor to the City. The use of this process must therefore be motivated to, and approved by, the Head: Supply Chain Management prior to its implementation.
- 57.5 A preference points as described in this policy must be applied in respect of the processes described in clauses above. When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for the approval of the Responsible Agent.
58. Award of contracts
- a) A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point systems.
- b) In exceptional circumstances a contract may, on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in the court of law.
59. Enterprise and Supplier Development
- 59.1 The major objectives of the above programme are as follows:
- 59.1.1 Increase local procurement through capacity building by linking Enterprise Development and Supplier Development with Preferential Procurement
- 59.1.2 Develop and implement an Enterprise Development plan and Supplier Development plan for qualifying beneficiaries



MSUNDUZI ANNUAL BUDGET

- 59.1.3 Support procurement from designated groups in order to increase their participation in the main stream economy
- 59.1.4 Implement Enterprise and Supplier Development Contributions where applicable as per the BBEE Codes



- 59.1.5 Develop and promote interventions that would ensure that small business organization gain access to Msunduzi Municipality's procurement and other business opportunities.
- 59.1.6 Earmark and award procurement opportunities in terms of the EPWP framework issued by the National Department of Public Works and or other development initiatives at Provincial and National government level.
- a) Implement specific programmes that would call for black designated groups to be prequalified via an open public invitation including locality to alleviate poverty and redress uneven regional development
- 59.1.7 Msunduzi Municipality may decide to apply the following pre-qualifying criteria to advance certain designated groups. Johannesburg Water will advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond:
- a) A tenderer having a stipulated minimum BBBEE status level of contributor;
- b) An EME or QSE;
- c) A tenderer subcontracting a minimum of 30% to:
- i. An EME or QSE which is at least 51% owned by black people;
 - ii. An EME of QSE which is at least 51% owned by black people who are youth;
 - iii. An EME of QSE which is at least 51% owned by black people who are women;
 - iv. An EME of QSE which is at least 51% owned by black people with disabilities;
 - v. An EME of QSE which is at least 51% owned by black people living in rural or underdeveloped areas or townships;
 - vi. An EME of QSE which is at least 51% owned by black people who are military veterans;
 - vii. An EME or QSE.
- 59.1.8 Secure the participation of EME/Start Up enterprises or other black designated groups by requiring prime contractors to unbundle big contracts into smaller "work packages" and to procure the services of emerging enterprises or designated persons to perform such contracts and to administer them on behalf of Msunduzi Municipality.
- 59.2 The general principles to ensure the successful implementation of the above programmes shall be the following:
- 59.2.1 Where tenderers are required to assist in the achievement of one of the above objectives during the contract period, the development objective/s shall be specified and described in the tender document at tender stage
- 59.2.2 The development objective /s shall be publicly advertised and be the subject of an open invitation to participate for both the tenderers and/or designated group
- 59.2.3 Programmes shall have clearly identifiable objectives, measurable performance indicators capable of being evaluated and the progress monitored and reported
- 59.2.4 Tenders that fail to meet any prequalifying criteria stated above will be deemed unacceptable



MSUNDUZI ANNUAL BUDGET

59.3 Sub-Contracting and BBBEE

59.3.1 If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.

59.3.2 If an organ of state applies subcontracting as contemplated in sub-regulation (1) , the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

(a) An EME or QSE

(b) An EME or QSE which is at least 51% owned by black people

59.3.3 For contracts above R30million, Msunduzi Municipality may elect to sub-contract certain tenders in order to advance designated groups, where feasible.

59.3.4 Should Msunduzi Municipality apply subcontracting as in 59.3.2 (a) above, the tender advert should incorporate the specific tendering condition that the successful tenderer must sub-contract a minimum of 30% of the value of the contract to:

a) An EME or QSE.

b) An EME or QSE which is at least 51% black owned by black people;

c) An EME of QSE which is at least 51% owned by black people who are youth;

d) An EME of QSE which is at least 51% owned by black people who are women;

e) An EME of QSE which is at least 51% owned by black people with disabilities;

f) An EME of QSE which is at least 51% owned by black people living in rural or underdeveloped areas or townships;

g) A co-operative which is at least 51% owned by black people;

h) An EME of QSE which is at least 51% owned by black people who are military veterans; or

i) More than one of the categories referred to in paragraphs (a) to (h).

59.3.5 Furthermore, Msunduzi Municipality must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups from which the tenderer must select a supplier.

59.3.6 a person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher BBBEE status level of contributor than the person concerned, unless the contract is subcontracted to an exempted micro enterprise that has the capability and ability to execute the sub-contract.

59. COMMENCEMENT

This Policy takes effect on the date of adoption by Full Council.

2019/20 to 2021/22



INVENTORY MANAGEMENT POLICY



MSUNDUZI ANNUAL BUDGET

**ADOPTED IN TERMS OF SECTION III OF THE MUNICIPAL FINANCE
MANAGEMENT ACT,
NO.56 OF 2003 AND THE MUNICIPAL INVENTORY MANAGEMENT
REGULATIONS**

**MUNICIPAL INVENTORY MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT,
2003**

DATE OF ADOPTION:

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Inventory Management Policy of the Msunduzi Municipality.

2019/20 to 2021/22



TABLE OF CONTENTS

1. Definitions
2. Objective
3. Scope
4. Legal Framework
5. Inventory Procedures
6. Inventory Records
7. Stock Valuation
8. Reporting
9. Policy Adoption



MSUNDUZI ANNUAL BUDGET

I. DEFINITIONS

1.1 In this Policy, unless the context indicates otherwise, the following definitions are applied:-

“Accounting Officer”	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
“CFO”	means the Chief Financial Officer designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003
“Delegated authority”	means the official who is given the authority for relevant functions in terms of the municipality’s written delegations;
“Inventories”	are assets: In the form of material or supplies to be consumed in the production process, In the form of materials or supplies to be consumed or distributed in the rendering of services Held for sale or distribution in the ordinary course of operations, or In the process of production for sale or distribution
“Obsolete inventory”	means items that have expired, are redundant or damaged;
“Re-order level”	means the level of inventory at which inventory is re-ordered;
“Requisition form”	means a written request to the Inventory Supervisor to supply specified inventory;
“Responsible manager”	means the official responsible for the Stores of SCM Unit in the municipality;

2019/20 to 2021/22



“Store”

means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;

“Stores Controller”

means the official responsible for the requisition, receipt, issue, recording and safeguarding of inventory; and

“Manager Logistics”

means the official responsible for the cost-effective and efficient management of inventory,

“GRAP”

Standards of Generally Recognized Accounting Practice.

2. OBJECTIVE OF THE POLICY

- 2.1 The policy aims to achieve the following objectives which are to:-
- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
 - b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
 - c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

- 3.1 This policy applies to The Msunduzi Municipality's inventory received by the Store Controllers and issued to users.
- 3.2 This policy specifically excludes:
- a) Pharmaceutical inventory and
 - b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

- 4.1 In terms of the MFMA, the Accounting Officer for a municipality must:
- a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);
 - b) Take all reasonable steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
 - c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1) (a) and (b).

4.2 In terms of the following paragraph of GRAP 12:

- 4.2.1 Inventories shall be recognized as an asset if, and only if,
- a) it is probable that future economic benefits or service potential associated with the item will flow to the entity ,and
 - b) the cost of the inventories can be measured reliably



4.3 MEASUREMENT AT RECOGNITION

- 4.3.1 Inventories that qualify for recognition as assets shall initially be measured at cost
- 4.3.2 Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition

4.4 MEASUREMENT AFTER RECOGNITION

- 4.4.1 Inventories shall be measured at the lower of weighted average cost and net realization value, except where paragraph .18 applies
- 4.4.2 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
 - a) distribution at no charge or for a nominal charge, or
 - b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

4.5 RECOGNITION AS AN EXPENSE

- 4.5.1 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.
- 4.5.2 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset.

5 INVENTORY PROCEDURES

- 5.1 The procedures for inventory must be followed to ensure that:
 - a) Inventory is safeguarded at all times;
 - b) There are accurate records of quantities on hand at all times;
 - c) Optimum inventory levels are maintained to meet the needs of users;



MSUNDUZI ANNUAL BUDGET

- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 Appointment of Responsible Officials

- 5.2.1 The CFO must appoint, in writing, officials to perform the duties of Manager Logistics and those of Stores Controllers in terms of this Policy.
- 5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 Maintenance of Inventory Catalogue

- 5.3.1 The master file on SAP for inventory items shall maintained to reflect all approved stock items.
- 5.3.2 New stock items may only be added after the item specification has been formulated and approved where applicable.
- 5.3.3 The expiring date of items specifications must be monitored by the logistics manager, who must initiate the recompilation of new specifications timeously to prevent stock items being acquired without approved specifications or alternatively result in out of stock specifications.
- 5.3.4 Special storage requirements of all inventory items must be recorded in the master file together with minimum order level, the shelf life of the items.

5.4 Ordering of Inventory

- 5.4.1 Each department must set its own Inventory reorder levels for all items in consultation with the CFO or his delegate, the inventory levels must indicate the minimum and maximum inventory that can be maintained.
- 5.4.2 Due diligence and care shall be exercised in identifying low value and high value items of inventory
- 5.4.3 Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.
- 5.4.4 A reorder listing should be printed daily and reviewed by the Stores Controller.
- 5.4.5 The Stores Controller must use the listing as a primary source of information to complete the purchasing requisition form.
- 5.4.6 The purchasing requisition form must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the procurement section.
- 5.4.7 A copy of the purchase order form will then be forwarded by the procurement department to the inventory department.



- 5.4.8 Orders must thereafter be filed in date sequence.
- 5.4.9 This file must form the basis for follow up of orders and for matching goods that are delivered to inventory department.
- 5.4.10 The orders file should be reviewed daily by the Stores Controller and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.
- 5.4.11 In respect of goods and services (with the exception of professional services where there are other mechanism in place for a accepting a bid), no work shall commence or goods be delivered an official order has been placed with the supplier.
- 5.4.12 The Msunduzi Municipality shall not be liable for payment for any goods delivered or services rendered in contravention of clause 5.4.11 above

5.5 Receipt of Inventory

- 5.5.1 The quantity and quality of the inventory received from suppliers must be according to specifications.
- 5.5.2 Deliveries of goods may not exceed the order quantity. Short deliveries will keep the order purchase open until the balance of the order is received or cancelled
- 5.5.3 The Stores Controller and or Storemen Receiving must compare the delivery note to the purchase order before accepting the goods.
- 5.5.4 The invoice must match the supplier name and order number.
- 5.5.5 Manager Logistics must ensure that:
 - a) All delivery notes are signed
 - b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and
 - c) The supplier signs all amendments
- 5.5.6 The inventory received must be transferred to the secured store by the Inventory Supervisor and the inventories must be stored in their respective sections as detailed in 5.5.
- 5.5.7 The inventory record/register/database must be updated.

5.6 Storage of Inventory

- 5.6.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.
- 5.6.2 The area must be used exclusively for the storage of inventory, with limited authorized access only.
- 5.6.3 Inventory must be positioned to facilitate efficient handling and checking.



MSUNDUZI ANNUAL BUDGET

5.6.4 All items must be stored separately, with proper segregation.

5.6.5 Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

Details should include the following:

- a) Order number;
- b) Quantity received;
- c) Date of receipt;
- d) Quantity issued;
- e) Date of issue;
- f) Maximum stock level;
- g) Re-order level;
- h) Re-order quantity;
- i) Closing stock; and
- j) Any other relevant information.

5.6.6 Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.

5.6.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.

5.6.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.

5.6.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.

5.6.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.

5.6.11 The Stores Controller or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.

5.6.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.

5.6.13 No unauthorized persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.

5.6.14 Whenever a change in the Stores Controller or SCM Officer occurs, an inventory count must be conducted.

5.6.15 An independent official shall be nominated in writing by the delegated authority to assist the official



handing and taking over with the checking of the inventory and any discrepancies.

- 5.6.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.
- 5.6.17 A handing-over certificate, must be completed by the handing and taking over officials and a copy retained for record purposes.
- 5.6.18 The following fire protection precautions must be adhered to:
- a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
 - b) The area must be clearly signposted; and
 - c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.7 Issue of Inventory

- 5.7.1 Only the Store men are authorized to issue inventory from the warehouse.
- 5.7.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.
- 5.7.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorized by the responsibility manager.
- 5.7.4 The Stores Controller must verify that items ordered match items reflected on the requisition form.
- 5.7.5 The official receiving the inventory must acknowledge in writing, the receipt of inventory.
- 5.7.6 Inventories must be issued and used for official purposes only.

5.8 Issue of capital spares/inventory

- 5.8.1 The cost of the capital inventory must be transferred from stock to the capital work in progress/ in terms of the capital project.
- 5.8.2 On completion of the capital project, the item will be capitalized in compliance with paragraph 4.5.2 of the inventory management policy.
- 5.9 Management of open reservations
- 5.9.1 On a monthly basis all open reservations must be reviewed and followed up with the relevant user that reserved it.



MSUNDUZI ANNUAL BUDGET

5.9.2 All open reservations over 2 months will be closed and stock items made available.

5.10 Obsolete inventory

5.10.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Stores Controller and verified by the Manager Logistics.

5.10.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.

5.10.3 The Disposal Committee should consist of at least 4 officials, one of whom must be appointed as the chairperson.

5.10.4 The delegated authority may approve the write-off of inventory, if satisfied that: -

- a) The inventory has expired and is redundant;
- b) The inventory is of a specialized nature and has become outdated due to the introduction of upgraded and more effective products;
- c) The inventory cannot be used for the purpose for which it was originally intended; or
- d) The inventory has been damaged and is rendered useless.

5.10.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

5.11 Inventory count

5.11.1 All stock counts must be done in accordance with SAP stock count procedures (Rotational, year end, ad hoc counts) being:

- a) Creation of physical inventory document
- b) Print physical inventory document
- c) Count the physical stock
- d) Enter count in system
- e) Analyze difference
- f) Initiate recount and follow the steps c, d and e
- g) Post the difference

5.11.2 Items must be counted on a rotational basis throughout the year. A rotational basis count plan must be drawn up in the beginning of the year in such a manner that each inventory item will be counted during the year. Record must be kept of the results which must be consolidated and reported quarterly to the CFO in terms of point 8.1

5.11.3 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory arrangements must be made to count the item in a practical manner.



- 5.11.4 Arrangements must be made for a compulsory year end stock count of all stock items. The stock movements such as issues and receipts must be controlled to ensure the stock count is accurate. This count should be subject to a quality assurance process that includes proper supervision by an independent person and spot check counts.
- 5.11.5 Gains and losses accounts should be reviewed on a monthly basis by the Logistics manager and supporting evidence must be maintained. Focus on the identification of unauthorized stock adjustments.
- 5.11.6 All approved Municipal procedures and processes must be complied with during the inventory count.
- 5.11.7 The Manager Logistics must document and report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.
- 5.11.8 The CFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Executive Committee of the Municipality for the write-off of any inventories losses, or the write -up of surpluses.
- 5.11.7 The appropriate disciplinary action must be instituted when applicable.
- 5.11.8 The inventory record/register/database must be updated accordingly.

6 INVENTORY RECORDS

- 6.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
- 6.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
 - a) Material number;
 - b) Item description;
 - c) Common operation descriptions of item;
 - d) Quantity and value of stock on hand;
 - e) Quantity and value of stock received;
 - f) Quantity and value of stock issued;
 - g) Re-order level;
 - h) Gains and losses;
 - i) Impairment values;
 - j) Optimum inventory level;

k) Quantity and value of obsolete stock; and

l) Opening/closing balance.

6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

6.4 FUEL MANAGEMENT

6.4.1 The Stores Controller will be responsible for the purchase of the fuel and oil requirements of the Council and the recording, allocation and control over such requirements.

6.4.2 Fuel and oils shall be purchased in accordance with normal Msunduzi Municipal Supply Chain policy and procedures.

6.4.3 Only sufficient fuels and oils to meet the short-term requirement of the Council shall be purchased at a given time.

6.4.4 The Store Controller must ensure that all fuel and oil supplies received are accurate and in accordance with official order instructions.

6.4.5 Fuel pumps must be adequately protected against fire and Theft and be provided with sufficient locking devices to prevent unauthorized access to and withdrawal of fuel supplies of the Council.

6.4.6 Fuel and oils can only be issued to driver's official vehicles or Jerry Cans and an accurate record of all supplies issued shall be maintained and recorded.

6.4.7 A fuel purchases and issues register shall be maintained on a daily basis and the amount of fuel in fuel tanks shall be checked against the balance in the fuel register on a weekly basis any discrepancies shall immediately be reported to the Accounting Officer.

7. STOCK VALUATION

7.1 Stock Valuation Formula

a) Stock is valued on the weighted average costing method per plant and is VAT exclusive.

b) In put VAT is claimed upon purchase and output VAT is accounted for at the time of issue according the Accounting Policy

7.2 Year-end review. Annually at year end the stock values must be reviewed in terms of paragraph 4.4 of the inventory management policy. Any impairments of inventory should be disclosed in terms of paragraph 8.3 of the inventory management policy.



8. REPORTING

- 8.1 A report must be submitted at least quarterly to the Chief Financial Officer and/or the Responsible Manager detailing the following:
- a) Any inventory shortages or surpluses and the reasons for such;
 - b) Any inventory deficits proposed to be written-off; and
 - c) Any obsolete inventory items.
- 8.2 Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the Municipality.
- 8.3 In terms of GRAP 12 the financial statements shall disclose:
- a) the accounting policies adopted in measuring inventories, including the cost formula used,
 - b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
 - c) the carrying amount of inventories carried at fair value less costs to sell,
 - d) the amount of inventories recognized as an expense during the period in accordance with GRAP paragraph 43,
 - e) the amount of any write-down of inventories recognized as an expense in the period in accordance with GRAP paragraph 43,
 - f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with GRAP paragraph 43,
 - g) the circumstances or events that led to the reversal of a write-down of inventories ,and
 - h) the carrying amount of inventories pledged as security for liabilities.

References

1. Msunduzi Supply Chain Management policy
2. Msunduzi Contract Management Policy
3. Municipal Finance Management Act, act no 56 Of 2003
4. Municipal Supply Chain Management Regulations of 2005
5. Preferential Procurement Policy Framework Act, act no 5 of 2000



MSUNDUZI ANNUAL BUDGET

6. Municipal system Act, act no 32 of 2000
7. Contract Management framework issued by National Treasury

9. POLICY ADOPTION

This policy has been considered and approved by the Council of The Msunduzi Municipality on this day 31 of May 2018

2019/20 to 2021/22



GENERAL INSURANCE FUND POLICY



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS

1. PREAMBLE	4
2. THE SCHEDULE	5
3. DEFINITIONS	6
4. GENERAL EXCEPTIONS, CONDITIONS, PROVISOS AND EXTENSIONS.....	7 - 16
5. LIMITS OF INDEMNITY	17 - 18
6. COMBINED.....	19 - 29
7. OFFICE CONTENTS.....	30 - 35
8. BUSINESS ALL RISKS.....	36- 38
9. THEFT	39 - 40
10. GLASS	41 - 42
11. MONEY	43 – 47
12. FIDELITY	48 - 54
13. MOTOR: OWN DAMAGE.....	55 - 62
14. TRANSIT.....	63 - 65
15. ELECTRONIC EQUIPMENT	66 - 74
16. MACHINERY BREAKDOWN	75 -79

Self Insurance Reserve Policy



PREAMBLE

It is required of the accounting officer, to take all reasonable steps to ensure that the Council has and implements crucial policies for effective financial and risk management. The safeguarding of assets and the protection of Council against liabilities, is very important as prescribed by Section 63 and needs annual revision in terms of Section 24(2)(c)(v) of the Municipal Finance Management Act 56 of 2003.

The Msunduzi Municipality will bear its own damages and accident risks and be responsible for all claims and losses of Council owned property where these arise from council activities by an official who is liable in law and who is employed the Msunduzi Municipality.

Section 78(1)(b-e) of the Municipal Finance Management Act places the onus on each official within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility.

Subject to the terms, exceptions and conditions (precedent or otherwise) and in consideration of, and conditional upon, the payment of premium by or on behalf of the Insured and receipt thereof by or on behalf of the Insurer, the Insurer agrees to indemnify or compensate the Insured by payment or, at the option of the Insurer, by replacement, reinstatement or repair in respect of the defined events occurring during the period of insurance and as otherwise provided under the within sections up to the sums insured, limits of indemnity, compensation and any other amounts specified for which premiums have been paid, however not exceeding the policy limits.

Specific exceptions, conditions and provisions shall override General exceptions, conditions and provisions.

The insurance, including any sections, schedules, specifications, provisions, clauses and extensions attached hereto, shall be read together as one contract and any expression to which a particular meaning has been attached shall bear such meaning wherever it may appear.

"Premium" means the amount as determined by the Strategic Executive Manager (Finance) or his/her successor in title which is payable to the Insurer by the Insured for which cover has been selected.



MSUNDUZI ANNUAL BUDGET

THE SCHEDULE

THE INSURED	:	THE MSUNDUZI MUNICIPALITY and any other legal entity(various departments within The Msunduzi Municipality)required to be insured for their respective rights and interests.
THE INSURER	:	Self Insurance Fund of The Msunduzi Municipality
POSTAL ADDRESS	:	PRIVATE BAG X205 PIETERMARITZBURG 3200
SITUATION OF PREMISES :		All premises as stated in each Section owned or occupied or used by the insured for the purposes of the business all situated in the area which on 1 st January 1976 constituted the Republic of South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Malawi.
THE BUSINESS	:	Local Authority, Property Owners/ Tenants and all other activities associated with the Insured's business
PERIOD OF INSURANCE:		Annually
RENEWAL DATE :		28 February 2018
TYPE OF CONTRACT	:	Annual



DEFINITIONS

For the purpose of this policy unless the context otherwise requires:

1. “Insurer” means the General Insurance Fund of the Msunduzi Municipality, which is administered by the Chief Financial Officer’s Department. Established by the Msunduzi Municipality in order to implement its scheme of self insurance as adopted by it on the 4th June 1962 and as subsequently amended, under the powers conferred on it by Section 63 of the Local Government Municipal Finance Management Act No. 56 of 2003, by providing cover in respect of The Msunduzi Municipality’s several insurable interests and risks and in respect of certain other parties for whom The Msunduzi Municipality may legally provide insurance cover, the administration of which Insurer is controlled by the Strategic Chief Financial Officer or his/her successor in title in terms of the authority conferred on him/her by the aforesaid resolution as amended from time to time.
2. “Insured” means The Msunduzi Municipality and any party (various departments) who is insured under any section of this policy.
3. “Premium” means the amount as determined by the Chief Financial Officer or his/her successor in title which is payable to the Insurer by any Service of The Msunduzi Municipality or by or on behalf of any Other Insured, for insurance cover under any Section of this policy in respect of each year of insurance.
4. The phrases and terminology that have been adapted in this document to fall in line with the generally accepted phrases in the short term insurance industry.

GENERAL EXCEPTIONS, CONDITIONS, PROVISOS AND EXTENSIONS APPLICABLE TO ALL SECTIONS OF THIS POLICY

(Except where otherwise stated in each Section)

A : GENERAL EXCEPTIONS

1. War, riot and terrorism

(A) This policy does not cover loss of or damage to property related to or caused by:

- (i) Civil commotion, labour disturbances, riot, strike, lockout or public disorder or any act or activity which is calculated or directed to bring about any of the foregoing;
- (ii) War, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not) or civil war;
- (iii)
 - (a) Mutiny, military rising, military or usurped power, martial law or state of siege, or any other event or cause which determines the proclamation or maintenance of martial law or state of siege;
 - (b) Insurrection, rebellion or revolution;
- (iv) any act (whether on behalf of any organisation, body or person or group of persons) calculated or directed to overthrow or influence any State or Government or any provincial, local or tribal authority with force or by means of fear, terrorism or violence;
- (v) any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any State or Government or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public or any section thereof;
- (vi) Any attempt to perform any act referred to in clause (iv) or (v) above;
- (vii) The act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any occurrence referred to in clause (A) (i), (ii), (iii), (iv), (v) or (vi) above.



If the Insurer alleges that, by reason of clause (A) (i), (ii), (iii), (iv), (v), (vi), or (vii) of this exception, loss or damage is not covered by this policy, the burden of proving the contrary shall rest on the insured.

- (B) This policy does not cover loss or damage caused directly or indirectly by or through or in consequence of any occurrence for which a fund has been established in terms of the War Damage Insurance and Compensation Act, 1976 (no. 85 of 1976) or any similar Act operative in any of the territories to which this policy applies.
- (C) Notwithstanding any provision of this policy including any exclusion, exception or extension or other provision not included herein which would otherwise override a general exception, this policy does not cover loss or damage to property or expense of whatsoever nature directly or indirectly caused by, arising out of or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any sequence to the loss, damage or expense.

For the purpose of this General exception 1(C) an act of terrorism includes, without limitation, the use of violence or force or the threat thereof whether as an act harmful to human life or not, by any person or group of persons, whether acting alone or on behalf of or in connection with any organization or government or any person or body of persons, committed for political, religious, personal or ideological reasons or purposes including any act committed with the intention to influence any government or for the purpose of inspiring fear in the public or any section thereof.

If the Insurer alleges that, by reason of clause 1(C) of this exception, loss or damage is not covered by this policy, the burden of proving the contrary shall rest on the insured.

2. Nuclear

Except as regards the Fidelity, Stated Benefits and Group Personal Accident sections

- (i) This policy does not cover
 - (a) Loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising there from or any consequential loss
 - (b) Any legal liability of whatsoever nature directly or indirectly caused by or contributed to by or arising from ionising radiations or contamination by radio-activity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel.

For the purpose of this exception only, combustion shall include any self-sustaining process of nuclear fission.

- (ii) the indemnity provided by this policy shall not apply to nor include any loss destruction, damage or legal liability directly or indirectly, caused by, or contributed to by, or arising from nuclear weapons material.

3. Computer losses

General exception applicable to all sections of this policy insuring damage to property or the consequences of damage to property or any liability.

Notwithstanding any provision of this policy including any exclusion, exception or extension or other provision not included herein, which would otherwise override a general exception, this policy does not cover:

- (a) loss or destruction of or damage to any property whatsoever (including a computer) or any loss or expense whatsoever resulting or arising therefrom;
- (b) any legal liability of whatsoever nature;
- (c) any consequential loss;

Directly or indirectly caused by or contributed to by or consisting of or arising from the incapacity or failure of any computer, correctly or at all

- (i) To treat any date as the correct date or true calendar date or correctly or appropriately to recognise, manipulate, interpret, process, store, receive or to respond to any data or information, or to carry out any command or instruction, in regard to or in connection with any such date, or
- (ii) To capture, save, retain or to process any information or code as a result of the operation of any command which causes the loss of data or the inability to capture, save, retain or correctly to process such data in regard to or in connection with any such date, or
- (iii) To capture, save retain or to process any information or code due to program errors, incorrect entry or the inadvertent cancellation or corruption of data and/or programmes, or
- (iv) To capture, save, retain or to process any data as a result of the action of any computer virus, or other corrupting, harmful or otherwise unauthorised code or instruction including any trojan horse, time or logic bomb or worm or any other destructive or disruptive code, media or program or interference.

A computer includes any computer, data processing equipment, microchip, integrated circuit or similar device in computer or non-computer equipment or any computer software, tools, operating system or any computer hardware or peripherals and the information or data electronically or otherwise stored in or on any of the above, whether the property of the Insured or not.

Special extension to General exception 3

- (A) Loss or destruction of or damage to the insured property by fire, explosion, lightning, earthquake or by special perils referred to below or indemnified by the Glass, Employer's Liability, Stated Benefits, Group Personal Accident or Motor section is not excluded by this General exception.

The special perils that are not excluded for the purpose of this special extension are damage caused by:

- 1. Storm, wind, water, hail, snow excluding damage to property
 - (a) arising from its undergoing any process necessarily involving the use or application of water;



- (b) caused by tidal wave originating from earthquake or volcanic eruption;
 - (c) in the underground workings of any mine;
 - (d) in the open (other than buildings, structures and plant designed to exist or operate in the open);
 - (e) or in any structure not completely roofed;
 - (f) being retaining walls;
2. aircraft and other aerial devices or articles dropped there from;
3. impact by animals, trees, aerials, satellite dishes or vehicles excluding damage to such animals, trees, aerials, satellite dishes or vehicles or property in or on such vehicles.

These special perils do not cover wear and tear or gradual deterioration.

- (B) General exception 3 also does not apply to consequential loss as insured by any Business Interruption indemnity provided by this policy to the extent that such consequential loss results from damage to insured property by the perils referred to in Special extension A above.
- (C) This Special extension will not insure any loss, destruction, damage or consequential loss if it would not have been insured in the absence of this Computer Losses General exception and this Special extension.
- (D) This Special extension shall not apply to any Public Liability indemnity.

B : GENERAL CONDITIONS

1. MISREPRESENTATION, MISDESCRIPTION AND NON-DISCLOSURE

Misrepresentation, misdescription, or non-disclosure of any material particulars shall render voidable the particular item or section of the policy, as the case may be, affected by such misrepresentation, misdescription or non-disclosure.

2. OTHER INSURANCE, WARRANTIES & GUARANTEES

If at the time of any event giving rise to a claim under this policy any insurance, warranties and guarantees exists, negotiated by or on behalf of the Insured, covering any event insured under this policy, the Insurers shall only be liable to pay or contribute a rateable proportion of the amount payable to the Insured in respect of such event. If any such other insurance, warranties and guarantees are subject to any condition of average, this policy, if not already subject to any condition of average, shall be subject to average in like manner.

3. CANCELLATION

This insurance may be cancelled at any time by the Insurers giving 30 days' notice in writing or by the Insured giving immediate notice. On cancellation the Insured shall be entitled to claim a pro rata portion of the premium for the remainder of the period of insurance from the date of cancellation.

Cancellation will only be effective if there is sufficient proof of alternate insurance cover or proof of disposal.

In the event of this insurance being cancelled by the Insurers any annual aggregate deductible shall be reduced to an amount in the proportion that the actual period of insurance bears to an annual period of insurance. If the deductibles borne by the Insured in respect of losses occurring during the actual period of insurance exceed the proportionate aggregate deductible for the same period, then the difference shall be payable by the Insurers to the Insured.

4. PREMIUM ADJUSTMENT

Where the premium or any section or item of this policy has been calculated on estimated figures, the Insured shall, after the expiry of each period of insurance, furnish such particulars and information as the Insurers may require for the purpose of recalculating the premium for that period. Any difference shall be paid by or to the Insured, as the case may be.

5. PREVENTION OF LOSS

The Insured shall take all reasonable steps and precautions to prevent accidents or losses.

6. CLAIMS

The Insured shall on the happening of any event that may give rise to a claim under this policy, at his own expense -

- (i) Inform the Insurers thereof within 30 days and furnish particulars of any other insurance covering such events as are insured hereunder;
- (ii) within 24 hours after the event notify the police of any claim involving theft or (if required by the Insurers) loss of property and take all practicable steps to discover the guilty party and to recover the property stolen or lost;
- (iii) within 30 days after the event, submit to the Insurers in writing full details of any claim;
- (iv) furnish the Insurers with such proofs, information and sworn declarations as the Insurers may require, and immediately deliver to the Insurers any notice of claim or communication whatsoever, writ, summons or other legal process issued or commenced against the Insured in connection with the event giving rise to the claim.

This General Condition shall be deemed to have been complied with if the information required in terms thereof is given within the time required to a loss adjuster appointed by or on behalf of the Insurers.



No claim (other than a claim under the Fidelity Sections or the Personal Accident Assault extension to the Money Section) shall be payable after the expiry of 24 months (or such further period as the Insurers may allow) after the happening of the event unless such claim is the subject of pending legal action or is a claim in respect of the Insured's legal liability to a third party.

If after the payment of a claim in terms of this policy in respect of lost or stolen property, the property (the subject matter of the claim) or any part thereof is located the Insured shall render all assistance in the identification and physical recovery of such property if called on to do so by the Insurers provided that the Insured's reasonable expenses in rendering such assistance shall be reimbursed by the Insurers. Should the Insured fail to render assistance in terms of this condition when called on to do so the Insured shall immediately become liable to repay to the Insurers all amounts paid in respect of the claim.

7. INSURERS' RIGHTS AFTER AN EVENT

- (a) On the happening of any event in respect of which a claim is or may be made under this policy the Insurers and every person authorised by them may without thereby incurring any liability and without diminishing the right of the Insurers to rely upon any conditions of this policy
 - (i) take, enter or keep possession of any damaged property and deal with it in any reasonable manner. This condition shall be evidence of the leave and licence of the Insured to the Insurers to do so. The Insured shall not be entitled to abandon any property to the Insurers whether taken possession of by the Insurers or not;
 - (ii) take over and conduct in the name of the Insured the defence or settlement of any claim and prosecute in the name of the Insured for their own benefit any claim for indemnity or damages or otherwise and shall have full discretion in the conduct of any proceedings and in the settlement of any claim. No admission, statement, offer, promise, payment or indemnity shall be made by the Insured without the written consent of the Insurers.
- (b) The Insured, shall, at the expense of the Insurers, do and permit to be done all such things as may be necessary or reasonably required by the Insurers for the purpose of enforcing any rights to which the Insurers shall be or would become subrogated upon indemnification of the Insured whether such things shall be required before or after such indemnification.
- (c) In respect of any section of this policy under which an indemnity is provided for liability to third parties the Insurers may in the case of any event pay to the Insured the limit of indemnity provided in respect of such event or any lesser sum for which the claim or claims arising from such event can be settled and the Insurers shall thereafter not be under further liability in respect of such event.

8. FRAUD

If any claim under this policy be in any respect fraudulent or if any fraudulent means or devices are used by the Insured or anyone acting on their behalf or with his knowledge or consent to obtain any benefit under this policy or if any event be occasioned by the wilful act or with the connivance of the Insured, the benefit afforded under this policy in respect of such claim shall be forfeited.



MSUNDUZI ANNUAL BUDGET

9. BREACH OF CONDITIONS

The condition of this policy and sections thereof shall apply individually to each of the risks insured and not collectively to them so that any breach shall void the section only in respect of the risk to which the breach applies.

10. GENERAL BURDEN OF PROOF

If the Insurer alleges that a loss or damage is not covered by the policy, the burden of proving to the contrary shall rest on the Insured.

C: GENERAL PROVISOS

1. CLAIMS PREPARATION COSTS

The insurance by each section of this policy is extended to include costs reasonably incurred by the Insured in producing and certifying any particulars or details required by Insurers in terms of General Condition 6 or to substantiate the amount of any claim, provided that the liability of the Insurers for such costs in respect of any one claim shall not exceed the amount stated in the specification.

2. REASONABLE PRECAUTION COSTS

The insurance by sections of this policy where stated is extended to include all reasonable costs and expenses in effecting such temporary repairs and in taking such temporary measures as may be reasonably necessary after loss or damage giving rise to a claim under that section, provided that the Insurers' liability shall not exceed the amount stated in the Specification.

3. RECOVERY OF LOSS

In the case of recovery on account of any loss covered under this policy the amount recovered, after deducting the actual cost of obtaining or making such recovery but excluding the Insured's own labour and/or establishment costs, shall be applied in the following order.

- (1) To reimburse the Insured in full for the part, if any, of such loss which exceeds the amount of coverage provided by this policy (disregarding the amount of any first amount payable/deductible applicable.
- (ii) The balance, or the entire net recovery if no part of such loss exceeds the sums insured provided by this policy, or if payment shall have been made, to the reimbursement of the Insurers.
- (iii) Finally to that part of such loss sustained by the Insured by reason of any deductible clause as specified in the specification and/or to that part of such loss covered by any policy(ies) of insurance of which this policy is excess.



4. FIRST AMOUNT PAYABLE / DEDUCTIBLE

In respect of each and every occurrence giving rise to a claim under any section of this policy, the Insured shall be responsible for the first amounts payable (deductible) stated in the Specification of each section of any expenditure (or any less expenditure which may be incurred) for which provision is made under such section (including any payment in respect of costs, expenses and fees) and of any expenditure by the Insurers in the exercise of such discretion it may have under any such section. If the expenditure incurred by the Insurers shall include any first amount payable (deductible) for which the Insured is responsible, such amount shall be paid by the Insurers forthwith.

5. NEGLIGENCE/ACCOUNTABILITY

On the happening of any event in respect of which a claim is or may be made under this policy, the Insurer has the right to recover, in terms of The Msunduzi Municipality's Disciplinary Code, from any employee that is in contravention of the Code. The General Manager of each strategic business unit shall conduct the Disciplinary Inquiry in terms of the Disciplinary Code.

6. VALUE ADDED TAX

Sums insured, first loss amounts, indemnity limits or insured values, by whatever name such are referred to in this policy (henceforth "policy limits") are expressed on a VAT inclusive basis.

LIMITS OF INDEMNITY

The sections of the policy are subject to the following limits of indemnity:-

Sections	Limits of Indemnity Sum Insured
Combined	Refer Schedule
Office Contents	Refer Schedule
Business All Risks	Refer Schedule
Theft	Refer Schedule
Glass	Refer Schedule
Money	Refer Schedule
Fidelity Guarantee	Refer Schedule
Motor Own Damage	Refer Schedule
Transit	Refer Schedule
Electronic Equipment	
Machinery Breakdown	
Plantations	

DEDUCTIBLE/ EXCESS PER CLAIM

Sections	Amount
Combined	10% of claim minimum R2 500
Office Contents	10% of claim minimum R2 500
Business All Risks	10% of claim minimum R1 000
Theft	10% of claim minimum R2 500
Glass	10% of claim minimum R2 500
Money	10% of claim minimum R2 500
Fidelity Guarantee	Refer schedule
Motor Own Damage	10% of claim minimum R2 500
Transit	10% of claim minimum R2 500
Electronic Equipment	10% of claim minimum R2 500
Machinery Breakdown	10% of claim minimum R2 500
Plantations	Refer schedule



COMBINED SECTION

PROPERTY COVERED :

- Items 1 to 9 below are covered by external Insurer's and is subject to a R1m Aggregate deductible as reflected in Memo 1 below. Once the Aggregate Deductible of R1m has been reached , Insurer's will settle all claims subject to the underlying policy excess.
- Item 10 is covered by the self-insurance fund (no external insurances) and is subject to an excess of 10% of claim minimum R2 500 each and every claim.

PROPERTY DESCRIPTION:

ITEM 1 – All buildings, structures and erections including fixtures and fittings therein, thereto or thereon, boundary walls,gates, posts and fences belonging thereto and all contents contained in any building, structure or erection, including underground fuel tanks and their contents,traffic signs, traffic lights, parking meters and lamp posts		
ITEM 2 – All substations, mini substations, transformers, electricity cables, electrical switchgear and Electronic Signboards and fittings relating thereto		
ITEM 3– All water purification works and pump stations, reservoirs, water towers, swimming baths and property relating thereto	Yes	As per the underlying external policy
ITEM 4 – All sewerage works,pump stations and property relating thereto	Yes	
ITEM 5 – Waterspump Station and Equipped Boreholes	Yes	
ITEM 6 – Motor vehicles at premises occupied by the insured	No	
ITEM 7- Accidental Damage	Yes	
ITEM 8 – Any other property as defined in the schedule (Concrete reservoirs)	Yes	
ITEM 9- Steel and Plastic Tanks ITEM 10 – Contents of the buildings All of the above being the property of the insured or for which they are responsible as per the informaton submitted to the Insurer by or on behalf of the insured the totals of items 1 to 9 being split as follows: Buildings – Professor Nyembezi Centre Buildings – City Hall Free Square Tourism Hub General Buildings Sub-Station/Lattice Towers Hulett & Harp Substations/Lattice Towers Consumable Stock Animal farm stock – wild animals	Yes Yes	R2 000 000
In respect of buildings and structures standard construction shall mean buildings and structures constructed of brick, stone or concrete and roofed with slate, tiles, metal, concrete or asbestos		
EXTENSIONS		
Additional claims preparation costs	Yes	R100 000
Escalator clause (during the period of insurance) Percentage increase%	No	
Day one average	No	
Escalation contingency (during the re-instatement period) Percentage increase%	No	



MSUNDUZI ANNUAL BUDGET

Prevention of access	Yes	
Subsidence and landslip in respect of the premises detailed above	No	
ENDORSEMENTS/EXTENSIONS/LIMITATIONS :		
<ol style="list-style-type: none"> 1. Cover in respect of fencing is restricted to Defined Events 1, 2, 3, 4, 5 and 7 only of Sub-Section A - Property 2. Cover in respect of traffic signs and traffic lights, parking meters and lamp posts is restricted to Defined Events 1, 2, 3 and 4 only of Sub-Section A - Property 		
MEMO 1 – AGGREGATE DEDUCTIBLE CLAUSE		
<p>It is hereby declared and agreed that: - The insured shall be their own insurer for all losses in any one period of insurance up to a maximum of R1 000 000 All legal assessors and other fees or expenses as agreed by the Insurer and incurred by the Insured shall form part of the loss or claim. Only losses reported to the Insurer and assessed, if deemed necessary, qualify for inclusion in the amount of R1 000 000 referred to in 1 above, SUBJECT to an Inner Excess of 10% of claim minimum R2 500 per claim. In the event of claims exceeding R1 000 000 the provisions of the aggregate excess shall be deemed to be deleted and the Insurer (outsourced) shall be responsible for all further claims subject to an excess of 10% of claim minimum R2 500 per claim. This memo applies to the Items reflected A to H above.</p>		
MEMO 2		
<p>It is noted that the sum insured in respect of the City Hall is based on replacement of a modern structure of a similar type, size, quality etc.</p>		

PROPERTY EXCLUDED

The following property is excluded from Items 1 to 10 above unless specifically insured:

- Dam walls, dam contents, canals and reservoir contents.
- Pavilions, sports stadiums, spectator stands, outdoor sports playing or recreational surfaces (other than tennis courts) tartan tracks (unless specifically declared to insurers).
- Explosives (other than ammunition).
- Bullion.
- Precious Stones.
- Transmission and distribution lines including their supporting structures (other than on or within 150 meters of electricity sub stations belonging to the insured).
- Water piping as well as storm water-piping including their supporting structures (other than on or within 150 meters of water treatment or purification works or reservoirs belonging to the insured).
- Sewerage piping including their supporting structures (other than on or within 150 meters of any sewerage treatment plants belonging to the insured).

2019/20 to 2021/22



- Driveways, pavements, outdoor parking surfaces.
- Roads, road and rail bridges, road and rail tunnels, manhole covers.
- Aircraft runways and aprons.
- Jewellery other than Mayor Regalia.
- Land, topsoil, backfill, drainage or culverts.
- Piers, jetties, wharves, viaducts, docks.
- Property or structures in course of construction, erection, dismantling testing or supplies in connection therewith.
- Property damaged as a result of its undergoing any process of manufacture, conversion or treatment.
- Accounts Receivable.
- Shares, Saving Certificates and the like.
- Property in possession of customers.
- Trees, shrubs, plants.
- Monuments, statues.
- Graves and tombstones.
- Growing timber, growing crops and livestock.
- Aircraft, watercraft.
- Property more specifically insured under any other Section of this policy except for the excess beyond the amount payable under such specific insurance.
- Property which at the time of any loss or damage is insured by or would but for the existence of this policy be insured by any Marine Policy or policies except in respect of any excess beyond the amount which would have been payable under such Marine Policy or policies had this insurance not been effected.

CONTINGENCIES

DESTRUCTION, LOSS OR DAMAGE (hereinafter referred to in this Section as damage) TO PROPERTY INSURED, DESCRIBED IN THE SPECIFICATION BY OR THROUGH ANY OF THE PERILS DESCRIBED IN CONTINGENCIES A, B OR C OR THE CONSEQUENCES THEREOF DESCRIBED IN CONTINGENCY D.

A. INSURED PERILS

1. Fire, lightning, thunderbolt, subterranean fire, explosion.
2. Malicious Damage as per Extension 10.
3. Storm, wind, hail, snow, water, excluding destruction or damage by subsidence and landslip.
4. Earthquake, excluding destruction or damage to property in the underground workings of any mine.
5. Aircraft and other aerial devices or articles dropped therefrom.
6. Bursting or overflowing of or leakage from tanks, apparatus or pipes of water, oil, chemicals, fluids and/or fumes including loss or damage caused thereto insofar as not otherwise insured.
7. Impact by any vehicle or animal or by falling trees or by boulders, stones, aerials and satellite dishes.
8. Theft or any attempt thereof of buildings, structures and erections including land-lords' fixtures and fittings following forcible and violent entry into or exit therefrom.

B. ACCIDENTAL DAMAGE TO PUBLIC SUPPLY OR MAINS CONNECTIONS

Accidental damage to water, sewerage, gas, electricity, data, and communication connections, the property of the Insured or for which he is legally responsible, between the property insured and the public supply or mains.

C. SANITARY WARE

Accidental damage to fixed washbasins, pedestals, sinks, lavatory pans, splash backs and cisterns (but excluding chipping, scratching and disfiguration) forming part of the building(s) mentioned in the Specification.

D. RENT

Loss of rent in respect of the buildings mentioned in the Specification if so damaged by any peril as to be rendered untenable (including partially untenable) but only for the period necessary for reinstatement and for an amount not exceeding 25% of the value of the affected building. The basis of calculation will be the annual rental payable immediately preceding the damage or its equivalent in rental value.

2019/20 to 2021/22



SPECIAL CONDITION

(Applicable only to the perils specified in Contingencies A.1 to 5 and 7)

AVERAGE

If the property insured is at the commencement of any damage to such property by any peril insured against collectively of greater value than the sum insured thereon, the Insured shall be considered as being his own Insurer for the difference and shall bear a rateable proportion of the loss accordingly. Every item, if more than one, shall be separately subject to this condition.

ADDITIONAL CONTINGENCIES AND COVER

(OPTIONAL: Applicable only if stated in the Specification to be included)

1. SUBSIDENCE AND LANDSLIP

Damage caused by subsidence or landslip provided that the Insured shall bear the first portion of each and every claim as stated in the Specification.

This extension does not cover

1. Damage to drains, water courses, boundary walls, garden walls, retaining walls, gates, posts or fences unless specifically insured.
2. Damage caused by or attributable to
 - (a) faulty design or construction of or the removal or weakening of support to any building situated at the Insured premises;
 - (b) workmen engaged in making any structural alterations, additions or repairs to any building situated at the Insured premises;
 - (c) excavation on or under land other than excavation in the course of mining operations.
3. Consequential loss of any kind whatsoever except loss of rent when specifically insured under this section.

In any action suit or other proceeding where the Insurers allege that by reason of the provisions of these exceptions any damage is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

2. MOTOR VEHICLES WHILST PARKED

This insurance covers the difference between the new replacement value and the market value of motor vehicles which are damaged as a result of contingencies A.1. to A.6. whilst parked at any premises occupied by the Insured.

Provided that the cover granted by this extension shall apply only where ten or more vehicles are damaged by a single contingency. The limitation of a minimum of ten vehicles shall not apply to special type vehicles (as defined).

Provided further that the Insurers liability in connection with any one source or original cause shall not exceed the limit stated in the Specification.

Definition

Special vehicles shall mean:

Fire Engines

Ambulances

Road - Marking and Construction vehicles/machinery

Refuse Removal vehicles

Emergency vehicles/buses



CLAUSES AND EXTENSIONS (Insofar as they may be applicable)

1. DESIGNATION OF PROPERTY

For the purpose of determining where necessary the item under which any property is insured, the Insurers agree to accept the designation under which such property has been entered in the Insured's books.

2. ARCHITECTS' AND OTHER PROFESSIONAL FEES

The insurance under this section includes professional fees (for estimates, plans, specifications, quantities, tenders and supervision) necessarily incurred in the reinstatement or replacement of the Insured property arising from damage by or through any peril hereby insured against, but in no case exceeding 15% of the amount payable in respect of such damage. The amount payable in respect of such fees shall not include expenses incurred in connection with the preparation of the Insured's claim.

3. CAPITAL ADDITIONS (only applicable if Day One Average omitted)

The insurance under this section shall cover additions, alterations and improvements to the property (other than stock) for an amount not exceeding 15% of the sum insured in respect thereof, it being understood that the Insured undertakes to advise the Insurers each quarter of such alterations, additions and improvements and to pay the appropriate additional premium thereon.

4. CLEARANCE COSTS

The insurance under this section includes costs necessarily incurred by the Insured in respect of the demolition of buildings and machinery and/or the removal of debris and in providing, erecting and maintaining any hoarding required during demolition, site clearing and/or building operations following damage to the property by any peril hereby insured against, provided that the total amount recoverable shall not exceed the sum insured in respect of the property affected.

5. FIRE BRIGADE CHARGES

Where any Organisation is empowered to charge a fee for fire extinguishing, water or other services rendered in connection with any peril being the subject of indemnity under this section, the said expenses shall be considered as constituting a claim under this policy and shall be payable in addition to any other payment for which the Insurers may be liable in terms of this section.

6. TEMPORARY REMOVAL

Except insofar as otherwise insured, the property insured (other than motor vehicles and motor parts) is covered whilst temporarily removed elsewhere on the same premises as stated in the Specification or to any other premises and in transit thereto and therefrom anywhere in South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Malawi

provided that:

the amount recoverable under this clause shall not exceed the amount which would have been recoverable had the damage occurred on that part of the premises from which the property has been removed.

7. TENANTS

The Insurers' liability to the Insured shall not be affected by any act or omission on the part of any tenant (other than the Insured) without the Insured's knowledge. The Insured shall, however, inform the Insurers as soon as any such act or omission which is a contravention of any of the terms, exceptions or conditions of this section comes to their knowledge and will be responsible for any additional premium payable from the

date any increased hazard shall be assumed by the Insurers.

8. PIPELINE AND STORAGE SUBROGATION

It is hereby declared and agreed that notwithstanding anything to the contrary contained in this policy, the insurance under this section shall not be invalidated because of the fact that the Insured has granted an undertaking of indemnity to any supplier of fuel or pipeline authority.

9. LIMITATIONS (MONEY, STAMPS AND DOCUMENTS)

The Insurers' liability in respect of property described in the Specification shall be limited in respect of:

- (a) money, stamps and securities to a maximum amount of R5 000;
- (b) documents, manuscripts, business books, plans, computer systems, records and media, designs, patterns, models, moulds and castings to the value of materials and sums expended in labour.

10. MALICIOUS DAMAGE

Subject otherwise to the terms, conditions and exclusions, exceptions and warranties contained herein this insurance is extended to cover loss or damage directly occasioned by or through or in consequence of the deliberate or wilful or wanton act of any person committed with the intention of causing such loss or damage but excluding loss or damage to property insured which is :

- i) stolen
- ii) damaged in an attempt to remove it from any premises owned or occupied by the Insured
- iii) damaged by thieves whilst breaking into or out of or attempting to break into or out of any property

Provided that this extension does not cover :

- (a) loss or damage related to or caused by fire or explosion;
- (b) consequential or indirect loss or damage of any kind or description whatsoever, other than loss of rent if specifically insured;
- (c) loss or damage resulting from total or partial cessation of work, or the retarding or interruption or cessation of any process or operation;
- (d) loss or damage occasioned by permanent or temporary dispossession resulting from confiscation, commandeering or requisition by any lawfully constituted authority;
- (e) loss or damage related to or caused by any occurrence referred to in Standard SAIA Exceptions 1 (A) (i), (ii), (iii), (iv), (v) or (vi) of this policy or the act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any such occurrence.

If the Insurers allege that by reason of provisos (a), (b), (c), (d) or (e) loss or damage is not covered by this insurance, the burden of proving the contrary shall rest on the Insured.



11. ALL OTHER CONTENTS

The expression “All Contents” referred to in the description of property in the Specification shall include but is not restricted to personal effects (excluding money in any form whatsoever), tools and pedal cycles, being the property of the Insured or Msunduzi Municipality’s or employees of the Insured insofar as such property is not otherwise insured.

12. REPLACEMENT (OR REINSTATEMENT) VALUE CONDITIONS

In the event of damage to the property the basis upon which the amount payable is to be calculated, shall be the cost of replacement or reinstating on the same site property of the same kind or type but not superior to or more extensive than the property when new.

provided that:

- (i) the work of replacing or reinstatement (which may be carried out on another site and in any manner suitable to the requirements of the Insured, subject to the liability of the Insurers not being thereby increased) must be commenced and carried out with reasonable despatch otherwise no payment beyond the amount which would have been payable if these replacement (or reinstatement) value conditions had not been incorporated herein, shall be made;
- (ii) until expenditure has been incurred by the Insured with regard to replacing or reinstating the property, the Insurers shall not be liable for any payment in excess of the amount which would have been payable if these conditions had not been incorporated herein;
- (iii) if at the time of replacement or reinstatement the sum representing the cost which would have been incurred in replacement or reinstatement, if the whole of the property insured had been damaged, exceeds the sum insured thereon at the commencement of the damage to such property by any peril insured against, then the Insured shall be considered as being his own Insurer for the difference and he shall bear a rateable proportion of the loss accordingly. Each item of this section (if more than one) to which these conditions apply, shall be separately subject to this provision;
- (iv) these conditions shall be of no force or effect if:
 - (a) the Insured fails to intimate to the Insurers within six months from the date of damage, or such further time as the Insurers may in writing allow, his intention to replace or reinstate the property damaged;
 - (b) the Insured is unable or unwilling to replace or reinstate the property destroyed or damaged on the same or another site.

13. LOAD ON VEHICLE CLAUSE

Damage to any load, being the property of the Insured or for which they are responsible, shall be covered while the same is on any railway or road vehicle in, at or on any premises at which damage shall have been caused by any peril insured against subject to a Limit of R50 000,00.

14. ALTERATIONS AND MISDESCRIPTION CLAUSE

The insurance under this section shall not be prejudiced by any alteration or misdescription of occupancy whether due to the transfer of processes or machinery or by virtue of acquisition of additional premises, structural alterations or repairs to buildings, machinery or plant, provided that notice is given to the Insurers as soon as practicable after such event and the Insured agree to pay additional premium if required.



MSUNDUZI ANNUAL BUDGET

15. DISPOSAL OF SALVAGE

Without diminishing the rights of the Insurers to rely on the provisions of the general conditions in the event of a loss the Insurers agrees that it will not sell or otherwise dispose of any property which is the subject of a claim hereunder without the consent of the Insured provided that the Insured can establish to the satisfaction of the Insurers that to do so will prejudice their interests in which event the Insurers agrees to give the Insured first option to repurchase such property at its fair intrinsic value or market value whichever is the greater.

The Insured will not be entitled under the provisions of this clause to abandon any property whether taken possession of by the Insurers or not.

16. INACTIVE BUILDINGS

Loss and/or damage as a result of theft of or malicious damage to inactive buildings are excluded, unless otherwise stated in the Specification.



OFFICE CONTENTS SECTION

CONTINGENCIES

- A. Loss of or damage to the property insured described in the Specification by or through any of the perils described in Sub-Section A.
- B. Loss of rent as referred to in Sub-Section B.
- C. Loss of or damage to documents as referred to in Sub-Section C.
- D. Legal liability relative to documents as referred to in Sub-Section D.
- E. Increase in cost of working as referred to in Sub-Section E.

SUB-SECTION A : INSURED PERILS

- 1. Fire, lightning, thunderbolt, subterranean fire, explosion.
- 2. Malicious damage as per Extension 8.
- 3. Storm, wind, water, hail, snow, flood.
- 4. Earthquake.
- 5. Aircraft and other aerial devices or articles dropped therefrom.
- 6. Bursting or overflowing of or leakage from tanks, apparatus, or pipes, (including loss or damage thereto) of water, oil, chemicals, fluids and/or fumes.
- 7. Impact by vehicles or animals or by falling trees, boulders/stones.
- 8. Theft or any attempt thereat other than by any Msunduzi Municipality or Employee of the Insured.
- 9. Accidental breakage of mirror glass, plate glass tops to furniture or fixed glass forming part of any article of furniture.
- 10. Cover is limited to R1 000 000,00.

SPECIAL CONDITIONS APPLICABLE TO SUB-SECTION A AVERAGE (Applicable to paragraphs A.1 to 7 only)

If the total value of the property insured is at the time of the happening of any loss, destruction or damage by any peril insured against, collectively of greater value insured thereon, the Insured shall be considered as being their own Insurer for the difference and shall bear a rateable share of the loss or damage. Each item of the Specification covering such property shall be separately subject to this condition.

SPECIAL EXCEPTION APPLICABLE TO SUB-SECTION A

This section does not cover debentures, moneys, cheques, securities for money, stamps, medals, coins, jewellery, precious stones, bicycles, motor vehicles and accessories thereon, livestock, stock in trade, samples and property otherwise insured.

SUB-SECTION B : RENT

Loss of rent actually incurred by the Insured in consequence of the office premises or portion thereof being so damaged by any of the perils specified in Sub-Section A as to be rendered untenable but only in respect of the period necessary for reinstatement. The indemnity under this Sub-Section shall not exceed 25% of the sum insured or value (whichever is lower) of all contents of the office premises affected).

For the purpose of this Sub-Section the term "office premises" shall be deemed to extend to any premises or portion thereof in the vicinity of the office premises, damage to which prevents or limits access to the office premises.

SUB-SECTION C : LOSS OF DOCUMENTS

Costs, charges and expenses incurred by the Insured in replacing or restoring any documents arising from loss or damage

provided that

- (a) the Insured shall properly look or cause to be looked for them;
- (b) this sub-section does not cover loss, destruction or damage caused by the dishonesty of any official or director who is also an employee of the Insured and whom the Insured have the right at all times to govern, control and direct in the performance of his work in the service of the Insured.
- (c) Cover is limited to R100 000,00.

DEFINITION

The term document shall mean films, tapes, addressograph plates, books, records, maps, plans, drawings, abstracts, deeds, wills, mortgages, agreements, manuscripts, letters, certificates, documents and similar written printed or otherwise inscribed papers and documents used by the Insured in the business owned by them or for which they are responsible excluding money, current postage or revenue stamps, cancelled and uncanceled coupons, securities, bearer bonds and cheques.

SUB SECTION D : LEGAL LIABILITY (DOCUMENTS)

Legal liability as a direct consequence of loss of or damage to documents as defined in Sub-Section C and in respect of which payment, reinstatement or repair has been made or liability admitted by the Insurers under Sub-Section C unless such payment reinstatement repair or liability has not been made or admitted solely because the insured is required to bear the first portion of the loss.

Cover is limited to R1 000 000,00

2019/20 to 2021/22



SUB-SECTION E : INCREASE IN COST OF WORKING

Any additional expenditure not otherwise provided for in this section reasonably incurred by the Insured for the purposes of maintaining the normal operation of the business in consequence of loss or damage in respect of which payment, reinstatement or repair has been made or liability admitted by the Insurers under Sub-Sections A or C. The indemnity under this Sub-Section shall not exceed 25% of the sum insured on all contents of the office premises affected.

ADDITIONAL CONTINGENCIES AND COVER

(OPTIONAL: Applicable only if stated in the Specification to be included)
SUBSIDENCE AND LANDSLIP

Damage caused by subsidence or landslip provided that the Insured shall bear the first portion of each and every claim as stated in the Specification.

This extension does not cover

1. Damage to drains, water courses, boundary walls, garden walls, retaining walls, gates, posts or fences unless specifically insured.
2. Damage caused by or attributable to
 - (a) faulty design or construction of or the removal or weakening of support to any building situated at the Insured premises;
 - (b) workmen engaged in making any structural alterations, additions or repairs to any building situated at the Insured premises;
 - (c) excavation on or under land other than excavation in the course of mining operations.
3. Consequential loss of any kind whatsoever except loss of rent when specifically insured under this section.

In any action suit or other proceeding where the Insurers allege that by reason of the provisions of these exceptions any damage is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

CLAUSES AND EXTENSIONS

1. TEMPORARY REMOVAL

Except insofar as otherwise insured, the property insured (other than property of any Msunduzi Municipality or employee of the Insured) is covered whilst temporarily removed elsewhere on the same premises as stated in the Specification or to any other premises and in transit thereto and therefrom anywhere within South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Malawi.

2. CAPITAL ADDITIONS

The insurance under this section covers alterations, additions and improvements (but not appreciation in value in excess of the sum(s) insured) to the property for an amount not exceeding 15% of the sum insured thereon it being understood that the Insured undertakes to advise the Insurers each quarter of such alterations, additions and improvements and to pay the appropriate additional premium thereon.

3. FIRE BRIGADE CHARGES

If any public authority empowered to do so shall charge the Insured with any costs relating to the extinguishing or fighting of fire, such costs shall be deemed to be damage to the Insured property and shall be payable in addition to any other payment for which the Insurers may be liable in terms of this section.

4. REMOVAL OF DEBRIS

The insurance under this section is extended to include such reasonable costs and expenses as may be necessarily incurred by the Insured in respect of the removal of debris following loss of or damage to the Insured property by any peril hereby insured against, provided that the liability of the Insurers for such loss or damage and costs and expenses shall not exceed R100 000,00.

5. TENANTS

The Insurers' liability to the Insured shall not be affected by any act or omission on the part of any tenant or owner of a building (other than the Insured) without the Insured's knowledge. The Insured shall, however, inform the Insurers as soon as any such act or omission which is a contravention of any of the terms, exceptions or conditions of this policy comes to their knowledge and will be responsible for any additional premium payable from the date any increased hazard shall be assumed by the Insurers.

6. REPLACEMENT VALUE CONDITIONS

The basis upon which the amount payable for a claim in respect of contents is calculated shall be either the replacement of the contents by similar property in a condition equal to but not better or more extensive than its condition when new

or

the repair of the contents to a condition substantially the same as but not better than its condition when new, provided that if at the time of replacement or repair, the sum representing the cost which would have been lost, destroyed or damaged beyond repair exceeds the sum insured thereon at the time of the loss or damage, then the Insured shall be considered as being their own Insurers for the difference and shall bear a rateable proportion of the loss accordingly.



7. MALICIOUS DAMAGE

Subject otherwise to the terms, conditions and exclusions, exceptions and warranties contained herein this insurance is extended to cover loss or damage directly occasioned by or through or in consequence of the deliberate or wilful or wanton act of any person committed with the intention of causing such loss or damage but excluding loss or damage to property insured which is:

- i) stolen
 - ii) damaged in an attempt to remove it from any premises owned or occupied by the Insured
 - iii) damaged by thieves whilst breaking into or out of or attempting to break into or out of any property
- Provided that this extension does not cover :
- (a) loss or damage related to or caused by fire or explosion;
 - (b) consequential or indirect loss or damage of any kind or description whatsoever, other than loss of rent if specifically insured;
 - (c) loss or damage resulting from total or partial cessation of work, or the retarding or interruption or cessation of any process or operation;
 - (d) loss or damage occasioned by permanent or temporary dispossession resulting from confiscation, commandeering or requisition by any lawfully constituted authority;
 - (e) loss or damage related to or caused by any occurrence referred to in Standard SAIA Exceptions 1 (A) (i) , (ii), (iii), (iv), (v) or (vi) of this policy or the act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any such occurrence.
- If the Insurers allege that by reason of provisos (a), (b), (c), (d) or (e) loss or damage is not covered by this insurance, the burden of proving the contrary shall rest on the Insured.

8. LOCKS AND KEYS

In addition to the limit of indemnity, the Insurers will indemnify the Insured in respect of the cost of replacing locks and keys to any office premises following upon the disappearance of any key to such premises or following upon the Insured having reason to believe that any unauthorised person may be in possession of a duplicate of such key

provided that

- (i) the Insurers' liability shall not exceed R25 000,00.
- (ii) the Insurers shall not be liable for the first amount payable stated in the Specification.

9. NEW AND ADDITIONAL PREMISES

If the Insured shall occupy offices or consulting rooms other than those situated as stated in the Specification in South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Malawi, the insurance by this section shall apply as though such offices or consulting rooms were office premises within the meaning of this section

provided that

- (i) the Insured shall within a reasonable time of taking occupation advise the Insurers thereof and pay additional premium calculated pro rata from the time of taking occupation until the end of the then current period of insurance.
- (ii) this clause shall not apply to any loss if and so far as the same is otherwise insured.



MSUNDUZI ANNUAL BUDGET

IO. ALTERATIONS AND MISDESCRIPTION CLAUSE

The insurance under this section shall not be prejudiced by any alteration or misdescription of occupancy whether due to the transfer of processes or machinery or by virtue of structural alterations, repairs to buildings, machinery or plant, provided that notice is given to the Insurers as soon as practicable after such event and the Insured agree to pay additional premium if required.



BUSINESS ALL RISKS SECTION PROPERTY COVERED:

- | | | |
|---|---|-------------|
| 1. General items (excluding cellphones, ipads, laptops etc) | - | R1 000 000 |
| 2. Laptops | - | R50 000 |
| 3. Cellphones | - | Not covered |

CONTINGENCIES

Loss of or damage to the property insured described in the Specification from any cause whatsoever not otherwise excluded.

SPECIFIC EXCEPTIONS

The Insurers shall not be liable for:

- Loss or damage resulting from or caused by
 - its undergoing a process of cleaning, repairing, dyeing, bleaching, altering or restoring any article;
 - detention, confiscation or requisition by customs or other officials or authorities;
 - inherent vice or defect, rust, damp, mildew, vermin or insects;
 - the dishonesty of any Msunduzi Municipality or employee of the Insured whether acting alone or in collusion with others.
- Wear and tear or gradual deterioration (including the gradual action of light or climatic or atmospheric conditions) unless following an accident or misfortune not otherwise excluded.
- Mechanical or electrical breakdown, cracking, scratching, denting, failure or breakage or derangement unless caused by an accident or misfortune not otherwise excluded.
- Loss or damage to insured property occasioned by theft and/or attempted theft unless accompanied by forcible and violent entry into or exit from any building, structure or any portion thereof.
- Loss or damage to insured property occasioned by theft and/or attempted theft from a motor vehicle must be accompanied by forcible and violent entry into the motor vehicle.
- Any loss or damage or disappearance of any of the property from an unattended motor vehicle unless the property is contained in a completely closed and securely locked vehicle or portion of the vehicle and such loss damage or disappearance is caused by violent and forcible entry into the vehicle or portion of the vehicle.
- Loss or damage to cash, bank and currency notes, coins, bonds, coupons, stamps, negotiable instruments, title deeds, manuscripts or securities of any kind.
- Loss or damage to goods consigned under a bill of lading.
- Over-winding denting or internal damage to clocks.



CLAUSES AND EXTENSIONS

1. AUTOMATIC ADDITIONS

This section extends to include any additional items of similar nature to those specified in the Specification provided that the Insured notifies the Insurers within 90 days of such additions and agrees to pay such additional premium as required.

2. KEYS AND LOCKS

The Insurers shall pay to the Insured the cost of replacement or alteration of keys and/or locks in the event of a loss of or damage to keys. Provided always that the Insurers' liability in respect hereof shall be limited to R25 000,00.

3. INCREASE IN COST OF WORKING

The insurance under this extension is limited to expenditure not otherwise recoverable under this section, necessarily and reasonably incurred as a result of loss of or damage to property for which payment is made or liability admitted under this section, for the purpose of maintaining the normal operation of the business provided always that the Insurers' liability in respect hereof shall be limited to the amount stated in the Specification.

Cover is limited to R250 000,00.

4. REPLACEMENT VALUE CONDITIONS

The basis upon which the amount payable for a claim in respect of property is calculated shall be either the replacement of the property by similar property in a condition equal to but not better or more extensive than its condition when new

Or

the repair of the property to a condition substantially the same as but not better than its condition when new provided that if at the time of replacement or repair, the sum representing the cost which would have been incurred in replacement if the whole of the Insured property had been lost, destroyed or damaged beyond repair exceeds the sum insured thereon at the time of the loss or damage, then the Insured shall be considered as being their own Insurer for the difference and shall bear a rateable proportion of the loss accordingly.



MEMORANDUM 1 - EMPLOYEES TOOLS AND IMPLEMENTS

1. Cover is restricted to theft and fire damage only.
2. No compensation will be paid if the loss is not reported in writing within three working days to the immediate Supervisor from the date of the discovery of the loss.
3. When not in use tools must be kept in a locked toolbox or locker provided by the Municipality failing which no cover is in force.
4. Employees must take advantage of nearby Municipal premises such as but not restricted to sub-stations, Official dwellings to ensure additional security.
5. The employee shall, immediately upon discovery of any loss or damage, giving rise to a claim shall:
 - 1.1 Within three working days give notice in writing to the Municipality; and
 - 1.2 Submit a detailed statement giving full description of the loss.
6. The amount of the compensation is limited to not more than R50 000,00 any one claim.

MEMORANDUM 2 - PROPERTY DAMAGE

1. Property damage shall include underground and overhead service lines; street light-poles; robots and robot controllers including cabling other than on or within 50 meters from the robot; road railings; signposts; man-hole and drain covers; central distribution units being the property of the Municipality.
2. This item does not cover parking meters.

MEMORANDUM 3 - WORKS OF ART AT THE TATHAM ART GALLERY

1. The Works of Art being the property of the Municipality or for which they are responsible whilst contained at the Tatham Art Gallery is not covered by this policy – cover arranged through external Insurer's .

THEFT SECTION CONTINGENCIES

Loss of or damage to the property insured described in the Specification as a result of theft accompanied by forcible and violent entry into or exit from any building, structure or any portion thereof or any attempt thereat or as a result of theft or attempt thereat following violence or threat of violence.

Cover is limited to a First loss limit of R500 000,00 any one claim.

ADDITIONAL CONTINGENCIES AND COVER

I. PROPERTY IN THE OPEN

Cover provided by this section is extended to include loss of or damage to property in the open within a fenced-off area as a result of theft accompanied by forcible and violent entry into or exit from such fenced-off area provided that Insurers' liability in respect of each and every loss shall be limited to R50 000,00.

SPECIAL EXCEPTIONS

The Insurers shall not be liable for:

1. Loss or damage which can be insured under a fire policy except in the case of explosion caused in an attempt to gain entry or malicious damage by thieves.
2. Damage insurable under a glass insurance policy.
3. Property more specifically insured or unless specified in the Specification, cash, bank or currency notes, cheques, postal orders, money orders, current negotiable stamps and documents or certificates of a negotiable nature.
4. Loss or damage where any member of the Insured's employees is concerned as principal or accessory.



CLAUSES AND EXTENSIONS

1. The insurance under this section extends to cover loss of or damage to the property insured
 - (a) caused or accompanied by
 - (i) a thief or thieves being concealed upon the Insured premises before close of business;
 - (ii) entry to and/or exit from the premises being effected by use of a skeleton or other key provided that the Insured shall establish to the satisfaction of Insurers that a skeleton or other key has been used;
 - (b) in any place where the Insured may from time to time have an interest provided that
 - (i) such new premises are advised to the Insurers within 30 days from the time the risk attached to the Insurers;
 - (ii) an additional premium, if any, is paid.
2. In addition to the limit of indemnity stated in the Specification (except in the case of explosion)
 - (i) the insurance under this section extends to include damage to the premises (including land lord's fixtures and fittings) in the course of theft or any attempt thereat;
 - (ii) the Insurers will indemnify the Insured in respect of the cost of replacing locks and keys to any insured premises following upon the disappearance of any key to such premises or following upon the Insured having reason to believe that any unauthorised person may be in possession of a duplicate of such key provided that the Insurers' liability shall not exceed R25 000,00.
3. Subject to the specific exceptions and conditions, the following Contingency is added:

"Damage to buildings at the premises described in the Specification (including landlord's fixtures and fittings) and all contents (whilst in such buildings), the property of the Insured or for which they are responsible caused by the deliberate or willful or wanton act of any person during the course of any theft or attempted theft accompanied by forcible and violent entry into or exit from such buildings."

The liability of the Insurers under this extension for any one event shall not exceed R100 000,00.
3. The basis upon which the amount payable for a claim in respect of property is calculated shall be either the replacement of the property by similar property in a condition equal to but not better or more extensive than its condition when new or the repair of the property to a condition substantially the same as but not better than its condition when new.

GLASS SECTION CONTINGENCIES

Loss of or damage to the property insured at the premises all as described in the Specification.

Following loss of or damage to glass the Insurers will also indemnify the Insured for

1. the cost of such boarding up as may be reasonably necessary;
2. damage to skirting, shop fronts, frames, window displays (including fixtures and fittings), burglar alarm strips, wires and vibrators as a direct result of such loss or damage;
3. the cost of removal and reinstallation of fixtures and fittings necessary for the replacement of the glass;
4. the cost of employment of a watchman service prior to replacement of glass or boarding up or the repair of the burglar alarm system, unless payable under any other insurance arranged by the Insured, provided that the liability of the Insurers shall not exceed R25 000,00 any one claim.
 - (i) for the replacement of glass, sign writing and treatment - the sum insured applicable to the premises at which breakage occurs;
 - (ii) for all other costs and expenses provided for by this section and resulting from one occurrence or series of occurrences attributable to one source or original cause - in the aggregate the sum of R25 000,00.
5. Cover is restricted to a sum insured of R1000 000,00.

SPECIFIC EXCEPTIONS

The Insurers shall not be liable for:

1. loss or damage which is insured by or would but for the existence of this section be insured by any fire insurance except in respect of any excess beyond the amount which would have been payable under such fire insurance had the insurance under this section not been effected but this Specific Exception shall not apply to loss or damage for which the Insured is responsible as tenant and not as owner;
2. glass forming part of stock in trade;
3. glass which at inception of this insurance is cracked or broken unless cover has been agreed by the Insurers.

2019/20 to 2021/22



CLAUSES AND EXTENSIONS SPECIAL REINSTATEMENT

If following loss or damage insured hereunder, the Insured is obliged in terms of the National Building Regulations or similar legislation to replace the damaged glass with glass of a superior quality, then the Insurers shall be liable for the increased cost of such replacement including (but not limited to) frames therefore, provided that if the cost of so replacing the whole of the Insured property (inclusive of other items insured) is greater than the sum insured thereon at the time of the loss or damage, then the Insured shall be considered as being their own Insurer for the difference and shall bear a rateable proportion of the loss accordingly.

MONEY SECTION

Defined events

Loss of or damage to money (as defined) occurring in the Republic of South Africa, Namibia, Lesotho, Botswana, Swaziland, Zimbabwe and Malawi except if otherwise specified

provided that the liability of the Insurer for all loss or damage arising from all occurrences of a series consequent upon or attributable to one source or original cause shall not exceed the specific limitations stated in the schedule.

Cover is restricted to a major limit is R500 000,00.

Definitions

Money shall mean cash, bank and currency notes, cheques, postal orders, money orders, current negotiable postage, revenue and holiday stamps, credit card vouchers and documents, certificates or other instruments of a negotiable nature, the property of the insured or for which they are responsible.

Receptacle shall mean any safe, strong room, strongbox, till, cash register, cash box or other receptacle for money or any franking machine.

Clothing and firearms shall mean clothing, personal effects and firearms not otherwise insured belonging to the insured or any partner or director or Councillor or employee of the insured or any person on the business of the Council whether on a voluntary basis or otherwise.

Working hours shall include such periods as authorised employees, Councillors, directors or principals handle or keep money outside the normal working or office hours, on the premises of the insured.



MSUNDUZI ANNUAL BUDGET

Specific exception

The Insurer shall not be liable for loss of or damage to money

- (1) arising from dishonesty of any principal, partner, director, Councillor or person or persons in the employ of the insured not discovered within 14 working days of the occurrence thereof;
- (2) arising from shortage due to error or omission;
- (3) arising from the use of keys to any safe or strong room unless the keys
 - (a) are obtained by violence or threats of violence to any person
 - (b) are used by the key holder or some other person with the collusion of the key holder and the insured can prove to the satisfaction of the Insurer that the key holder or such other person had used the keys to open the safe or strong room;
- (4) in an unlocked safe or strong room whilst the portion of the premises containing such safe or strong room is unattended but this exception will not apply if it can be shown to the satisfaction of the Insurer that the key holder to the safe or strong room deliberately left it unlocked with the intention of allowing the money to be stolen;
- (5) not contained in a locked safe or strong room whilst the portion of the premises containing such money is unattended but this exception will not apply if it can be shown to the satisfaction of the Insurer that the person(s) responsible for the money deliberately left it outside the safe or strong room with the intention of allowing it to be stolen;
- (6) in any vehicle being used by the insured unless a principal, partner, director, Councillor or employee of the insured is actually in such vehicle or, if not in such vehicle, is within 5 metres of it in a position from which the vehicle is clearly visible. This exception shall not apply following an accident involving such vehicle rendering the said person incapacitated

Specific exceptions (3), (4), (5) and (6) do not apply up to an amount of R2 000 and such losses shall not be reduced by any first amount payable



CLAUSES AND EXTENSIONS

1. Receptacles and clothing

In addition to any payment in respect of a defined event, the Insurer will indemnify the insured in respect of receptacles, clothing and firearms (as defined) lost or damaged as a result of theft of money or attempted theft of money, provided that the Insurer's liability under this extension in respect of clothing and firearms shall not exceed R5 000, and in respect of receptacles, the amount stated in the schedule or R25 000 whichever is the greater. Receptacle shall include any franking machine.

2. Locks and keys

In addition to any payment in respect of a defined event, the Insurer will indemnify the insured in respect of the cost of replacing locks and keys to any receptacle at the insured premises following upon the disappearance of any key to such receptacle or following upon the insured having reason to believe that any unauthorised person may be in possession of a duplicate of such key

provided that

- (i) the Insurer's liability shall not exceed R25 000 in respect of any one event
- (ii) the Insurer shall not be liable for the excess stated in the schedule

3. Skeleton keys

The insurance under this section extends to cover loss of or damage to the property insured caused or accompanied by entry to receptacles by use of a skeleton key or other similar device (excluding a duplicate key) provided that the insured shall establish to the satisfaction of the Insurer that a skeleton key or device was used.

Memoranda

1. Loss of or damage to money as insured under this section arising from dishonesty of any principal, partner, director, Councillor or person in the employ of the insured (such person), as defined under this section, shall be subject to the following compulsory First Amount Payable Clause

The amount payable hereunder in respect of an event involving any such person or any number of such persons acting in collusion, shall be reduced by

(a) 2% of the applicable limit under defined events plus

(b) a further amount of 10% of the nett amount payable after deduction of the 2% specified in (a) above.

2. The Insurer shall not be liable under this section of the policy in respect of loss or damage arising from any event in respect of which a claim is payable, or would be payable but for any first amount payable or co-insured clause under the fidelity section of the policy or any other fidelity insurance.
3. The Insurer shall not be liable under this section of the policy in respect of loss of or damage to money in excess of R50 000 whilst in transit should a professional carrier not be used.

Special conditions applicable to cheques

First amount payable applicable to theft of cheques

Any loss or series of losses attributable to one original event which is payable under this section and which results from the theft of any cheque or cheques shall be reduced by a first amount payable of 25% of the loss indemnifiable by this section unless:

I. Cheques drawn by the Insured

- (a) the cheque has been drawn and crossed exactly in accordance with the under mentioned "Recommended South African Insurance Association (SAIA) procedure for drawing and crossing of cheques" or any other superior method approved by the SAIA and the printed portion of the cheque (as opposed to the written or typed portion) has been printed by the bank itself or a printer licensed to print cheques by the Automatic Clearing Bureau

2019/20 to 2021/22



or

- (b) the cheque has been dispatched to the payee by certified post or any post where the security is equal or superior to certified post

2. Cheques drawn by someone other than the Insured and which were received by the Insured by post or direct by the cashier

- (a) such cheque has been crossed and marked “not negotiable” and marked “not transferable” immediately on receipt thereof by the Insured and
- (b) the Insured is able to identify the drawer and amount of the cheque from their records

3. Cheques of which the Insured is the true owner which were drawn by someone other than the Insured and posted to the Insured but not received

- (a) the cheque has been drawn and crossed exactly in accordance with the under mentioned “Recommended SAIA procedure for drawing and crossing of cheques” or any other superior method approved by the SAIA

or

- (b) the cheque was dispatched to the Insured by certified post or any post where security is equal or superior to certified post

or

- (c) the invoice of the insured (to which the payment by cheque relates) contains a message (approved by the Insurer or SAIA) on it recommending or requiring that the cheque be drawn in accordance with the under mentioned “Recommended SAIA procedure for drawing and crossing of cheques”.

Recommended SAIA procedure for drawing and crossing of cheques and printing of blank cheques

A. Drawing and crossing of cheques

One of the safest methods of drawing and crossing a cheque, which is acceptable to banks, is as noted hereunder. This method is recommended by the SAIA

1. Delete the pre-printed words "or bearer". This limits the possibility of the drawee bank paying out to a bearer who might not be entitled to payment
2. If instead of "or bearer" your cheque has pre-printed on it "or order" these words must also be deleted
3. Write on the face of the cheque the words "not transferable"
4. Cross the cheque by drawing two parallel lines across the cheque
5. Write the words "not negotiable" between the two parallel lines referred to in 4 above
6. Ensure that the payee is accurately, properly and fully described for example where the payee is a Insurer its full name should be used: RH Jones (Pty) Ltd not just RH Jones

Where the bank account number or CC number of the payee is known this should be included after the name of the payee, for example, "RH Jones (Pty) Ltd, Co No: 69/123456" or "RH Jones (Pty) Ltd ABC Bank account no: 123456789

Whilst highly recommended it is not compulsory to use the bank account number of the payee

7. In drawing the cheque no spaces should be left which would allow anyone to add extra words or figures
8. An example of this method of drawing a cheque is attached as Annexure A
9. On the rear of the cheque the wording listed in Annexure B (last page of this section) should be printed. Please ensure that space is left on the rear of the cheque for bank stamps and endorsements



10. All the markings on a cheque should be legible and clearly visible. Persons drawing cheques should not use abbreviated or different versions of the terminology used in the example. The words “not neg” and a crossing using a rubber stamp containing a rectangle rather than two parallel lines are worthless

11. The method used to complete cheques should be one which makes an ink impression on the paper like handwriting, a typewriter or a dot matrix printer. The ribbon used on the printer/typewriter should be of the type which impregnates the paper with ink. Do not use:
 - (i) old ribbons

 - (ii) laser printers which do not make an impression into the paper

 - (iii) the “reverse printing technique”

 - (iv) correctable type ribbons.

B. Printing of blank cheques

Blank cheques should only be printed by the Bank itself or a printer licensed by the Automatic Clearing Bureau. These printers know the recommended requirements of banks and should only use approved:

- (i) security paper (CBS1 or superior)

- (ii) security designs

- (iii) special security inks compatible with the security paper/design

- (iv) methods which make it difficult for anyone to make a supply of blank cheque by photocopying the originals.

FIDELITY SECTION

Defined Events

1. Loss of money and/or other property belonging to the insured or for which they are responsible stolen by an insured employee during the currency of this section
2. Direct financial loss sustained by the insured as a result of fraud or dishonesty of an insured employee all of which occurs during the currency of this section which results in dishonest personal financial gain for the employee concerned

provided that

- i) (a) the Insurer is not liable for all losses which occurred more than 24 months prior to discovery;
 - (b) all losses are discovered not later than twelve months after the termination of:
 - (i) this section, or
 - (ii) this section in respect of any insured employee concerned in a loss, or
 - (iii) the employment of the insured employee or the last of the insured employees concerned in a loss whichever occurs first;
 - ii) (a) BLANKET BASIS –the liability of the Insurer for all losses shall not exceed the sum insured stated in the schedule whether involving any one employee or any number of employees acting in collusion or independently of each other;
 - (b) NAMED OR POSITION BASIS – the liability of the Insurer for all losses involving any employee shall not exceed the sum insured stated opposite his name in the schedule or, if he is unnamed, the sum insured stated opposite the position held by him in the business as stated in the schedule;
 - iii) renewal of this insurance from period to period or any extension of any period of insurance shall not have the effect of accumulating or increasing the liability of the Insurer beyond the sum insured stated in the schedule. If the period of insurance is less than 12 months the Insurer's liability is limited to the sum stated in the schedule during any twelve month period of insurance calculated from inception or renewal;
 - iv) the term "dishonest personal financial gain" shall not include gain by an employee in the form of salary, salary increases, fees, commissions, bonuses, promotions or other emoluments.
2. A limit of indemnity of R1 000 000,00 applies.



DEFINITION

Employee shall mean

- (a) any person while employed under a contract of service with or apprenticeship to the insured;
- (b) any person while hired or seconded from any other party into the service of the insured;
- (c) any Councillor or any other person acting on behalf of the insured whether on a voluntary basis or otherwise other than service providers of the insured

who the insured has the right at all times to govern, control and direct in the performance of his work in the course of the business of the insured and who, if this section is on a named and/or position basis, is described in the schedule by name and/or by the position held by him in the business.

Specific exceptions

1. The Insurer shall not be liable for
 - (a) loss resulting from or contributed to by any defined event by
 - (i) any partner in or of the insured to the extent that such partner would benefit by indemnity granted under this policy;
 - (ii) any principal, director or member of the insured unless such director or member is also an employee;
 - (iii) any employee from the time the insured shall become aware that such employee has committed any fraud or dishonesty;
 - (b) any consequential losses of any kind following losses referred to under defined events.
2. This section does not cover any Insurer or other legal entity acquired during the period of insurance.

3. The Insurer shall not be liable for any defined event if it results from the dishonest

- (i) manipulation of
- (ii) input into
- (iii) suppression of input into
- (iv) destruction of
- (v) alteration of

any computer programme, system, data or software by any insured employee who is employed in the insured's electronic data processing department or area.

This exception does not apply to insured employees who are employed in the electronic data processing department/area of any non-networked micro/personal computer.

4. The Insurer shall only be liable to the extent of the participation/shareholding of any uninvolved partners/principals/directors or members for an insured event in which any partner/principal/director or member of the insured is or has been directly involved.

This specific exception only applies to Partnerships, Proprietary Companies or Close Corporations

Specific conditions

1. The insured shall institute and/or maintain and continue to employ in every material manner all such systems of check and control, accounting and clerical procedures and methods of conducting his business as has been represented to the Insurer but the insured may:
 - (a) change the remuneration and conditions of service of any employee;
 - (b) in respect of any employee who is described in the schedule by name, change his duties and position;
 - (c) in respect of any employee who is described in the schedule only by the position held by him, remove such employee and place in his position any other person who falls within the definition of employee;
 - (d) make such other changes as are approved beforehand in writing by the insured's auditors.
2. If the insured shall sustain any loss to which this section applies which exceeds the amount payable hereunder in respect of such loss, the insured shall be entitled to all recoveries (except from suretyship, insurance, reinsurance, security or indemnity taken or effected by the Insurer or for the amount of any first amount payable) by whomsoever made on account of such loss until fully reimbursed, less the actual cost of effecting the same, and any remainder shall be applied to the reimbursement of the Insurer and the insured to the extent of his coinsurance in terms of item (b) the compulsory first amount payable clause.



CLAUSES AND EXTENSIONS

Accountants clause

Any particulars or details contained in the insured's books of account or other business books or documents which may be required by the Insurer under this section for the purpose of investigating or verifying any claim hereunder may be produced and certified by the insured's auditors or professional accountants and their certificate shall be prima facie evidence of the particulars and details to which it relates.

Extended cover for past employees extension

Any person who ceases to be an employee shall, for the purposes of this section, be considered as being an employee for a period of 30 days after he in fact ceased to be an employee.

Retroactive cover extension – No previous insurance in force (if stated in the schedule to be included)

This section will also apply to defined events as insured herein which occurred up to 12 months prior to inception of this section but not more than 24 months prior to discovery, provided the events are discovered within the sooner of 12 months of the termination of the employment of the employee concerned or within 12 months of the expiry of this section.

Superseded insurance's extension (if stated in the schedule to be included)

This section will apply to defined events insured herein which occurred during the currency of any insurance superseded by this section and specified in the schedule provided that:

1. this extension is restricted to losses which would have been payable by the superseded insurance but which are not claimable because of the expiry of the period of time allowed by the superseded insurance for the discovery of the defined events;
2. the defined events are discovered within the sooner of 12 months of the termination of the employment of the employee concerned or within 12 months of the expiry of this section;
3. the amount payable under this extension shall not exceed the amount insured by this section or the amount insured by the superseded insurance whichever is the lesser;
4. in the event of the defined events involving one employee or any number of employees occurring during both the currency of this section and that of the superseded policy, the maximum amount payable shall not exceed the amount insured by this section at the time of discovery of the defined events;
5. this extension will not apply to defined events which occurred more than the number of years stated in the schedule before inception of this section;
6. the Insurer is not liable for any loss which occurred more than 24 months prior to discovery.

Other insurance's

It is a condition of this section that other than

- (a) a money policy;
- (b) that declared to the Insurer at inception or renewal or time a claim is submitted;
- (c) a fidelity pension fund policy which is not in excess of this section;
- (d) this policy



MSUNDUZI ANNUAL BUDGET

no other insurance is in force during the currency of this section to insure against the risks insured hereunder.

Compulsory first amount payable

The amount payable under this section in respect of a defined event involving one employee or any number of employees acting in collusion shall be reduced by:

- (a) 2% of the aggregate of the sum insured under this section and the declared insurance of R60 000 whichever is the lesser plus
- (b) a further amount of 10% of the nett amount payable after deduction of the amount specified in (a) above.

Both amounts shall be borne in full by the insured and remain uninsured.

Computer losses first amount payable

The percentage shown in (b) of the compulsory first amount payable clause is increased from 10% to 20% if the defined event results from the dishonest

- (i) manipulation of
- (ii) input into
- (iii) suppression of input into
- (iv) destruction of
- (v) alteration of

any non-networked micro/personal computer programme, system, data or software by any insured employee whose duties involve the managing, supervision, design, creation or alteration of computer systems or programmes.

First amount payable for losses discovered more than 12 months after they were committed

If any defined event is discovered more than 12 months after:

1. it was committed
2. the first event in a series of events committed by one person or a number of persons acting in collusion the percentages contained in the first amount payable clause are increased as follows;

First amount payable clause	First amount payable increased to percentage shown below	
	If losses are discovered more than 12 months after being committed but not more than 24 months thereafter	If policy has been extended to cover that part of losses discovered more than 24 months after being committed but not more than 36 months thereafter
Compulsory		
Paragraph (a)	From 2% to 4%	From 2% to 5%
Paragraph (b)	From 10% to 15%	From 10% to 20%
Computer Losses	From 20% to 30%	From 20% to 35%

Notwithstanding the above, the insured may opt to claim only for that part of the loss which was discovered in a lesser period, in which case the first amount payable applicable for the corresponding lesser period will apply.



Voluntary first amount payable clause (if stated in the schedule to be included)

In addition to the amount payable by the insured under the compulsory first amount payable clause, the insured shall be responsible for the difference between such amount and the amount stated in the schedule as the voluntary first amount payable provided such voluntary amount exceeds the compulsory amount.

Reduction/Reinstatement of insured amount clause (if stated in the schedule to be included)

The payment by the Insurer of any loss involving one employee or any number of employees shall not reduce the Insurer's liability in respect of the remaining insured employees provided that:

1. the maximum amount payable by the Insurer for all insured employees shall not exceed double the sum insured shown in the schedule;
2. the insured pays additional premium calculated in terms of the following formula

Amount of claim payment

Annual premium in force at time of discovery of loss x Sum insured at time of discovery of loss

The additional premium shall be payable in full and may not be reduced due to the period between the date of discovery of loss and the expiry date being less than 12 months.

Costs of recovery extension

If the insured shall sustain any loss to which this section applies which exceeds the sum insured hereunder, the Insurer will, in addition to the sum insured, pay to the insured costs and expenses not exceeding the amount stated in the schedule necessarily incurred with the consent of the Insurer (which consent shall not be unreasonably withheld) for the recovery or attempted recovery from the employee in regard to whom the claim is made, of that part of the loss which exceeds the sum insured hereunder. All amounts recovered by the insured in excess of the said part of the loss shall be for the benefit of the Insurer and the insured to the extent of his coinsurance in terms of item (b) the compulsory first amount payable clause.

Computer losses extension (not covered)

The insured having completed a satisfactory questionnaire, specific exception 3 and the Computer losses first amount payable clause are deleted.

Extension for losses discovered more than 24 months after being committed but not more than 36 months thereafter (not covered)

1. In consideration of the payment of an additional premium, Proviso 1(a) of the defined events is restated to read:
 1. (a) the Insurer is not liable for all losses which occurred more than 36 months prior to discovery.
2. If this policy section includes the superseded policy clause, the period referred to in proviso 6 thereof is increased from 24 months to 36 months

Extension granted on receipt of a satisfactory systems audit in respect of losses discovered more than 24 months after being committed (not covered)



MSUNDUZI ANNUAL BUDGET

In consideration of the accounting firm named in the schedule having conducted a satisfactory audit of the insured's systems of

- control
- fraud dishonesty and theft detection

and subject to the insured implementing and maintaining all the recommendations contained in such audit:

1. proviso 1(a) of the defined events (which limits cover to that part of losses discovered within 24 months) and proviso 6 of the superseded insurance extension clause (if applicable) are deleted
2. if any defined event is discovered more than 12 months after it was committed, the percentages contained in the undernoted first amount payable clauses are increased as follows:

First amount payable clause	First amount payable increased to percentage shown below if losses discovered more than 12 months after being committed
Compulsory	
Paragraph (a)	From 2% to 3%
Paragraph (b)	From 10% to 12,5%
Computer Losses	From 20% to 25%

Notwithstanding the above, the insured may opt to claim only for that part of the loss which was discovered within 12 months, in which case the first amount payable applicable for that period will apply.

3. The first amount payable clause for losses discovered more than 12 months after they were committed is deleted.

MEMORANDA

1. In the event of the discovery of any loss resulting from a defined event, the insured may, notwithstanding anything to the contrary contained in paragraph (ii) of general condition 6, refrain from reporting the matter to the police but shall do so immediately should the Insurer require such action to be taken.
2. Non-disclosure of his own fraud or dishonesty or that of others with whom he is in collusion by the person signing any proposal form or giving renewal or other instructions shall not prejudice any claim under this section.
3. General exceptions 1 and 2 and general condition 9 do not apply to this section.
4. If the sum insured shall be increased at any time, such increased amount shall apply only to defined events committed after the date of such increase.



MOTOR: OWN DAMAGE SECTION

Sub-section A Loss or damage

Defined events

Loss of or damage to any vehicle described in the schedule and its accessories and spare parts whilst thereon. In addition, if such vehicle is disabled by reasons of any loss or damage insured hereby, the Insurer will pay the reasonable cost of protection and removal to the nearest repairers and the insured may give instructions for repairs to be executed without the previous consent of the Insurer to the extent of but not exceeding R2 000, provided that a detailed estimate is first obtained and immediately forwarded to the Insurer .

The Insurer will also pay the reasonable cost of delivery to the insured, after repair of such loss or damage, not exceeding the reasonable cost of transport to the permanent address of the insured in the Republic of South Africa, Namibia , Botswana, Swaziland, Zimbabwe, or Malawi provided that:

1. the limit of indemnity for each type of vehicle is as stated in the schedule and shall be the maximum amount payable by the Insurer in respect of such loss or damage, but shall not exceed the reasonable market value of the vehicle and its accessories and spare parts and the residual value of any current maintenance agreement or contract at the time of such loss or damage
2. the Insurer may, at own option, repair, reinstate or replace such vehicle or any part thereof and/or its accessories and spare parts or may pay in cash the amount of the loss or damage not exceeding the reasonable market value of such vehicle and/or accessories and/or spare parts at the time of such loss or damage
3. if , to the knowledge of the Insurer, the vehicle is subject of a suspensive sale or similar agreement, such payment shall be made to the owner described therein whose receipt shall be a full and final discharge to the Insurer in respect of such loss or damage
4. in respect of each and every occurrence giving rise to a claim (except a claim resulting from fire, lightning or explosion) under this sub-section, the insured shall be responsible for the first amounts payable stated in the schedule (according to the type of vehicle) of any expenditure (or any less expenditure which may be incurred) for which provision is made under this sub- section (including any payment in respect of costs, expenses and fees), and of any expenditure by the Insurer in the exercise of any discretion it may have under this insurance. If the expenditure incurred by the Insurer shall include any first amount payable for which the insured is responsible, such amount shall be paid by the insured to the Insurer forthwith
5. the Insurer shall not be liable for more than the amount stated in the schedule (after deduction of the first amounts payable) in respect of the theft or attempted theft of radios, tape players and similar equipment or telephones not supplied by the manufacturers of the vehicle when new.

Exceptions to sub-section A

The Insurer shall not be liable to pay for

- (a) consequential loss as a result of any cause whatsoever, depreciation in value whether arising from repairs following a defined event or otherwise, wear and tear, mechanical, electronic or electrical breakdowns, failures or breakages
- (b) damage to tyres by application of brakes or by road punctures, cuts or bursts
- (c) damage to springs/shock absorbers due to inequalities of the road or other surface or to impact with such inequalities
- (d) detention, confiscation or requisition by customs or other officials or authorities.

Sub-section B Liability to third parties

No cover is in force.

Cover is arranged through external Insurer's and is subject to an annual Aggregate deductible of R2m and an inner excess- refer to separate Liabilities Policy.

Sub-section C Medical expenses

Defined events

If an occupant in the specified part of a vehicle described below, in direct connection with such vehicle, sustains bodily injury by violent, accidental, external and visible means, the Insurer will pay to the insured the medical expenses incurred as a result of such injury up to R2 000 per injured occupant but not exceeding R50 000 in total for all occupants injured as a result of an occurrence or series of occurrences arising out of one event.

The amount payable under this sub-section shall be reduced by any amount recoverable under any workmen's compensation enactment or similar legislation.

The term medical expenses includes any costs incurred to free such injured occupant from such vehicle or to bring such injured occupant to a place where medical treatment can be given.

Defined vehicle but only if it is insured under sub-section A of this section	Specified part of vehicle in which the injury must occur
1. Any private type motor car or motorise caravan	Anywhere inside the vehicle
2. Any other type of insured vehicle other than a bus or taxi	The permanently enclosed passenger carrying compartment



DEFINITIONS

1. Occurrence

The term occurrence shall mean an occurrence or series of occurrences arising from one cause in connection with any one vehicle in respect of which indemnity is provided by this insurance.

2. Vehicle

The term vehicle shall mean

- (a) private type motor cars (including station wagons, safari vans, estate cars and the like or similar vehicles designed to seat not more than 12 persons including the driver)
- (b) commercial vehicles and special type vehicles as described in the schedule
- (c) motor cycles (including motor scooters and 3-wheeled vehicles)
- (d) buses (including any vehicle used for business purposes and designed to seat more than 12 persons, including the driver)
- (e) trailers, i.e. any vehicle (including caravans) without means of self-propulsion designed to be drawn by a self-propelled vehicle, but excluding any parts or accessories not permanently fitted thereto
- (f) special types (roadmarking and construction vehicles / machinery, refuse removal etc)

any such vehicle being owned by or hired or leased to the insured, including any such vehicle temporarily operated by the insured as replacement for any vehicle out of use for the purpose of overhaul, upkeep and/or repair provided that the insurer's maximum liability shall not exceed the lesser of the market value of the replacement vehicle or the limit of indemnity of the replaced vehicle as stated in the schedule.

EXTENSIONS AND CLAUSES

I. Contingent liability extension (included)

The indemnity under sub-section B includes claims made against

- (a) the insured in the event of an accident arising in the course of the business and caused by or through or in connection with any motor vehicle not the property of or provided by the insured, while being used by any principal or partner or director or Councillor or employee of the insured or any person on the business of the Council whether on a voluntary basis or otherwise (hereinafter in this extension referred to as such person)
- (b) any such person in the event of an accident arising in the course of the business and caused by or through or in connection with any motor vehicle not belonging to the insured or leased or hired by the insured but only in so far as such person has not been refused any motor insurance or continuance thereof by any insurer

provided that

- (i) all the words in (b) of the exceptions to sub-sections B are deleted

- (ii) the Insurer shall not be liable for loss of or damage to any motor vehicle being used for the purpose and in the manner described in (a) and (b) above
- (iii) the payment by the insured of subsidies or travelling allowances to such person for the use of his own vehicle for official purposes of the insured, including the carriage of persons for such purposes, is allowed without prejudice to the insurance by this extension
- (iv) if, at the time of the occurrence of any accident giving rise to a claim under this extension, the insured is entitled to indemnity under any other policy in respect of the same occurrence, the Insurer shall not be liable to make any payment hereunder except in respect of any excess beyond the amount payable under such other policy
- (v) the terms exceptions and conditions of the policy shall otherwise apply.

2. Passenger liability extension

Exception (b) to sub-section B shall not apply to vehicles described in definitions (b), (c), (d), (e) or (f). The limit of indemnity for any one occurrence shall not exceed R500 000,00.

3. Unauthorised passenger liability extension

The indemnity under sub-section B, notwithstanding exception (b) thereto, extends to cover the insured's legal liability for the death of or bodily injury to persons while being carried in or upon or entering or getting onto or alighting from any vehicle in contravention of the insured's instruction to their driver not to carry passengers. The limit of indemnity for any one occurrence shall not exceed R500 000,00.

4. Parking facilities and movement of third party vehicles extension

This section extends to indemnify the insured in respect of accidents caused by or through or in connection with the moving of any vehicle (not owned by or borrowed by or hired or leased to the insured) by any person in the employment of the insured or acting on the insured's behalf, provided always that such vehicle was being moved

- (a) with the authority of any tenant, customer or visitor of the insured or
- (b) in connection with the insured's parking arrangements or
- (c) to facilitate the carrying out of the insured's business,

and provided further that this extension shall not apply in respect of damage to vehicles which are parked for reward.

For the purpose of this extension such vehicle (and its contents) shall not be deemed to be held in trust by, or in the custody or control of, the insured.

5. Windscreen extension

The provision of this section relating to first amount payable and No Claim Rebate shall not apply to any payment for damage to windscreen glass, side or rear glass forming part of any vehicle

provided that



- (a) no other damage has been caused to the vehicle giving rise to a claim under the policy
- (b) the insured shall be responsible for the first amount payable – 20% of claim minimum R250,00 each and every claim.

6. Waiver of subrogation rights

For the purpose of this section, the Insurer waives all rights of subrogation or action which they may have or acquire against any other person to whom the indemnity hereunder applies, and each such person shall observe, fulfil and be subject to the terms, exceptions and conditions (both general and specific) of this insurance in so far as they can apply.

7. Principals

Notwithstanding specific exception 2 of this section, the indemnity under sub-section B extends to indemnify, to the extent required by the conditions of any contract and in connection with any liability arising from the performance of such contract, any principal named in such contract entered into by the insured for the purpose of the business, provided that the liability of the Insurer shall not exceed the limit of indemnity stated in the schedule.

8. Cross liabilities

Where more than one insured is named in the schedule, the Insurer will indemnify each insured separately and not jointly, and any liability arising between such insured shall be treated as though separate policies had been issued to each, provided that the aggregate liability of the Insurer shall not exceed the limit of indemnity stated in the schedule.

10. Loss of keys extension (if stated in the schedule to be included)

The Insurer will indemnify the insured in respect of replacing locks and keys, including the remote alarm controller and, if necessary, the reprogramming of any coded alarm system of any insured vehicle, following upon the disappearance of any key or alarm controller of such vehicle or following upon the insured having reason to believe that any unauthorised person may be in possession of a duplicate of such key or alarm controller, provided that

- (i) the Insurer's liability shall not exceed R10 000, in respect of any one event
- (ii) such amount shall be reduced by the first amount payable – Flat R1 000.

11. Fire extinguishing charges extension

Any cost (not exceeding R5 000) relating to the extinguishing or fighting of fire shall be deemed to be damage to the insured property and shall be payable in addition any other payment for which the Insurer may be liable in terms of this section, provided the insured is legally liable for such costs and the insured property was in danger from the fire.

12. Wreckage removal extension

The cover provided under sub-section A of this section is extended to include costs and expenses incurred by the insured in respect of the clearing up and removal of debris and wreckage of any insured vehicle following damage to such vehicle by a defined event, provided that, in addition to the limit of indemnity under sub-section A of this section, the limit of the Insurer's liability under this extension shall not exceed, R100 000,00 in respect of any one occurrence.

13. Credit shortfall extension (not included)

If any total loss settlement under sub-section A is less than the amount owing to the financier under a current instalment sale or lease agreement, the Insurer will pay to the insured an additional amount equal to the shortfall less:

- (a) any arrears instalments or rentals including interest payable on such arrears
- (b) all refunds of premium for cancellation of any insurance cover relating to the motor vehicle
- (c) the increased instalment or rentals that would have been paid had there been no residual capital value at the end of the finance period, calculated to the month in which the claim is settled
- (d) the first amount payable under sub-section A

provided always that

- (a) the amounts payable shall not exceed the maximum indemnity less the first amount payable under sub-section A
- (b) this endorsement shall not apply to an agreement whereby the amount of any single instalment other than the final residual amount after the initial payment differs by more than 10% from any other instalment
- (c) If such shortfall is as a result of re-advance under an instalment sale or refinancing in terms of a lease the insurance by this extension shall be void.

Carriage of explosives (not included)

It is agreed the words "carriage of explosives" are deleted from the exclusions under Memorandum 3 Description of use clause.

Provided that the insured comply with the relevant statutes concerning the carriage of explosives.

Provided further that the liability of the Insurer shall not exceed the amount stated in the schedule.

Carriage of fare paying passengers (not included)

It is agreed the words "carriage of passengers for hire or carriage of fare paying passengers" are deleted from the exclusions under Memoranda 3 Description of use clause.

Provided that the liability of the Insurer shall not exceed the amount stated in the schedule.



Drivers License and Testing Official

The indemnity under Sub-Sections A and B extends to indemnify the insured in respect of an accident caused by or through or in connection with any motor vehicle or trailer not belonging to the insured:

while under the care or control of the insured for the purpose of examination, or

while it is being driven by or is under the control of any traffic official, driver's license official or testing official of the insured in the execution of his duties

the intention being that loss of/or damage to the motor vehicle or trailer under the care or control of the insured is also insured in terms of this extension.

Memoranda

1. War clause

In respect of sub-section B and C only, General exceptions 1 is deleted and replaced by the following:

This section does not cover war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, mutiny, insurrection, rebellion, revolution, military or usurped power.

2. Description of use clause

Use for social domestic and pleasure purposes and use for the business or occupation of the insured

excluding

hiring, carriage of passengers for hire or carriage of fare paying passenger's, racing speed or other contests, rallies, trials, carriage of explosives or carriage of any load or passengers exceeding the capacity for which it is constructed or licensed to carry or use for any purpose in connection with the motor trade. The indemnity to the insured in connection with any vehicle shall operate while such vehicle is in the custody or control of a member of the motor trade the purpose of its overhaul, upkeep or repair.

Specific exceptions

1. The Insurer shall not be liable for any accident, injury, loss, damage or liability
 - (a) whilst the vehicle is being used with the general knowledge and consent of the insured otherwise than in accordance with the description of use clause
 - (b) incurred outside the Republic of South Africa, Namibia, Botswana, Lesotho , Swaziland, Zimbabwe and Malawi, but the insurers will indemnify the insured against loss of or damage to any vehicle while in transit by sea or air between ports or places in these territories including loading and unloading incidental to such transit
 - (c) incurred while any vehicle is being driven by
 - (i) the insured while under the influence of intoxicating liquor or drugs (unless administered by or prescribed by and taken in accordance with the instructions of a member of the medical profession other than himself) or while not licensed to drive such vehicle

- (ii) any other person with the general consent of the insured who, to the insured's knowledge, is under the influence of intoxicating liquor or drugs (unless administered by or prescribed by and taken in accordance with the instructions of a member of the medical profession other than himself) or who is not licensed to drive such vehicle, but this shall not apply if the insured was unaware that the driver was unlicensed to drive and the insured can prove to the satisfaction of the Insurer that, in the normal course of his business, procedures are in operation to ensure that only licensed drivers are permitted to drive insured vehicles

provided that any driver shall be deemed to be licensed to drive the vehicle if he is complying with the licensing laws relating to any of the territories referred to under Specific exception (b), or if non-compliance with any licensing law is solely because of failure to renew any license subject to periodic renewal, or if a license is not required by law, or while such driver is learning to drive and is complying with the laws relating to learners.

2. The Insurer shall not be liable for any claim arising from contractual liability, unless such liability would have attached to the insured notwithstanding such contractual agreement.

Specific condition

If, during the currency of this section, any driver's license in favour of the insured or their authorised driver is endorsed, suspended or cancelled, or if he or they shall be charged or convicted of negligent, reckless or improper driving, notification shall be sent in writing to the Insurer immediately the insured have knowledge of such fact.

TRANSIT SECTION

Defined events

Loss of or damage to the whole or part of the property described in the schedule, owned by the insured or for which they are responsible, in the course of transit by the means of conveyance or other means incidental thereto and caused by any accident or misfortune not otherwise excluded

provided that:

- (i) the insured shall be responsible for the first amount payable stated in the schedule in respect of each and every defined event except a claim resulting from fire, lightning or explosion
- (ii) the liability of the Insurer for all loss or damage arising from any one defined event shall not exceed R500 000,00.

Memoranda

1. Transit shall be deemed to commence from the time of moving the property described in the schedule

2019/20 to 2021/22



at the consignor's premises (including carrying to any conveyance and loading thereon), continue with transportation to the consignee (including temporary storage not exceeding 96 hours in the course of the journey) and end when off-loaded and delivered at any building or place of storage at the consignee's premises.

2. If any consignee shall refuse to accept property consigned, transit shall be deemed to continue and the insurance in respect of such property shall continue in force until the property is delivered at the premises of the consignor by any means of conveyance, provided that the insured shall take all reasonable steps to ensure that the property is returned as soon as is reasonably possible.
3. Where the means of conveyance is by specified vehicle, the insurance under this section shall apply to property on any vehicle temporary used in place thereof while a specified vehicle is undergoing repair or servicing, which replacement vehicle is not the property of the insured or leased or hired by them under a lease or suspensive sale agreement.
4. In the event of breakdown of the means of conveyance during transit or if, for any reason beyond the insured's control, the property is endangered, nothing contained herein shall debar the utilisation of any other form of transport to assist completion of the transit and the insurance afforded shall not be affected thereby.
5. Transit shall also include transit of the insured property within and between locations owned or used by the insured including loading and unloading.

Debris removal extension

The insurance under this section includes costs necessarily incurred by the insured in respect of the clearing up and removal of debris following damage to the means of conveyance or to the property thereon, subject to a limit of R50 000, in respect of any one defined event.

Specific exceptions

The Insurer shall not be liable for

1. loss or damage resulting from or caused by
 - (a) theft from any unattended vehicle in the custody or control of the insured or any principal, partner, director, Councillor or employee of the insured unless the property is contained in a completely closed and securely locked vehicle or the vehicle itself is housed in a securely locked building and entry to or exit from such locked vehicle or building is accompanied by forcible and violent entry to or exit from;
 - (b) inherent vice or defect, vermin, insects, damp, mildew or rust;
 - (c) the dishonesty of any principal, partner, director, Councillor or employee of the insured whether acting alone or in collusion with others;
 - (d) detention, confiscation or requisition by customs or other officials or authorities;
 - (e) or arising whilst in transit by sea or inland transit incidental thereto;
 - (f) breakdown of refrigeration equipment;
2. wear and tear or gradual deterioration (including the gradual action of light or climatic or atmospheric conditions) unless following an accident or misfortune not otherwise excluded;
3. mechanical, electronic or electrical breakdown, failure, breakage or derangement of the insured property



unless following an accident or misfortune not otherwise excluded;

4. loss of or damage to
 - (a) cash, bank and currency notes, coins, bonds, coupons, stamps, negotiable instruments, title deeds, manuscripts or securities of any kind;
 - (b) property outside the Republic of South Africa, Namibia, Botswana, Lesotho, Swaziland, Zimbabwe and Malawi;
 - (c) property otherwise insured or which would, but for the existence of this section, be insured by any other insurance except in respect of any excess beyond the amount which would have been payable under such other insurance, had the insurance under this section not been effected;
5. consequential loss of any kind, delay, loss of market, depreciation or changes brought about by natural causes.

SPECIFIC EXTENSIONS

1. Fire extinguishing charges extension

If the property described in the schedule is lost or damaged by fire whilst in course of a transit insured by this section the Insurer will in addition to indemnifying the insured for such loss or damage pay for the cost of extinguishing or attempting to extinguish such fire provided that the maximum amount payable under this extension shall not exceed R50 000,00.

ELECTRONIC EQUIPMENT SECTION

Sub-Section A : Material damage

Defined events

Physical loss of or damage to the property insured described in the schedule from any cause not herein after excluded whilst

- (a) at work or at rest anywhere within the insured's premises as specified
- (b) in transit including loading and unloading or whilst temporarily stored at any premises en route
- (c) temporarily removed from the insured's premises to any other location.
- (d) Cover is limited to a sum insured of R1 000 000,00.

Exceptions to sub-section A

The Insurer will not be liable to indemnify the insured irrespective of the original cause in respect of

- 1. the first amount payable as stated in the schedule in respect of sub-section A, of each and every occurrence giving rise to a claim. Where more than one item of property insured suffers physical loss or damage in any one occurrence, the first amount payable shall be the highest single amount applicable to such property insured
- 2. derangement unless accompanied by physical damage otherwise covered by this section
- 3. loss or damage recoverable in terms of any maintenance and/or leasing agreement effected by or on be-



half of the insured covering the insured equipment

4. faults or defects known to the insured (or their responsible employees) at the time this insurance was arranged or during the currency of the insurance and not disclosed to the Insurer or any consequences thereof
5. wastage of material or the like or wearing out of any part of the property insured caused by or naturally resulting from ordinary usage or working or other gradual deterioration, development of poor contacts or scratching of painted or polished surfaces of a cosmetic nature
6. parts having a short life such as (but not limited to) bulbs, valves, contacts, x-ray tubes, cathode ray tubes, thermionic emission tubes, fuses and sacrificial buffer circuits. If such parts are damaged as a result of physical loss or damage as provided for by this sub-section to other parts of the property insured, the Insurer shall indemnify the insured for the residual value prior to the loss of such exchangeable parts
7. the cost of reproducing data and/or programs whether recorded on cards, tapes, discs or otherwise unless specifically provided for in sub-section B hereof
8. loss of use of the property or other consequential loss, damage or liability of whatsoever nature other than losses specifically provided for herein
9. (a) loss by theft or by disappearance of the property insured unless accompanied by forcible and violent entry to or exit from the insured premises/situation

(b) loss of the property insured by theft during transit or whilst temporarily removed from the insured premises unless identifiable by the insured with a specific incident which has been immediately reported to the police and the Insurer.

The Insurer shall not indemnify the insured for the theft of the property insured from any motor vehicle where the property insured has been

- (a) left in the motor vehicle overnight unless the vehicle is housed in a securely locked building and entry to such vehicle or building is accompanied by forcible and violent entry or exit
- (b) contained in a compartment of the motor vehicle which is visible to passers-by

provided that

(a) and (b) above shall not apply to theft of the property insured where the transport vehicle

- (i) has been hijacked or
- (ii) has been involved in a road accident or sustains a breakdown and due to circumstances beyond the control of the vehicle crew/driver, the property insured is of necessity left unprotected

Basis of indemnification

The indemnity by this sub-section subject always to the sums insured contained in the schedule or any specific limit of liability contained in this sub-section, shall be as hereinafter provided and as appropriate including dismantling, re-erection, transportation, removal of damaged property insured (but less the value of the remains) and where applicable, importation duties and value added tax.

1. Partial loss

If the property insured suffers damage that can be repaired, the basis of indemnification shall be the restoration expenses reasonably and necessary incurred to restore the damaged property to working order, provided that

- (a) the value of damaged parts which can be used will be deducted
- (b) the costs of any alteration, addition, improvement or overhaul carried out at the time of repair are not recoverable under this sub-section
- (c) if, without the consent of the Insurer, temporary repairs are carried out by the insured in the interests of safety or to minimise further loss or damage to the property insured, the cost of such temporary repairs will be borne by the Insurer. In the event that the temporary repairs aggravate the loss or cause additional loss or damage to the property insured, any additional costs so incurred or consequence arising there from will be for the account of the insured.
- (d) where the damage is restricted to a part or parts of an insured item, the Insurer shall not be liable for an amount greater than the value of such part or parts which are lost or damaged allowed for within the sum insured.



2. Total loss

- (A) In the cases where the new property insured is totally lost or destroyed, the basis of indemnification shall be the cost of replacing or reinstating on the same site new property of equal performance and/or capacity or, if such be impossible, its replacement by new property having the nearest equivalent performance and/or capacity to the property lost or damaged

provided always that

- (i) the work of replacement or reinstatement (which may be carried out upon another site and in any manner suitable to the requirements of the insured subject to the liability of the Insurer not being thereby increased) must be commenced and carried out with reasonable dispatch otherwise no payment exceeding the market value of the property insured immediately before the damage shall be made
- (ii) until expenditure has been incurred by the insured in replacing or reinstating the property insured, the Insurer shall not be liable for any payment in excess of the amount which would have been payable if these conditions had not been incorporated herein
- (iii) these conditions shall be without force or effect if
 - (a) the insured fail to intimate to the Insurer within six (6) months of the date upon which the damage occurred (or such further time as the Insurer may in writing allow) their intention to replace or reinstate the property insured
 - (b) the insured are unable or unwilling to replace or reinstate the property insured on the same or another site
- (iv) at the sole option of the Insurer, following commercial and technical appraisal by a representative of the Insurer, the period referred to in the definition of new property may be extended (on an annual basis from renewal date) subject always to such extension of period being admitted by memorandum to this section.

Definition of new property insured

New property shall mean property purchased no more than seven (7) years (or such extended period as may be approved by the Insurer in writing) prior to the defined event, it being expressly agreed that in applying this definition upgrades and enhancements will be taken into account in arriving at an indemnifiable amount and the age of the property insured.

(B) In respect of property insured not provided for in (A) above, the basis of indemnification shall be

the market value of the property insured immediately before the loss or damage. At the option of the Insurer, the property insured shall be regarded as totally destroyed if the repair costs as defined in (l) above equal or exceed its market value immediately before the damage.

Definition of market value

The current day purchase price of secondhand/used property of equal performance and/or capacity to the property lost or damaged and of substantially similar condition. Where no similar property is available, market value shall be calculated by deducting from the current new replacement value of the nearest equivalent property, an amount representing

(i) 20% (twenty percent) for the first year after the date of purchase

(ii) 10% (ten percent) per year for each succeeding year

subject always to a minimum indemnity of 40% (forty percent) of the current new replacement value of the nearest equivalent property.

Average

In respect of (1) and (2) above, if at the time of repair, replacement or reinstatement, the sum representing the cost which would have been incurred in repair, replacement or reinstatement if the whole of the property insured had been lost or damaged exceeds the sum thereon at the time of any loss of or damage to such property, then the insured shall be considered as being their own insurer for the difference and shall bear a rateable proportion of the loss accordingly. Each item of this Sub-Section (if more than one) to which these conditions apply shall be separately subject to this provision.

Limit of liability

The amount of liability shall not exceed in respect of any of the items specified in the schedule, the sums insured set opposite thereto respectively and in addition thereto the following:

(a) Architects' and other professional fees

Professional fees necessarily and reasonably incurred in the repair or reinstatement of property following indemnifiable loss or damage, provided that the amount payable in respect of such fees does not exceed 15% of the total amount of the claim, but shall not include expenses incurred in connection with the preparation of the insured's claim.



(b) Clearance costs

Costs necessarily and reasonably incurred by the insured in respect of demolition or dismantling of property and/or removal of debris and in providing, erecting and maintaining hoardings and other similar structures required during demolition, dismantling, debris removal and reconstruction following indemnifiable loss of or damage to such property, provided that the total amount recoverable does not exceed 15% of the total amount of the claim.

(c) Express delivery and overtime

Extra charges for express delivery, airfreight, overtime, Sunday and holiday rates of wages payable in respect of the necessary and reasonable additional costs incurred by the insured for effecting repairs or replacement approved by the Insurer, limited to 50% of the amount which the repair or replacement would have cost had these additional costs been incurred.

CLAUSES AND EXTENSIONS

Power surge or lightning strikes

All loss or damage to the property insured by power surges or lightning strikes will be subject to an additional excess of 10% of the net amount payable for the items so damaged subject to a minimum of R1000 but not exceeding R2000 per occurrence. However, should the property insured be appropriately and adequately protected by suitable safeguards against electrical supply fluctuations, then this additional excess will be waived.

Fire brigade charges

If any public authority empowered to do so shall charge the insured with any costs arising from their activities in dealing with the consequences of an insured peril having operated, such costs will be deemed to be damage to the property insured and will be payable in addition to any other payment for which the insurer may be liable in terms of this insurance.

Tenants

This insurance will not be invalidated by any act or negligent on the part of a tenant of the insured (where the insured owns the building) or another tenant or the owner of the building (where the insured is a tenant) provided that the insured notifies the Insurer as soon as such act or neglect comes to their knowledge and pay on demand the appropriate additional premium.

Hire purchase/finance agreements

Where the Insurer has knowledge of the property insured or any individual item thereof being the subject of a suspensive sale or similar agreement, payment hereunder shall be made to the owner described therein whose receipt shall be a full and final discharge to the Insurer in respect of loss or damage indemnifiable by this subsection of this section.

Sub Section B : Consequential loss

Defined events

The insurance provided by this sub-section of the policy shall be subject to a limit of indemnity of R250 000,00 and shall include

- (i) Increased cost of working – Limit R500 000,00

The insurance under this item is limited to the additional expenditure necessarily and reasonably incurred by the insured during the indemnity period in consequence of the accident for the sole purpose of avoiding or diminishing the interruption of or interference with the normal business of the insured

Less any sum saved during the indemnity period in respect of such of the charges and expenses of the business as may cease or be reduced in consequence of the accident.

The indemnity by this item shall not apply directly or indirectly to

- (a) the cover provided for in item (ii) of this sub-section of this section
- (b) the intrinsic value (including reinstatement value) of the property insured by sub-section A of this section

- (ii) Reinstatement of data/programs – Limit R500 000,00

Costs and expenses necessarily and reasonably incurred by the insured for the reconstitution or recompilation of data and/or programs recorded on or stored in data-carrying media which is lost as a result of accidental erasure (which shall include the events defined in the indemnity clause to sub-section A of this section) or by theft or by the deliberate willful or wanton intention of causing the cancellation or corruption of data or programmes as provided for in Sub-Section A of this section

provided always that



- (a) the indemnity shall not extend to not include such costs incurred due to program errors, incorrect entry or the inadvertent cancellation or corruption of data and/or programs
- (b) in respect of each and every occurrence or series of occurrences arising out of or in connection with any one event indemnifiable by this item, the insured shall bear the amount stated in the schedule as the first amount payable
- (c) where the insured elects to insure programs (software) a schedule of such programs shall be lodged with the Insurer at the commencement of each period of insurance

DEFINITIONS

Indemnity period

The period during which the results of the business shall be affected in consequence of the accident beginning the number of hours/days detailed in the schedule as the time exclusion after the occurrence of the accident and ending not later than the expiry of the period detailed in the schedule as the indemnity period after such occurrence.

The time exclusion shall not apply to loss or damage directly caused by fire, storm (excluding lightning), subsidence, wind or the collapse of buildings.

The indemnity period is 6 months with 72 hour time exclusion.

Accident

1. (Applicable to increased cost of working only) physical loss of or damage to the property insured described in the schedule of property insured from any cause as provided for under sub-section A of this section, liability under which sub-section shall, except for the provisions relating to the first amount payable or the maintenance/lease agreements, be a condition precedent to liability hereunder.
2. Failure of the public supply of electricity at the terminal ends of the service feeders in the premises from any accidental cause other than
 - (a) the deliberate act of the insured or any supply authority
 - (b) drought or shortage of fuel at any electricity utility

Special conditions applicable to failure of the public supply of electricity

- a) the liability of the Insurer shall not exceed the sum insured by this sub-section
- b) the indemnity period shall commence 12 hours after the failure and end not later than 30 days after such failure



MSUNDUZI ANNUAL BUDGET

The limit of liability

The liability of the Insurer shall not exceed the amounts specified in the schedule (relating to sub-section B) in respect of any one accident or series of accidents arising out of or in connection with any one event.

In the event of the payment of the Insurer of any sum or sums in discharge of the Insurer's liability in terms of this sub-section of this section, the sum(s) insured shall automatically be reinstated for the remainder of the current period of insurance.

The insured shall pay to the Insurer the additional premium required by the Insurer calculated pro rata from the day of the accident to the end of the period of insurance.

Specific exceptions to sub-section B

Unless specifically provided for

1. Fines and damages

The Insurer shall not be liable to indemnify the insured in respect of fines or damages for breach of contract for late or non-completion of orders or any penalties of whatsoever nature.

2. Loss of profit

The Insurer shall not be liable to indemnify the insured in respect of loss of profit or consequential loss of whatsoever nature unless specifically provided for herein.

CLAUSES AND EXTENSIONS

Reinstatement

Notwithstanding anything to the contrary contained in this sub-section, it is hereby declared and agreed that, in the event of any interruption, following loss or damage, being aggravated by:

- (a) the insured being unable or unwilling to replace or reinstate property destroyed or damaged, or failing to



carry out such replacement or reinstatement with a reasonable time, or

- (b) addition, alteration or improvements being effected to the property insured on the occasion of its repair,

the Insurer's liability under this section shall be related solely to the business interruption which would have arisen in the absence of (a) and (b).

Telkom access lines

Subject to the limits specified in the schedule, consequential loss as provided for under defined events (I) and (ii) of sub-section B arising from accidental failure of the Telkom access lines is included, provided always that the insurance under this extension shall be subject to the special conditions below.

Special conditions applicable to Telkom access lines

- (a) The liability of the Insurer shall not exceed the sum insured by this sub-section.
- (b) The indemnity period shall commence 12 hours after the failure and end not later than 30 days after such failure.
- (c) The insurance provided does not cover loss occasioned by the deliberate act of any Telkom authority or by the exercise of such Telkom authority of its power to withhold or restrict access to its lines.

GENERAL MEMORANDUM

Memo I – Capital additions and currency fluctuations

The indemnity by this section shall include

- (a) additional equipment or programs purchased by the insured of a similar nature to that specified in the schedule, provided that, in respect of loss or damage due to electrical or mechanical breakdown or explosion, the insurance shall only commence after satisfactory completion of installation or commissioning/testing and put into use at the insured's premises
- (b) provision for devaluation or revaluation of the currency of the Republic of South Africa against that of the country of origin of the property insured and other inflationary trends, which may result in the escalation of the sum insured (representing the installed new replacement value) of the property insured



MSUNDUZI ANNUAL BUDGET

provided that the increase shall not exceed, by more than 25% the total sum insured for sub-section A specified in the schedule, it being agreed that the insured will advise the Insurer of such alterations at the expiry of the period of insurance and pay the appropriate premium thereon but not exceeding 50% of the difference.

Memo 2 – Prevention of access

If, during the indemnity period, the business at the premises be interrupted or interfered with in consequence of the insured being prevented from having access to the property insured situated at the premises caused by damage to property within the immediate vicinity of the insured premises as described in the schedule by fire, lightning, explosion, storm, tempest, flood, water, inundation, earthquake, impact by vehicles or malicious damage, the Insurer shall indemnify the insured for loss resulting from such interruption or interference in accordance with the provisions contained herein

provided that

- (i) the insured is not entitled to indemnity as provided for in this extension under any other policy or section of this policy
- (ii) this section shall not be brought into contribution with any other policy or section of this policy bearing a like extension.

Special Exception (sub-section A & B)

Viruses, trojans and worms

The Insurer shall not indemnify the insured for loss or damage of whatsoever nature arising directly or indirectly out of or in connection with the action of any computer virus, trojan or worm(s) or other similar destructive media.

GENERAL EXTENSION

Incompatibility cover

Notwithstanding anything contained to the contrary in the policy, the indemnity by sub-sections A and B of this section shall indemnify the insured for costs incurred in respect of:

2019/20 to 2021/22



- (a) modifications or alterations to the property insured directly consequent upon indemnifiable loss or damage to ensure the operating integrity of the electronic system
- (b) replacement or upgrading of legal programs to achieve compatibility with the modified or altered electronic system
- (c) the restoration of previously captured data which has become inaccessible due to the modifications to or alterations of the electronic system or in consequence of the replacement or upgrading of legal programs

provided always that

- (1) the costs provided for in (a), (b) and (c) above shall be necessarily and reasonably incurred to maintain normal working conditions
- (2) such additional costs shall be incurred as a direct consequence of indemnifiable loss or damage in terms of sub-sections A or B (item ii) of this section of the policy
- (3) the cover afforded hereunder shall be restricted to
 - (i) parts or components of the electronic system which are not indemnifiable under sub-section A hereof
 - (ii) programs or data reinstated not indemnifiable under item (ii) of sub-section B hereof
- (4) the indemnity by this extension shall, in respect of any one event, be limited in the aggregate to twenty per cent (20%) of the applicable total sum insured under sub-section A – the limit of indemnity and sub-section B – item (ii) hereof or R25 000 whichever is the lesser.

MACHINERY BREAKDOWN SECTION CONTINGENCIES

This insurance covers

Unforeseen and sudden physical damage to the machinery described in the Specification from any cause

- a) whilst it is at work or at rest
- b) whilst being dismantled for the purpose of cleaning inspection and overhaul or removal to other position or in course of these operations themselves or subsequent re-erection .
- c) Cover is limited to R500 000,00 any one claim/ any one occurrence.

(Hereinafter called "Damage") anywhere within the Territorial Limits including whilst in transit.

Transit shall mean

Conveyance other than by sea or international flight within the territorial limits including loading and unloading and stoppage or deviations en route.

BASIS OF INDEMNIFICATION

1. The reasonable cost of repair, reinstatement or replacement of the damaged Insured Property, the amount payable as indemnity being calculated as follows:
 - 1.1 where such cost falls below 75% of the New Replacement Value of the affected item(s), the actual costs of repairs as may be required to restore the Insured Property to its former working order including the installation of new parts of similar kind and quality.
 - 1.2 in the case of Insured Property being 5 years or less of age where such cost equals or exceeds 75% of the new replacement value of the affected item(s), the actual cost of replacement of the Insured Property by property of similar kind, quality and capacity - as new, but not in quality superior to or more extensive than the Insured Property itself.
 - 1.3 in the case of Insured Property of older than 5 years the market value of the affected item subject to a minimum of 20% of the current new replacement value.

2019/20 to 2021/22



2. In addition to (1) above, the indemnity extends to include all costs necessarily and reasonably incurred following damage to Insured Property in respect of:
 - 2.1 the additional cost of express delivery (including airfreight), customs dues and charges, overtime work, night work or work on public holidays incurred subject to the limits as stated in the Specification (to a maximum of 50% of the total repair or replacement costs).
 - 2.2 Dismantling and re-erection costs, sales tax and customs dues if any.

3. SPECIAL PROVISIONS APPLICABLE TO BASIS OF INDEMNIFICATION I ABOVE

3.1 The work of repair or replacement must be commenced and carried out with reasonable despatch failing which, the following basis of indemnification in replacement of 1 above will apply:

“At the option of the Insurers, the reasonable cost of repair, reinstatement or replacement of the damaged Insured Property the amount payable as indemnity being calculated as follows:

3.1.1 Where such cost falls below the market value of the Insured Property, the actual cost of repairs as may be required to restore, the Insured Property to its former working order, including, where applicable, the installation of new parts of similar kind and quality.

3.1.2 Where such cost equals or exceeds the market value of the Insured Property, the indemnity hereunder shall be such market value, immediately prior to the occurrence of the damage.”

DEFINITION OF MARKET VALUE

The current day purchase price of a second-hand/used item of alike nature and identical in every respect to the item of Insured Property damaged and substantially of similar condition, where no similar item is available Market Values shall be calculated by deducting reasonable equitable depreciation from the current installed new replacement value of the item of Insured Property.

3.2 Until expenditure has been incurred by the Insured in repairing or replacing the lost or damaged Insured Property the Insurers shall not be liable for any payment in excess of the amount which would have been payable under that basis of indemnification in Special Provision 3.1 above.

3.3 This basis of indemnification contained in Special Provision 3.1 above shall apply where:

- i) The Insured fails to advise Insurers within 6 months from the date of damage (or such further time as Insurers may allow) of his intention to repair or replace the affected Insured Property.
- ii) The Insured is unable or unwilling to repair or replace the damaged Insured Property.

4. Costs of alterations, additions, improvements and overhauls carried out on the occasion of a repair or replacement are payable by the Insured.

5. If a temporary repair is carried out without the consent of the Insurers the cost thereof and all consequences arising therefrom are to be borne by the Insured unless such repairs constitute part of the final repairs to be carried out and do not increase the total repair cost such action minimises any indemnifiable damage under this Policy.



EXCEPTIONS

The Insurers shall not be liable to indemnify the Insured irrespective of the original cause in respect of

1. the amount specified in Specification as the Deductible in respect of each and every occurrence
2. Damage due to
 - a) Fire extinguishing of a fire direct lightning strikes explosion
 - b) Theft collapse of buildings impact by animals or vehicles aircraft other aerial devices or objects dropped therefrom sonic shock waves.
 - c) Water, which escapes from water-containing apparatus including leakage or discharge from any sprinkler or drenching system
 - d) Subsidence landslip storm flood inundation hail snow earthquake volcanic eruption or other convulsion of natureor any subsequent dismantling
3. damage resulting from experiments or overloads or tests requiring the imposition of abnormal conditions; damage due to misapplication of tools.
4. Wastage of material or the like or wearing away out of any part of the machinery caused by or naturally resulting from ordinary usage or working or other gradual deterioration, but this exclusion shall not apply to gradual deterioration due to a Defined Event and resultant damage is not hereby excluded.
5. Refractories, expendable parts and tools such as (but not limited to) bits cutters knives saw blades dies patterns on rollers sieves chains belts ropes conveyor bands jointing and packing material. If such parts or tools are damaged as a result of an accident as provided for by the policy to parts of the machinery insured the Insurer shall indemnify the Insured for the residual value of such parts or tools
6. Additions, alterations or improvements undertaken on the occasion of repair or damage.
7. Faults, defects existing and known to the Insured and not disclosed to Insurers.
8. Consequential loss due to delay or interruption to the business or liability of any nature whatsoever other than as specifically provided for in this section.

MEMORANDUM

I. Average

- a) The sum insured for each item of machinery specified in Specification must be equal to the installed new replacement value at all times
- b) If at the time of the damage the sum insured be lower than the amount fixed as above indemnity shall only be provided by the Insurer in the proportion which the sum insured bears to the installed new replacement value.

EXTENSIONS TO THE POLICY IF SO STATED IN THE SPECIFICATION OR BY ENDORSEMENT

I. Damage to surrounding property

This section is extended to indemnify the Insured against accidental damage to surrounding property owned by or in the care custody or control of the Insured directly arising from an indemnifiable occurrence to the Plant and Machinery described in the Specification but not exceeding R500 000,00.

2. Automatic Additions

This section is extended to provide indemnity at the Insured's premises for newly purchased plant and machinery of a similar nature to that specified in the Specification provided that:

- a) Successful installation commissioning and normally accepting operating standards have been achieved
- b) The total sum insured of such plant machinery does not exceed 25% of the total sum insured on the Specification.

subject otherwise to all terms, exclusions and conditions of the section.

3. Explosion of boilers or pressure vessels

The section extends to indemnify the Insured against accidental damage to the boilers and/or pressure vessels specified in the Plant Inventory directly caused by explosion which shall mean the sudden and violent rending thereof by force or internal pressure or ignited flue gasses causing violent bodily displacement of any part together with forcible ejection of the contents of the insured item.

The Limit of Liability under this extension shall not exceed the amount stated in the Plant Inventory (less the excess set against each item included hereby).

2019/20 to 2021/22



CLAUSES AND EXTENSIONS

REFRIGERANT

The sum insured on refrigeration plant includes provision for the renewal of refrigerant necessitated by an Insured Event.

TRANSFORMER / SWITCHGEAR OIL

The sum insured on transformers and/or switchgear includes provision for the renewal of oil necessitated by an Insured Event.

TEMPORARY REMOVAL

The insurance by this Section is extended to cover the insured machinery whilst temporarily removed from the Insured's premises for the purpose of cleaning overhaul repair or other similar purposes to any other premises in the Republic of South Africa and in transit by road or rail including loading and off-loading thereof.

IMPLEMENTATION

This policy is effective from date of council approval.



MSUNDUZI ANNUAL BUDGET

COMMITMENTS POLICY

2019/20 to 2021/22



ABBREVIATIONS:

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



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS:

1. Legislative Requirements	X
2. Objective	X
3. Terminology and Definitions	X
4. Accounting Policy	X
5. Identification and Accounting Treatment of Commitments	X
6. General Disclosure Requirements of Commitments	X
7. Notes to the financial statements	X
8. Contract / Commitments Register	X
9. Disclosure template	
10. Policy Implementation and Review	



I 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 Msunduzi 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:

- 1.1.1 The definition of a commitment
- 1.1.2 The definition of ‘approved and contracted for’ commitments, ‘approved but not yet contracted for’ commitments, ‘capital expenditure’ and ‘current expenditure’
- 1.1.3 The Accounting Policy with respect to commitments
- 1.1.4 Guidance on the identification and accounting treatment of commitments
- 1.1.5 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 delivery 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 Msunduzi 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.

Operational commitments arise when the Msunduzi Local Municipality has ordered goods/services in the normal course of business but where delivery has not taken place at the end of the financial year/reporting date.

An **approved and contracted for commitment** is where the expenditure has been approved and the contract



MSUNDUZI ANNUAL BUDGET

has been awarded at the end of the financial year/reporting date.

An **approved and not yet contracted for commitment** is where the expenditure has been approved but the contract has not yet been awarded or is awaiting finalisation 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 Msunduzi Local Municipality means statements consisting of at least-

- 1.1.6 A statement of financial position
- 1.1.7 A statement of financial performance
- 1.1.8 A cash-flow statement
- 1.1.9 Any other statements that may be prescribed, and
- 1.1.10 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. A distinction is made between capital and current commitments.

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:



- 1.1.11 **GRAP 1 – Presentation of Financial Statements (GRAP 1:.124)** requires the disclosure of unrecognised contractual commitments
- 1.1.12 **GRAP 13 – Leases (GRAP 13:.28)** requires the disclosure of the future minimum lease payments
- 1.1.13 **GRAP 17 – Property, Plant and Equipment (GRAP 17:.86 (c))** requires the disclosure of contractual commitments for the acquisition of property, plant and equipment
- 1.1.14 **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 principals, according to the National Treasury Guidelines, should be applied:

- 1.1.15 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 expenditure in the Statement of Financial Performance, however are disclosed as part of the disclosure notes.
- 1.1.16 Items are classified as commitments where the Municipality commits itself to future transaction that will normally result in the outflow of resources.
- 1.1.17 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
- 1.1.18 Material contracts entered into after the reporting date, but prior to the approval of the AFS must be disclosed under subsequent events as well as in the report of the Accounting Officer.

1.1.19 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:

1.1.20 Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services), and

1.1.21 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.

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

The process depicted below is applicable to the purchase of Property, Plant and Equipment as well as Operational commitments:

Stage	Need has been identified	Quotes Sourced	Order placed	Order accepted	Goods delivered and accepted	Payment made
Classification	No recognition / No disclosure	No recognition / No disclosure	Commitment	Commitment	Liability	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:

1.1

1.1.1 A distinction should be made between Capital and Operational commitments

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

1.1.3 If a commitment is for a period longer than 1 year, it should be stated in the note.

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



b. Contract / commitments register

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

1.1.22 The period of the tender awarded

1.1.23 Original contract amount

1.1.24 Amounts already paid pertaining to that tender/contract

1.1.25 Amounts for which invoices have been received and which are therefore included in accruals and should be deducted from the commitment

1.1.26 Commitments loaded on the procurement and contractors register system

1.1.27 Commitments not loaded on the procurement and contracts register system

In respect of current / operational contracts:

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



MSUNDUZI ANNUAL BUDGET

c. Disclosure Example

NOTE FOR CURRENT AND CAPITAL COMMITMENTS

	2017/18	2016/17
Current expenditure		
Approved and contracted		
Approved but not yet contracted		
Capital expenditure		
Approved and contracted		
Approved but not yet contracted		
Total commitments		
The expenditure will be financed from:		
External Loans		
Capital Replacement Reserve		
Government Grants		
Own Resources	_____	_____

7 POLICY IMPLEMENTATION AND REVIEW

This policy is effective from xx
This policy shall be reviewed on xx

Approved by:

Date:

2019/20 to 2021/22



RATES POLICY 2019/2020



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS

Section	Details	Page
1.	Definitions	
2.	AdoptionandContentsofa RatesPolicyCommunityParticipation	
3.	AnnualReviewofRatesPolicyLevying ofRates	
4.	Differential RatesImpermissibleDifferentiation	
5.	PropertiesUsedforMultiplePurposes	
6.	Levying ofPropertyRates onSectionalTitleSchemesAmountDue forRates	
7.	Periodforwhich RatesMayBeLeviedCommencementofRates	
8.	Promulgationof ResolutionsLevyingRatesExemptions,Reductions and RebatesCategoriesof	
9.	Property	
10.	ConstitutionallyImpermissibleRatesOther ImpermissibleRates	
11.	ExemptionofMunicipalitiesfromProvisionsofSection 17Criteriafor Qualification of Specified-	
12.	Categories of PropertyLimitsofAnnualIncreases	
13.	RebatesPerCategoryof Owner	
14.	CriteriaforQualificationfor rebate for Categoriesof Ownersof PropertyAdditionalRatesforSpe-	
15.	cialRatingAreas	
16.	Register of Properties	
17.	PropertyRatesPayablebyOwners	
18.	PaymentofRatesOn PropertyinSectional TitleSchemesMethodandTimeofPayment	
19.	Accounts to be FurnishedRecoveryofArrearRates	
20.	InterestandCollectionCharges	
21.	RestraintontheTransferof PropertyandRevenueClearanceCertificatesDateof Valuation	
22.	SupplementaryValuations andInterimRatesAdjustmentsBy-LawstobeAdopted	
23.	Enforcementof Other Legislation	



I. DEFINITIONS

In this document and in addition to the definitions in the act, and unless the context indicates otherwise—

1.1 **“agricultural property”** means a property that is used for financial gain for the purpose of

1.1.1 the cultivation of soils for purposes of planting and gathering of crops;

1.1.2 forestry in the context of the planting or growing of trees in a managed and structured fashion;

1.1.3 the rearing of livestock and game or the propagation and harvesting of fish;

but excludes

1.1.4 the use of a property for the purpose of eco-tourism; or

1.1.5 for the trading in or hunting of game, hospitality of guests for gain; and

1.1.6 in respect of property on which game is reared, traded or hunted; and

1.1.7 it excludes any property where any portion is used for the hospitality of guests for gain;

1.2 **“business”** or **“commercial property”** means— property used for the buying, selling or trading in commodities, goods or services and includes any office accommodation or facility on the same property, the use of which is incidental to such activity;

1.3 **“category”**—

1.3.1 in relation to property, means a category of properties determined in terms of section 8 of the Act; and

1.3.2 in relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Act;

1.4 **“child headed household”** means a household where both parents are deceased and where all occupants of the property are children of the deceased and are all under the legal age to contract for services and are considered as minors in law by the state;

1.5 **“collection charges”** means a penalty raised as provided for in Section 75A1(b) of the Local Government: Municipal Systems Act 2000 (Act No. 6 of 2000);

1.6 **“developer”** means an owner who purchases raw land and installs the necessary infrastructure for the purposes of providing services for development of the land for residential, industrial or commercial purposes;

1.7 “effective date”-

1.7.1 in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Act; or

1.7.2 in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of the Act;

1.8 “**financial year**” means the period starting from 1 July in a year to 30 June the following year;

1.9 “**gross monthly income of the house hold**” means the combined income including all salaries, wages, dividends, pensions, disability grants, rentals, board and lodging, interest received, and any investment income of every member of the house hold from all sources;

1.10 “**impermissible rates property**” means all properties contained in the valuation roll that are not permitted to be rated in terms of Section 17 (e), (g) and (i) of the Act and comprises places of worship, land beneficiaries and protected areas as declared by the Department of Environmental Affairs;

1.11 “**industrial property**” means property used for the trading in, the manufacturing and production of goods and products or the assembly or processing of finished products from raw materials or fabricated parts in respect of which capital and labour are utilised, and includes any office or other facility on the same property, the use of which is incidental to such activity;

1.12 “**land reform beneficiary**”, in relation to a property, means a person who-

1.12.1 acquired the property through-

1.12.1.1 the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or

1.12.1.2 the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994)

1.12.2 holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or

1.12.3 holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution been acted after this Act has taken effect;

1.13 “**land tenure right**” means a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act 1991 (Act No. 112 of 1991);

1.14 “**market value**” in relation to a property, means the value of the property determined in accordance with section 46 of the Act;

1.15 “**mining**” means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002);



- 1.16 **“Minister”** means the Cabinet member responsible for local government;
- 1.17 **“MPRA”** means Local Government: Municipal Property Rates Act, No.6 of 2004;
- 1.18 **“MPRARatesRatioRegulations”** means the Municipal Property Rates Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the MPRA;
- 1.19 **“multiple purposes”** means a property used for more than one purpose and that cannot be assigned to an existing category of property;
- 1.20 **“municipal property”** means a property registered in the name of and occupied by the Msunduzi Municipality and includes all municipal property which by its nature cannot be occupied;
- 1.21 **“newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding-
- 1.21.1 a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - 1.21.2 a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;
- 1.22 **“occupier”** means any person who occupies any property or part thereof, without regard to the title under which he/she occupies the property;
- 1.23 **“officebearer”** in relation to places of public worship, means the primary person who officiates at services at that place of worship;
- 1.24 **“official residence”** in relation to places of public worship, means-
- 1.24.1 a portion of the property used for residential purposes; or
 - 1.24.2 a residential property, if there is no other residential property located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for an office bearer;
- 1.25 **“owner”**-
- 1.25.1 in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
 - 1.25.2 in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
 - (i) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

- (ii) in relation to a share block company, the share block company as defined in the Share Block Control Act, 1980 (Act No. 59 of 1980); (Added by s1 of Act 29 of 2014);
- (iii) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit; and (Added by s1 of Act 29 of 2014);

1.25.3 in relation to a land tenure right referred to in paragraph (c) of the definition of "property", means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

1.25.4 in relation to public service infrastructure referred to in paragraph (d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled", provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

1.25.4.1 A trustee, in the case of a property in a trust excluding state trust land;

1.25.4.2 an executor or administrator, in the case of a property in a deceased estate;

1.25.4.3 a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

1.25.4.4 a judicial manager, in the case of a property in the estate of a person under judicial management;

1.25.4.5 a curator, in the case of a property in the estate of a person under curatorship;

1.25.4.6 a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

1.25.4.7 a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or

1.25.4.7 (a) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

1.25.4.8 a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

1.26 "pend ingrate payer" means a purchaser of a property whose conveyancer has applied for a revenue clearance certificate, and who will become the registered owner of the property as per 1.25 above within 60 days of the issue of that certificate;

1.27 "permitted use" in relation to a property, means the limited purposes for which the property may be used in terms of—

1.27.1 any restrictions imposed by—



1.27.1.1 a condition of title

1.27.1.2 a provision of a town planning or land use scheme; or

1.27.1.3 any legislation applicable to any specific property or properties; or

1.27.2 any alleviation of any such restrictions; “person” includes an organ of state;

1.28 “placesofworship” means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is-

1.28.1 registered in the name of a religious community;

1.28.2 registered in the name of a trust established for the sole benefit of a religious community; or

1.28.3 object to a land tenure right;

1.29 **“primarily”** means - for the purpose of determining the use and category of a property, both the floor area and time periods used shall be considered in concluding same;

1.30 “property” means-

1.30.1 immovable property registered in the name of a person, including, in the case of a sectional title-scheme, a sectional title unit registered in the name of a person;

1.30.2 a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

1.30.3 a land tenure right registered in the name of a person or granted to a person in terms of legislation; or

1.30.4 public service infrastructure;

1.31 “protected area” means an area that is or has to be listed in the register referred to in 10 of the National Environmental Management; Protected Areas Act, 2003;

1.32 **“public benefit organisation property”** means any property owned by a public benefit organisation and used for any specified public benefit activity listed in part 1 of then in the Schedule to the Income Tax Act excluding Items 3 and 5 being land and housing, and places of worship where rebates, reductions and exemptions have already been considered under impermissible rates. Ratios published by the minister for items 1, 2 and 4 of the schedule must not exceed those published by the minister from time to time;

1.33 “public service infrastructure” means publicly controlled infrastructure of the following kinds:

1.33.1 national, provincial or other public roads on which goods, services or labour move across a municipal boundary;



MSUNDUZI ANNUAL BUDGET

- 1.33.2 water or sewerpipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- 1.33.3 owner stations, power substations or powerlines forming part of an electricity scheme serving the public;
- 1.33.4 gas or liquid fuel plant or refineries or pipe lines of liquid gas fuels, forming part of a scheme for transporting such fuels;
- 1.33.5 railway lines forming part of a national railway system;
- 1.33.6 communication towers, masts exchanges or lines forming part of a communications systems serving the public;
- 1.33.7 runways aprons and airtraffic control unit at national or provincial airports including the vacant land known as the obstacle freezone surrounding these, which must be vacant for navigation purposes;
- 1.33.8 any other publicly controlled infrastructure as maybe prescribed; or
- 1.33.9 a right registered against immovable property in connection with infrastructure mentioned in paragraphs 1.22.1 to 1.22.8;
- 1.34 **“public service purpose”**, in relation to the use of a property, means a property owned and used by an organ of state as –
- (a) hospitals or clinics;
 - (b) schools, pre-schools, early childhood development centers or further education and training colleges;
 - (c) national and provincial libraries and archives;
 - (d) police stations;
 - (e) correctional facilities; or
 - (f) courts of law
- but excludes property contemplated in the definition of ‘public service infrastructure’.
- 1.35 **“rate randage”** means the cents in the rand that is set as the tariff for each category for the levying of rates;
- 1.36 **“ratio”** in relation to section 19.1.2 of this policy, means the relationship between the rate randage applicable to residential properties and different categories of non-residential properties, provided that the comparable rate randages are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;
- 1.37 **“residential property”** means a property included in the valuation roll as residential and used exclusively for domestic residential purposes, and includes bulk residential properties identified by the municipality, and where there is an approved Survey or General Plan, Township Layout or approved general diagram, maybe separately valued and rated, notwithstanding the non-registration of any sub-divisions;
- 1.38 **“rural communal property”** means agricultural or township property where there is a single cadastral holding developed pre dominantly for residential purposes and/or traditional rural homesteads, and which may also have a variety of non-residential structures which collectively constitute the minority in terms of measured building area, including property belonging to the Ingonyama Trust Board and property belonging to a land reform beneficiary, where the dominant use is residential rather than commercial agricultural;



- 1.39 “sectional title garages”** means any garage within a residential sectional title scheme that has been registered as a separate sectional title unit;
- 1.40 “specialised property”** means any non-commercial or non-residential property that cannot be categorised in any other existing category of property due to its specialised nature and/or function and use e.g., cemetery or stream
- 1.41 “the Act”** means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), and any amendments there to;
- 1.42 “unauthorised use property”** – means any property or part thereof used in conflict with the permitted use of such property as provided for in any applicable Town Planning Scheme or other relevant legislation and any property or part thereof developed or improved contrary to the provisions of National Building Regulations and Building Standards Act 103 of 1977, the Planning and Development Act (Kwazulu Natal) 6 of 2008 or any other relevant legislation;
- 1.43 “vacant land”** means any undeveloped land as listed in the valuation roll and includes bulk land identified by the municipality and where there is an approved Survey or General Plan, Township Layout or approved general diagram, maybe separately valued and rated, notwithstanding the non-registration of any subdivisions.

2. ADOPTION AND CONTENTS OF RATES POLICY

- 2.1 The Municipality shall adopt a rates policy in terms of which all rateable properties within its area of jurisdiction are rated.
- 2.2 The rates policy shall take effect on the effective date of the first valuation roll prepared by the Municipality under the Act, and shall accompany the Municipality’s budget for the financial year concerned when the budget is tabled in terms of section 16 (2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

3. COMMUNITY PARTICIPATION

Before the Municipality adopts or amends its rates policy it shall follow a process of community participation in accordance with Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and section 4 and 5 of the Act.”

4. ANNUAL REVIEW OF RATES POLICY

- 4.1 A municipal council must annually review, and if necessary, amend its rates policy. Any amendments to a rates policy must accompany the municipality’s annual budget when it is tabled in the council in terms of section 16(2) of the Municipal Finance Management Act.
- 4.2 Section 3(3) to (6) of the Act, read with the necessary changes as the context may require, apply to any amendment of a rates policy. Community participation in amendments to a rates policy must be effected through the municipality’s annual budget process in terms of sections 22 and 23 of the Municipal Finance Management Act.

5. LEVYING OF RATES

5.1 The Municipality shall levy rates on all rateable property within its area, provided that it may, by resolution, grant exemptions from, rebates on or reductions in, rates levied in terms of this policy or in terms of a national framework prescribed under the Act.

5.2 In levying rates on property the Municipality is not obliged to levy rates on

5.2.1 (i) properties of which it is the owner;

(ii) public service infrastructure ;or

(iii) on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices;

5.2.2 The municipality will not levy a rate on any municipal owned roads, streams or other municipal property where the market value of the property is equal to or less than R10000 or such other amount as determined by Council from time to time, provided that there is no occupant on the property;

5.3 A municipality must exercise its power to levy a rate on property subject to-

5.3.1 section 229 and any other applicable provisions of the Constitution;

5.3.2 the provisions of this Act; and

5.3.3 the rates policy it must adopt in terms of section 3 of the Act.

6. DIFFERENTIAL RATES

The Municipality shall be entitled to levy different rates for different categories of rateable property, which may include categories determined according to the

6.1 use of the property;

6.2 the permitted use of the property;

6.3 a combination of 6.1 and 6.2.



7. IMPERMISSIBLE DIFFERENTIATION

The Municipality may not levy-

- 7.1 different rates on residential properties, except as provided for in sections 11(2) (uniform fixed amount for rates), 21 (phasing in of rates) and 89A (use of existing valuation roll/supplementary roll) of the Act: Provided that this paragraph does not apply to residential property which is vacant;
- 7.2 a rate on a category of non-residential properties that exceeds a prescribed ratio to the rate on residential properties determined in terms of section 11 (1)(a) (on the market value of the property) of the Act: Provided that different ratios may be set in respect of different categories of non-residential properties;
- 7.3 rates which unreasonably discriminate between categories of non-residential properties;
- 7.4 additional rates except as provided for in section 22 (special rating areas) of the Act;
- 7.5 The ratio referred to in subsection 6.2 may be subject to prescribed norms and standards, and may only be prescribed with the concurrence of the Minister of Finance.

8. PROPERTIES USED FOR MULTIPLE PURPOSES

- 8.1 A property used for multiple purposes and where there is not a separate rating category in terms of Section 8 of the Act, shall, for rates purposes, be assigned to a category determined by the Municipality and used for multiple purposes in terms of section 8(2) (i) of the Act;
- 8.2 A rate levied on a property assigned in terms of subsection (8.1) to a category of properties used for multiple purposes must be determined by-
 - 8.2.1 apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and
 - 8.2.2 applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments.

9. LEVYING OF PROPERTY RATES ON SECTIONAL TITLE SCHEMES

- 9.1 A rate on property which is subject to a sectional title scheme shall be levied on the individual sectional title units in the scheme and not on the property as a whole.
- 9.2 Unregistered units shall form part of the Developer's rights or the holder of such rights;
 - 9.2.1 the Municipality may value real rights of extension, the owner of which shall be the holder of such right and shall be rated in accordance with the vacant land rate;
 - 9.2.2 where a developer pursues a phased development, the bulk land shall be valued in accordance with 9.2.1 above;



MSUNDUZI ANNUAL BUDGET

9.2.3 where rights are being traded, the rights shall be included in the valuation roll.

10. AMOUNT DUE FOR RATES

- 10.1 The rate levied by the Municipality shall be an amount in the Rand on the market value of the property.
- 10.2 The Municipality acknowledges that the Minister may from time to time increase the monetary threshold referred to in section 17(i) h of the Act, to reflect inflation.

11. PERIOD FOR WHICH RATES MAY BE LEVIED

- 11.1 The Municipality shall levy rates for one financial year at a time. At the end of each financial year the rate levied for that financial year shall lapse. The rate randage approved by Full Council for the following financial year shall apply from the start of that financial year.
- 11.2 The Municipality shall, annually, at the time of its budget, set the amount in the Rand for rates.
- 11.3 The levying of rates shall form part of the Municipality's annual budget process as set out in Chapter 4 of the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003).

12. COMMENCEMENT OF RATES

Rates levied by the Municipality shall become due and payable as from the start of the financial year.

13. PROMULGATION OF RESOLUTIONS LEVYING RATES

- 13.1 A rate is levied by a municipality by resolution passed by the municipal council with a supporting vote of a majority of its members.
- 13.2 A resolution levying rates in a municipality must be annually promulgated within 60 days from the date of the resolution, by publishing there solution in the Provincial Gazette.

The resolution must-

- (i) contain the date on which the resolution levying rates was passed;
 - (ii) differentiate between categories of properties; and
 - (iii) reflect the cent amount in the Rand rate for each category of property.
- 13.3 Whenever a municipality passes a resolution in terms of sub section (14.1), the municipal manager must, without delay -
- 13.3.1 conspicuously display the resolution for a period of atleast 30days-



- (i) at the municipality's head and satellite offices and libraries; and
- (ii) if the municipality has an official website or a website available to it as envisaged in section 21B of the Municipal Systems Act, on that website; and

13.3.2 advertise in the media a notice stating that-

- (i) a resolution levying a rate on property has been passed by the council; and
- (ii) the resolution is available at the municipality's head and satellite offices and libraries for public inspection during office hours and, if the municipality has an official website or a website available to it, that the resolution is also available on that website.

14. EXEMPTIONS REDUCTIONS AND REBATES

14.1 The Municipality shall not grant relief in respect of the payment of rates other than by way of exemption, rebate or reduction, nor shall it grant such relief to the owner of a property on an individual basis.

14.2 The municipal manager must annually table in the council of the municipality a-

14.2.1 list of all exemptions, rebates and reductions granted by the municipality in terms of sub section during the previous financial year; and

14.2.2 statement reflecting the income for the municipality foregone during the previous financial year by way of-

- (i) such exemptions, rebates and reductions;
- (ii) exclusions referred to in section 17(1)(a), (e), (g), (h) and (i) of the Act; and the phasing-in discount granted in terms of section 21 of the Act.

14.3 The Council shall identify, and provide reasons for, exemptions, rebates and reductions when the annual budget is tabled in terms of section 16(2) of the Local Government: Municipal Finance Management Act, 2003.

15. CATEGORIES OF PROPERTIES

The Council may, by resolution, grant exemptions, reductions and rebates on the following categories of properties—

15.1 agricultural property subject to an approved application each General Valuation cycle;

15.2 business and commercial property;

15.3 impermissible rates property subject to an approved application each General Valuation cycle;

15.4 industrial property;

- 15.5 mining property;
- 15.6 multi-purpose property;
- 15.7 public benefit organisation property; subject to an approved application each General Valuation-cycle;
- 15.8 public service infrastructure property;
- 15.9 public service purpose
- 15.10 residential property;
- 15.11 rural communal property;
- 15.12 sectional title garages (separately registered) property;
- 15.13 specific use properties
- 15.14 unauthorised use property;
- 15.15 vacant land property; and

Council reserves the right to request a written application either annually or per general valuation cycle to qualify for rebates, reductions or exemptions in any category of property.

16. CONSTITUTIONALLY IMPERMISSIBLE RATES

- 16.1 In terms of section 229(2)(a) of the Constitution, a municipality may not exercise its power to levy rates on property in a way that would materially and unreasonably prejudice-
 - 16.1.1 national economic policies;
 - 16.1.2 economic activities across its boundaries; or
 - 16.1.3 the national mobility of goods, services, capital or labour.
- 16.2.1 If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the Rand, is materially and unreasonably prejudicing any of the matters listed in subsection(1), the Minister, (after notifying) with the concurrence of the Minister of Finance, must, by notice in the Gazette, give notice to the relevant municipality or municipalities that the rate must be limited to an amount in the Rand specified in the notice.
- 16.2.2 A municipality affected by a notice referred to in paragraph (16.2.1) must give effect to the notice and, if necessary, adjust its budget for the next financial year accordingly, the effective date of which must be from the date determined by the Minister in the notice.



16.3.1 Any sector of the economy, after consulting the relevant municipality or municipalities, and organised local government, may, through its organised structures, request the Minister to evaluate evidence to the effect that a rate on any specific category of properties, or a rate on any specific category of properties above a specific amount in the Rand, is materially and unreasonably prejudicing any of the matters listed in subsection (16.1).

16.3.2 If the Minister is convinced by the evidence referred to in paragraph (a) that a rate on any specific category of properties, or a rate on any specific category of properties above a specific amount in the Rand, is materially and unreasonably prejudicing any of the matters listed in subsection (17.1), the Minister must act in terms of subsection (16.2).

16.4 A notice issued in terms of subsection (16.2) must give the reasons why a rate on the relevant category of properties, or a rate on the relevant category of properties above the amount specified in the notice, is materially and unreasonably prejudicing a matter listed in subsection (1).

16.5 The Minister, after consultation with the Minister of Finance, may by notice in the Gazette issue guidelines to assist municipalities in the exercise of their power to levy rates consistent with subsection (16.1).

17. OTHER IMPERMISSIBLE RATES

17.1 A municipality may not levy a rate-

17.1.1 subject to paragraph (18.1A) on the first 30% of the market value of public service infrastructure;

17.1.1 (A) on any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of public service infrastructure;

17.1.2 on those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 (Act No. 10 of 2004), which are not developed or used for commercial, business, agricultural or residential purposes;

17.1.3 on mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining;

17.1.4 on a property belonging to a land reform beneficiary or his or her heirs, dependents or spouse provided that at this exclusion lapses-

- (i) 10 years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or
- (ii) upon alienation of the property by the land reform beneficiary or his or her heirs, dependents or spouse;

17.1.5 on the first R15000 of the market value of a property assigned in the evaluation roll or supplementary valuation roll of a municipality to a category determined by the municipality-

(i) for residential properties; or

(ii) for properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

17.1.6 on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship;

17.2 The exclusion from rates of a property referred to in subsection(17.1.2) lapses if the declaration of that property as a special nature reserve, national park, nature reserve or national botanical garden, or as part of such a reserve, park or botanical garden, is withdrawn in terms of the applicable Act mentioned in that subsection.

17.2.1(i) If the property in respect of which the declaration is withdrawn is privately owned, the owner, upon withdrawal of the declaration, becomes liable to the municipality concerned for any rates that, had it not been for subsection (17.1.2), would have been payable on the property, not with standing section 78 of the Act, during the period commencing from the effective date of the current valuation roll of the municipality.

(ii) If the property was declared as a protected area after the effective date of the current valuation roll, rates are payable only from the date of declaration of the property.

17.2.2 The amount for which an owner becomes liable in terms of paragraph (17.2.1) must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

17.2.3 Paragraphs (17.2.2) and (17.2.3) apply only if the declaration of the property was withdrawn because of -

(iii) a decision by the private owner for any reason to withdraw from the agreement concluded between the private owner and the state in terms of the Protected Areas Act, and in terms of which the private owner initially consented to the property being declared as a protected area; or

(iv) a decision by the state to withdraw from such agreement because of a breach of the agreement by the private owner.

17.3 The Minister, acting with the concurrence of the Minister of Finance, may from time to time by notice in the Gazette, increase the monetary threshold referred to in subsection 17.1.5 to reflect inflation.

17.4 The Minister may, by notice in the Gazette, lower the percentage referred to in subsection 17.1.1, but only after consultation with-

(i) relevant Cabinet members responsible for the various aspects of public service infrastructure;



(ii) organised local government; and

(iii) relevant public service infrastructure entities.

17.4.1 The exclusion from rates of a property referred to in subsection (17.1.6) lapses if the property-

(i) is disposed of by the religious community owning it; or

(ii) is no longer used primarily as a place of public worship by a religious community or, in the case of an official residence contemplated in that sub section, is no longer used as such an official residence.

17.4.2 If the exclusion from rates of a property used as such an official residence lapses, the religious community owning the property becomes liable to the municipality concerned for any rates that, had it not been for sub section (17.1.6), would have been payable on the property, not with standing section 78 of the Act, during the period of one year preceding the date on which the exclusion lapsed.

17.4.3 The amount for which the religious community becomes liable in terms of paragraph (17.5.2) must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

18. EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 17

18.1 A municipality may apply, in writing, to the Minister to be exempted from paragraph (a), (e), (g) or (h) of section 17.1 of the Act if it can demonstrate that an exclusion in terms of the relevant paragraph is compromising or impeding its ability or right to exercise its powers or to perform its functions within the meaning of section 151(4) of the Constitution.

18.2 Any exemption granted by the Minister in terms of sub section (1)-

18.1.1 must be in writing; and

18.1.2 is subject to such limitations and conditions as the Minister may determine.

19. CRITERIA FOR QUALIFICATION OF SPECIFIED CATEGORIES OF PROPERTY

19.1 General

19.1.1 The Chief Financial Officer or his/her nominee reserve the right to conduct a full credit check or financial analysis on any person, organisation or institution applying for any rebate in this policy

19.1.2 If the applicant is found to have furnished false information to qualify for any rebate, the following will apply:

19.1.1.1 All retrospective subsidies received from the date of application will be reinstated;

19.1.1.2 All arrears will become payable immediately;

19.1.1.3 Credit control measures will apply; and

19.1.1.3 The applicant will not be eligible to apply for any subsequent rebate for a period determined by Council from time to time.

19.2 Agricultural Properties

19.2.1 The owner must apply to the Chief Financial Officer for each General Valuation cycle, by the date specified on the application form for the agricultural rebate. Owners who fail to apply for their rebate by due date will only be entitled to the rebate on the month following the date of the rebate being amended in the supplementary roll;

19.2.2 The Applicants must produce a tax certificate issued by the South African Revenue Services (SARS) providing that they are taxed as a farmer;

19.2.3 The applicant must provide a detailed sketch of the entire property showing the various uses of all the land;

19.2.4 The applicant must provide a detailed sketch showing the full uses of all the buildings;

19.2.5 The City reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection;

19.2.6 The rebate terminates immediately on the sale of a property and/or the transfer of the property to a new owner;

19.2.7A new owner must apply for reinstatement of the rebate within 3 months of registration of the property into his/her name and must meet all the criteria set out above;

19.2.8 No rebate will be granted to any owner whose rates and/or services account is in arrears.

19.3 Public Benefit Organisation Properties



- 19.3.1 The owner must apply to the Chief Financial Officer for each General Valuation cycle, by the date specified on the application form for which the rebate is sought. Owners who fail to apply for the rebate by due date will only be entitled to the rebate on the month following the date of the rebate being amended in the supplementary roll;
- 19.3.2 The Applicants must produce a tax exemption letter confirming that they qualify for tax exemption as contemplated by Part 1 of the Ninth Schedule of the Income Tax Act, No 58 of 1962;
- 19.3.3 These rebates are intended to assist organisations that would be liable for the payment of the rates and that have limited resources and not for those who have the ability to pay as determined from their audited financial statements by the CFO or his/her nominee in terms of paragraph 20.4.
- 19.3.4 Assessment to determine the ability to pay rates by:
- 19.3.4.1 analysing the audited annual financial statements in terms of income and over all resources;
 - 19.3.4.2 examining the credibility of year on year expenditure;
 - 19.3.4.3 ensuring that profits or surpluses are calculated by excluding transfers to reserves; and
 - 19.3.4.4 excessive writing off or depreciation of assets;
 - 19.3.4.5 comparing the total annual turnover to the rates billed to determine whether the rates exceed 5% of the total turnover;
 - 19.3.4.6 accumulated reserves for specific purposes would not be taken into account with this assessment;
 - 19.3.4.7 Funds raised from external sources (such as grants, subsidies and donations) must be excluded when determining the ability to pay. The City reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection.
- 19.3.5 The use of any land or buildings, or any part thereof, of any organisation in terms of 19.3 above, shall not be for the private pecuniary benefit of any individual, whether as a shareholder company or otherwise;
- 19.3.6 The use of the land and/or buildings, or any part thereof or any period on the property, by any organisation in terms of 19.3 above, for a recognised business use, shall result in the rebate being refused and full commercial rates shall apply;
- 19.3.7 The rebate terminates immediately on the sale of a property and/or the transfer of the property to a new owner;
- 19.3.8 A new owner must apply for reinstatement of the rebate within 3 months of registration of the property in to his/her name and must meet all the criteria set out above;
- 19.3.9 No rebate will be granted to any owner whose rate and/or services account is in arrears.

19.4 Places of Worship

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

The following qualifying criteria will therefore apply:

19.4.1 The owner must apply to the Chief Financial Officer for each General Valuation cycle, by the date specified on the application form for the exemption. Owners who fail to apply for the exemption by due date will only be entitled to the exemption on the month following the date of the exemption being amended in the supplementary roll;

19.4.2 The Applicants must produce a tax exemption letter confirming that they are registered as a bona fide religious organisation and qualify for tax exemption in terms of the SARS criteria;

19.4.3 The use of the land and/or buildings, or any part thereof for any period on the property, by any organisation in terms of 19.3 above, for a recognised business use, shall result in the rebate being refused and full commercial rates shall apply;

19.4.4 The rebate terminates immediately on the sale of a property and/or the transfer of the property to a new owner;

19.4.5 A new owner must apply for reinstatement of the rebate within 3 months of registration of the property in his/her name and must meet all the criteria set out above;

20. LIMITS ON ANNUAL INCREASES

20.1 The Minister may, with the concurrence of the Minister of Finance and by notice in the Gazette, set an upper limit on the percentage by which-

20.1.1 rates on property categories or a rate on a specific category of properties may be increased; or

20.2.2 the total revenue derived from rates on all property categories or a rate on a specific category of properties may be increased.

20.2 Different limits may be set in terms of subsection (21.1) for-

20.2.1 different kinds of municipalities which may, for the purposes of this section, be defined in the notice either in relation to categories, types, or budgetary size of municipalities or in any other way; or

20.2.2 different categories of properties, subject to section 19 of the Act.

20.2.2 (A) The Minister may, with the concurrence of the Minister of Finance, and by the notice referred to in subsection (21.1), delay the implementation of a limit, for a period determined in that notice and in respect of the different kinds of municipalities defined in terms of subsection (21.2.1).



20.3 The Minister may, on written application by a municipality, and on good cause, exempt a municipality from a limit set in terms of subsection 21.1.

20.4 This section must be read with section 43 of the Municipal Finance Management Act.

21. REBATES PER CATEGORY OF OWNERS OF PROPERTY

The Municipality may grant a rebate

- 21.1 On a property owned and occupied by the Msunduzi Municipality.
- 21.2 On a property whose owner is in receipt of an old age pension or disability grant, subject to an approved annual application and provided that the applicant satisfies all the criteria for such rebate.
- 21.3 To a minor(s) who owns property or is the sole heir of a property where all owners and occupants are under the age of 18 subject to an approved annual application and where all other criteria for the rebate are met.
- 21.4 On a rateable property which has been listed in terms of Section 7.2 of the Municipality's Town Planning Scheme of Pietermaritzburg and Plessislaer, and which is considered to be of historic and/or architectural merit and/or interest, sufficient to justify the preservation thereof, subject to an approved annual application and provided that the owner of such property qualifies in terms of the criteria for this rebate.
- 21.5 To developers who own property and install the necessary infrastructure for the development of the raw land and which results in an enhanced market value of the land, provided that the owner of such property satisfies the criteria for such rebate.
- 21.6 To a small home business owner who resides on the property, where an approved portion of the property is being utilised to conduct business in terms of an approved Town Planning consent, subject to an approved annual application and where all other criteria for the rebate are met.

22. CRITERIA FOR QUALIFICATION FOR REBATE FOR CATEGORIES OF OWNERS OF PROPERTY

22.1 Pensioners or Disability grantees

22.1.1 Rebates must be applied for annually;

22.2 The application must be completed in full and submitted together with CERTIFIED COPIES of the following documents;

- (i) Identity Document(s) of all owners or part owners;
- (ii) Proof of Grant—from SASSA OR Proof of Private Pension;
- (iii) Proof of all additional income;
- (iv) 3 months' current bank statements of all bank accounts;
- (v) Proof of unemployment from Dept. of Labour;

22.2.1 Rebates will only be implemented 30 days following the date of application of all documentation being correctly submitted. Applications are only valid for the appropriate

financial year and shall lapse at the end of that year. If no new application is received before the expiry date normal tariffs will be due and payable;

22.2.2 Pensioners must be 60 years or older to qualify for a rebate;

22.2.3 Applicant(s) must be the OWNER and OCCUPIER of the premises as at 1 July of each year;

22.2.4 The total income of the APPLICANTS, SPOUSES and ALL OCCUPANTS—FROM ALL SOURCES must not exceed the limit set by Council during the annual budget;

22.2.5 There should be ONE DWELLING ONLY on the property;

22.2.6 There should be one electricity METER and one water meter ONLY on the property;

22.2.7 Applicants and his/her spouse may not own more than one property (including vacant land either nationally or internationally);

22.2.8 In the case of joint ownership, all owners must meet the qualifying criteria contained in this policy;

22.2.9 The FINANCE BUSINESS UNIT must be notified immediately of any CHANGE IN CIRCUMSTANCES;

22.2.10 No rebate will be granted to any pensioner or grantee whose rates and/or services account is in arrears unless a valid payment arrangement is in place and is being maintained. The rebate will be terminated if any default to an arrangement occurs;

22.3 Child headed Households

22.3.1 Rebates must be applied for annually;

22.3.2 Applicants and occupiers must be 18 years old or younger in terms of the legal age of majority;

22.3.3 The application must be completed in full and submitted together with CERTIFIED COPIES of the following documents:



- (vi) Identity Document(s) of all owners or part owners;
- (vii) Proof of Grant—from SASSA if applicable;
- (viii) Proof of all additional income if applicable;
- (ix) 3 months' current bank statements of all bank accounts;
- (x) Proof of unemployment from Dept. of Labour.

- 22.3.4 Rebates will only be implemented 30 days following the date of application of all documentation being correctly submitted. Applications are only valid for the appropriate financial year and shall lapse at the end of that year. If no new application is received before the expiry date normal tariffs will be due and payable;
- 22.3.5 Applicant(s) must be the OWNERS or HEIRS of the Property and OCCUPIER of the premises as at 1 July each year;
- 22.3.6 The total income of the APPLICANTS, and ALL OCCUPANTS – FROM ALL SOURCES must not exceed the amounts set by Council during the annual budget;
- 22.3.7 There should be ONE DWELLING ONLY on the property;
- 22.3.8 There should be one electricity METER and one water meter ONLY on the property;
- 22.3.9 Applicants may not own more than one property (including vacant land);
- 22.3.10 In the case of joint ownership, all owners must meet the qualifying criteria contained in this policy;
- 22.3.11 The FINANCE BUSINESS UNIT must be notified immediately of any CHANGE IN CIRCUMSTANCES;
- 22.3.12 No rebate will be granted to child headed household where the rates and/or services account is in arrears unless a valid arrangement is in place and is being maintained. The rebate will be terminated if any default to an arrangement occurs;
- 22.3.13 The Municipality reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection;
- 22.3.14 The rebate terminates immediately on the transfer of a property, unless the transferee is the surviving spouse and is heir to the property;
- 22.3.15 No rebate will be granted to any applicant whose rates and/or services account(s) are in arrears unless a valid payment arrangement is in place and this arrangement is being maintained.

22.4 Listed Property Rebate

- 22.4.1 Rebates must be applied for annually;
- 22.4.2 The Listed Property Plaque must be displayed on the building;
- 22.4.3 In the case of National Monuments – this plaque must also be displayed;



MSUNDUZI ANNUAL BUDGET

- 22.4.4 The property must be kept in a good state of repair and be clean and tidy;
- 22.4.5 The rebate terminates immediately on the transfer of a property and no rebate can be applied for till the following financial year;
- 22.4.6 The Municipality reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection;
- 22.4.7 No rebate will be granted to any owner whose rates and/or services account (s) are in arrears.

22.5 Developers rebate

- 22.5.1 Only one rebate application is required for the rebate period of 3 years
- 22.5.2 The rebate is granted over 3 years as follows:

22.5.2.1 Year 1-100%;

22.5.2.2 Year 2-66%;

22.5.2.3 Year 3-33%;

- 22.5.1 The rebate is subject to the developer purchasing raw undeveloped land and installing the necessary infrastructure for the purposes of providing services to the properties and its sub-division or Sectional Title units;
- 22.5.1 The rebate terminates immediately on the transfer of a property and only one rebate can be granted on any property;
- 22.5.1 The Municipality reserves the right to inspect such properties before or after granting such rebates and to revoke or amend any decision made prior to such inspection;
- 22.5.1 No rebate will be granted to any owner whose rates and/or services account(s) are in arrears;
- 22.5.1 No rebate will be granted to any developer as envisaged in 21.5 above, who has previously received a business concession or development incentive from the municipality for any part of the development;
- 22.5.1 The rebate can not be applied in conjunction with any other rebate;

23. ADDITIONAL RATES FOR SPECIAL RATING AREAS

- 23.1 The Municipal Council may by resolution of its council–
 - 23.1.1 determine an area within the Municipality as a special rating area;



23.1.2 levy an additional rate on the property in that are af or the purpose of raising funds for improving or up grading that area; and

23.1.3 differentiate between categories of properties when levying an additional rate referred to in paragraph 20.1.2

23.2 Before determining a special rating area, the Municipality must-

23.2.1 consult the affected community on the proposed boundaries on the following matters

23.2.1.1 the proposed boundaries of the area; and

23.3.1.2 the proposed improvement or upgrading of the area; and

23.2.2 obtain the consent of the majority of the members of the affected community in the proposed special rating area who will be liable for paying the additional rate.

23.3 When a municipality determines a special rating area, the Municipality-

23.3.1 must determine the boundaries of the area;

23.3.2 must indicate how the area is to be improved or upgraded by funds derived from the additional rate;

23.3.3 must establish separate accounting and other record-keeping systems regarding-

23.3.3.1 the revenue generated by the additional rate; and

23.3.3.2 the improvement and upgrading of the area; and

23.3.4 may establish a committee composed of persons representing the community in the area to act as consultative and advisory forum for the municipality on the improvement and upgrading of the area, provided representivity, including gender representivity, is taken into account when such a committee is established. Such a committee must be a sub committee of the ward committee or committees in the area, if the municipality has a ward committee or committees in the area.

23.4 This section may not be used to enforce existing equities in the development of the municipality, and any determination of a special rating area must be consistent with the objectives of the municipality's integrated development plan

23.5 This section must be read with section 85 of the Municipal Systems Act if this section is applied to provide funding for an internal municipal services district established in terms of that section of the Municipal Systems Act.



MSUNDUZI ANNUAL BUDGET

- 23.6 The municipality may enact By-Laws to further regulate special rating areas.
- 23.7 This Section replaces any existing separately approved policy and ByLaws in respect of Special Rating Areas.

24. REGISTER OF PROPERTIES

- 24.1 The Municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a PartB.
- 24.2 Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78.
- 24.3 Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to-
- 24.3.1 an exemption from the rate in terms of section 15 of the Act;
 - 24.3.2 a rebate on or a reduction in the rate in terms of section 15 of the Act;
 - 24.3.3 a phasing-in of the rate in terms of section 21 of the Act; or
 - 24.3.4 an exclusion referred to in section 17(1) (a), (e), (g), (h) and (i) of the Act.
- 24.4 The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website.
- 24.5 The Municipality must at regular intervals, but at least annually, update PartB of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.

25. PROPERTY RATES PAYABLE BY OWNERS

- 25.1 A rate levied on a property shall be paid by the owner of that property.
- 25.2 Where a property is owned jointly the owners shall be jointly and severally liable for the payment of the rates on such property.
- 25.3 In respect of agricultural property that is owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the Sub division of Agricultural Land Act, 1970 (Act No. 70 of 1970), the Municipality shall hold owners jointly and severally liable for all rates levied in respect of the property concerned



- 25.4.1 Properties owned by the Municipality and occupied by persons other than the Municipality shall be shown separately in the valuation roll and valued at market value.
- 25.4.2 In respect of a Municipal property where multiple tenancies occur, the entire building shall be valued at market value, and the rates will be based on a prorata portion of the market value, calculated by lettable area and the rates levied shall be included in the rentals.
- 25.4.3 Alternatively, where 25.4.2 is not possible, the lettable areas will be valued as units of the building calculated by the lettable area, and shown separately in the roll and rated separately in addition to the rentals.

26. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

- 26.1 A rate levied by a municipality on a sectional title unit is payable by the owner of the unit or the holder of a right contemplated in section 25 or 27 of the Sectional Titles Act.
- 26.2 Where a sectional title scheme is in the course of development, the under developed portion of the property of a scheme under construction shall be rated in accordance with the value assigned in terms of S46 (2)(a) of the Act and the rates on such undeveloped portion shall be paid by the developer. This value will reduce to zero on completion of the full approved scheme with the exception of any additional rights to extend.
- 26.3 A municipality may not recover the rate on a sectional title unit, or on a right contemplated in section 25 or 27 of the Sectional Titles Act registered against the sectional title unit, or any part of such rate, from the body corporate controlling a sectional title scheme, except when the body corporate is the owner of any specific sectional title unit, or the holder of such right.
- 26.4 A body corporate controlling a sectional title scheme may not apportion and collect rates from the owners of the sectional title units in the scheme.
- 26.5 The common property in a sectional title scheme shall not be valued or rated.

27. METHOD AND TIME OF PAYMENT

- 27.1 The Municipality shall recover rates on a monthly basis in twelve near equal instalments together with any additional amounts due as a result of a supplementary valuation.
- 27.2 Rates shall be paid in each month on or before a date determined by the Municipality.
- 27.3 Rates due in respect of a supplementary valuation and which the effective date is more than 6 months of the date on the rendering of the account must be paid within 90 days of the account where after, normal interest and penalties will apply.



MSUNDUZI ANNUAL BUDGET

- 27.3.1 The final date for the payment of rates, as determined by the Municipality in terms of sub section(26.2) above,shall not be affected by reason of any objection in terms of section 52,or an appeal in terms of section 55,of the Act;
- 27.3.2 If an adjustment in the valuation of a property in respect of Section 55 of the Act, affects the amount due for rates payable on that property, the municipal manager must-

27.3.2.1 calculate-

- (i) the amount actually paid on the property since the effective date;and
- (ii) the amount payable in terms of the adjustment on the property since the effective date; and

27.3.2.2 either-

- (iii) recover from the person liable for the payment of the rate the difference determined in terms of paragraph(a) without adding interest on the amount due for rates; or
- (iv) repay to the person who made the payment the difference determined in terms of paragraph (27.3.2.1) plus interest at the prescribed rate.

27.4 The Municipality may recover a rate annually for National and Provincial Government owned property.Such annual amount to be paid by 31October of each year where after normal interest and penalties will apply.

28. ACCOUNTS TO BE FURNISHED

28.1 The Municipality shall furnish each person liable for payment of a rate with a written account which shall contain the following information–

- 28.1.1 the amount due for rates payable;
- 28.1.2 the date on or before which the amount is payable;
- 28.1.3 how the amount was calculated;
- 28.1.4 the market value of the property;
- 28.1.5 if the property is subject to any compulsory phasing-in discount in terms of section 21 of the Act, the amount of the discount;



28.1.6 if the property is subject to any additional rate in terms of section 22 of the Act, the amount due for additional rates.

28.2 Any person liable for the payment of a rate in respect of rateable property shall notify the municipality of any address within the Republic to which notices in respect of such property shall be sent.

28.3 Any notice which the municipality is required to give in terms of section 28.1 of this policy shall be deemed to have been properly given-

28.3.1 if it has been sent by pre-paid post -

28.3.1.1 to an address notified in terms of sub section 28.2 of this policy;

28.3.1.2 if sub paragraph 28.3.1.1 does not apply and the property is not vacant land, to the address of the property shown in the valuation roll; or

28.3.1.3 to an address which appears to be the residential or business address of the person liable for the payment of the rate, according to the records of the municipality, which method of posting shall be utilized if subparagraphs 28.3.1.1 and 28.3.1.2 of this policy do not apply or if any notice posted in terms of the said sub paragraphs has been returned as undelivered;

28.3.2 if it has in fact come to the notice of the person to whom it is required to be given;

28.3.3 if paragraphs 28.3.1 and 28.3.2 of this policy do not apply, by affixing on the notice board of the municipality for a period of at least thirty days, a schedule containing the name of the person who is liable for the payment of the rate as shown in the valuation roll and the particulars required by section 28(1) of the Act;

28.4 Where a property in respect of which a rate is payable, is owned by more than one person and either or both of whom are liable for the payment of a rate on such property, the notices required to be given in terms of this section shall be deemed to have been properly given if posted or delivered to the address of one of such persons; provided that such persons may agree amongst themselves to which address such notices shall be posted or delivered and may notify the municipality accordingly, in the manner provided for in sub section 28.3.

28.5

28.5.1 Any person who is liable for payment of a rate but who has not received an account shall not be absolved from paying the amount owing by due date and any amount outstanding after such date shall attract penalty charges as provided for in section 30 of this policy;

28.5.2 If any person who is liable for payment of a rate does not receive an account, such person shall obtain a copy of such account from the offices of the Municipality, before the due date for payment of the account;

- 28.5.3 If any person who is liable for the payment of a rates shall notify the Municipality of any change of address including any e-mail address or other contact details;
- 28.5.4 A change of address referred to in 28.5.3 above shall take effect on receipt thereof by the Municipality;
- 28.5.5 If any person who is liable for the payment of a rate does not receive an account as a result of such person's failure to notify the municipality of a change of address, such person shall nevertheless be required to pay the amount owing by due date.

29. RECOVERY OF ARREAR RATES

- 29.1 In terms of the Municipal Finance Management Act the municipality shall take all necessary measures to recover all rates due and payable to the municipality.
- 29.2 A letter of demand shall be sent to the owner if the account is 60 days or more in arrears.
- 29.3 The municipality shall terminate the services to the property if the owner fails to respond to the letter of demand, regardless of whether the owner is the occupier on the property.
- 29.4 The municipality may publish a list of all rates defaulters, who have failed to pay within 60 days after the final instalment of the rates assessment, calling on the rate payer to settle the arrears within a specified time frame, failing which, Council's credit control and debt collection procedures will be followed and an application will be made to a court of competent jurisdiction for an order for the sale of the property by public auction.
- 29.5 If the rates remain unpaid in terms of 29.4 above, the municipality shall make application to a court of competent jurisdiction showing the amount of rates, penalties and surcharges then in arrears, and that all notices have been given and requesting the court to order any such rateable property be sold by public auction and the proceeds thereof to be paid in to court, and to direct payment to the Municipality of all rates and penalties and surcharges accrued in respect of the date of such sale together with the costs of obtaining the said order.
- 29.6 If before the sale of any rateable property in terms of an order made under subsection 29.5 there is produced to the Deputy Sheriff or other person charged with the sale thereof, a certificate by the Municipality that all amounts owing in terms of outstanding and arrear rates, penalty charges and surcharges, together with the costs of obtaining the said order have been paid, the said property shall be withdrawn from the sale.
- 29.7 Notwithstanding that all outstanding and arrear rates, penalty charges, surcharges and costs of obtaining the said order may have been paid before the said sale, the Municipality shall not be liable to any person for any loss or damage suffered by such person by reason of the sale of any such property in respect of which no such certificate has been produced to the said Deputy Sheriff or other person.

30. INTEREST AND COLLECTION CHARGES

- 30.1 Interest shall be charged on all rates arrears in terms of Section 64 (g) of the Municipal Finance Management Act and the Municipal Systems Act.



30.2 In addition to interest charged in respect of any property, collection charges shall accrue as follows:

- 30.2.1 As from the last working day referred to in section 29.4 of this policy, an amount representing ten percent (10%) of the capital amount of the rates then in arrear in terms of Section 75A1(b) of the Municipal Systems Act;
- 30.2.2 On the grant of a court order in terms of section 29.5 of this policy, a further amount representing ten percent (10%) of the capital amount of the rates then in arrear in terms of Section 75A1(b) of the Municipal Systems Act.

30.3 The said charges shall be payable to the Municipality and the said amounts or such of them as maybe applicable maybe recovered by it in any proceedings for the recovery of rates.

31. RESTRAINT ON THE TRANSFER OF PROPERTY AND REVENUE CLEARANCE CERTIFICATES

31.1 Section 118 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) provides as follows:

- “118(1) A registrar of deeds may not register the transfer of property except on production of a prescribed certificate—
- (a) issued by the municipality or municipalities in which that property is situated; and
 - (b) which certifies that all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.
- 1A) A prescribed certificate issued by a municipality in terms of subsection (1) is valid for a period of 60 days from the date it has been issued.
 - 2) In the case of the transfer of property by a trustee of an insolvent estate, the provisions of this section are subject to section 89 of the Insolvency Act, 1936 (Act No. 24 of 1936).
 - 3) An amount due for municipal services, surcharges 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.
 - 4) Subsection (1) does not apply to—
 - (a) a transfer from the national government, a provincial government or a municipality of a residential property which was financed with funds or loans made available by the national government, a provincial government or a municipality; and
 - (b) the vesting of ownership as a result of a conversion of land tenure rights in to ownership in terms of Chapter 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991);

Provided that nothing in this subsection precludes the subsequent collection by a municipality of any amounts owed to it in respect of such a property at the time of such transfer or conversion.

- 5) Subsection(3) does not apply to any amount referred to in that subsection that became due before a transfer of a residential property or a conversion of land tenure rights in to ownership contemplated in subsection(4) took place.”

31.2 The provisions of section 118 of the Systems Act shall be strictly adhered to at all times.

31.3 Only applications completed in full on the prescribed form, received from a bonafide conveyancer, State Department or Municipal Department and accompanied by the prescribed fee as recorded in the tariff register will be processed.

31.4 In accordance with section 118 (i) of the Systems Act, where the amount due on a property exceeds two years and a clearance certificate is issued, all amounts in excess of the 2-year requirement will be endorsed on the clearance certificate and the conveyancer shall notify the purchaser of the property in writing that he/she maybe liable for the outstanding account(s) on transfer. A copy of the notification must be sent to the municipality on transfer.

31.5 Section 118 (1A)(b) shall not apply where the owner or occupant of the property has signed a waiver of this section for the purposes of payments arrangements in terms of the Msunduz iMunicipality Debt Collection and Credit Control Policy and the full arrears relating to the property shall be paid.

31.6 Where the monthly consumption of services to a property has been averaged for a period of more than 60 days, the owner, in consultation with the Municipality, shall make arrangements for the reading of the meter in respect of the relevant services in order that the requirements of section 118 of the Systems Act are complied with.

31.7 Where a conveyancer is able to demonstrate that exceptional circumstances exist, the Chief Financial Officer or the delegated authority may accept a letter of undertaking, or a guarantee, for the payment of the full amounts required, provided that the full amounts are paid on the date of registration of transfer of the property.

31.8 Where any amendments to the value or use on the property area waiting adjustments in an open supplementary roll any rates must be paid in terms of the effective dates prescribed in Section 78 of the Act, and the current rates will be charged at the enhanced value and/or category amendment.

32. DATE OF VALUATION

32.1 For the purposes of a general valuation, the Municipality shall, by resolution, determine a date that may not be more than 12 months before the start of the financial year in which the valuation roll is to be first implemented.

32.2 The general valuation roll shall reflect the market value of properties determined in accordance with market conditions, which applied as at the date of valuation.



33. SUPPLEMENTARY VALUATIONS AND INTERIM RATES ADJUSTMENTS

Interms of Section 78 of the Municipal Property Rates Act:

- “(1) A municipality must,when ever necessary,cause a supplementary valuation to be made in respect of any rateable property-
- (a) incorrectly omitted from the valuation roll;
 - (b) included in a municipality after the last general valuation;
 - (c) subdivided or consolidated after the last general valuation;
 - (d) of which the market value has substantially increased or decreased for any reason after the last general valuation;
 - (e) substantially in correctly valued during the last general valuation;
 - (f) that must berevalued for any other exceptional reason;
 - (g) of which the category has changed(.);
 - (h) the value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error.
- (2) For the purposes of sub section (1), the provisions of Part 2 of Chapter 4 and,Chapters 5,6,7, read with the necessary changes as the context may require, are applicable, except that-
- (a) a municipal valuer who prepared the valuation roll may be designated for the preparation and completion of the supplementary valuation roll; and
 - (b) the supplementary valuation (roll takes effect on the first day of the month following the completion of the public inspection period required for the supplementary valuation rollin terms of section 49 (as read with this section),and) remains valid for the duration of the municipality’s current valuation roll.
- (3) Supplementary valuations must reflect the market value of properties determined in accordance with-
- (a) market conditions that applied as at the date of valuation determined for purposes of the municipal-ity’s last general valuation; and
 - (b) any other applicable provisions of thisAct.
- (4) Rates on a property based on the valuation of thatproperty in a supplementary valuation roll become pay-able with effect from-



MSUNDUZI ANNUAL BUDGET

- (a) the first day of the month following the posting of the notice contemplated in sub section (5) the effective date of the supplementary roll, in the case of a property referred to in subsection (1) (a), (e) or (f);
 - (aA) the first day of the month following the posting of the notice contemplated in subsection (5) in the case of property referred to in sub section 1(a),(e),(f) or (h): Provided that in the case of a decrease in value in respect of a property referred to in sub section 1(e), the rates become payable on the date the property was incorrectly valued or the clerical or typing error was made;
 - (b) the date on which the property was included in the municipality, in the case of a property referred to in sub section (1) (b);
 - (c) the date on which the sub division or consolidation of the property was registered in the Deeds Office, in the case of a property referred to in subsection (1) (c);
 - (d) the date on which the event referred to in sub section(1) (d) has occurred;
 - (e) the date on which the change of category referred to in sub section (1) (g) occurred.
- (1) (a) A municipal valuer must on completion of the supplementary valuation contemplated in sub section (1) (a) to (g), and following a correction contemplated in subsection 1(h), serve the results of the supplementary valuations or corrections contemplated in sub sections (1) (g) and (h), by ordinary mail, or if appropriate, in accordance with section 115 of the Municipal Systems Act, one very owner of property who has been affected by a supplementary valuation contemplated in sub section (1) (a) to (g) and a correction contemplated in sub section (1) (h), a notice reflecting the supplementary valuation or correction of the property, as well as the particulars listed in section 48 (2);
- (b) The notice referred to in paragraph (a) must in form the property owner that he or she may lodge are quest for review with the municipal manager in writing, within 30 days after the posting of the notice in respect of any matter reflected in the supplementary valuation;
- (c) The municipal valuer may adjust the valuation on consideration of the request for review contemplated in paragraph (b).
- (2) The municipality must, at least once a year, compile and publish a supplementary valuation roll to fall properties on which a supplementary valuation, as contemplated in sub section (1) was made, including review decisions referred to in sub section (5) (b), and make it public and available for inspection in the manner provided for in section 49."

3.4 BY-LAWS TO BE ADOPTED

- 34.1 By-laws shall be adopted to give effect to the Council's Rates Policy.
- 34.2 By laws in terms of 34.1 above may differentiate between



- 34.2.1 different categories of properties; and
- 34.2.2 different categories of owners of properties liable for the payment of rates
- 34.3 The by-laws are to comply with the requirements of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Municipal Property Rates Act (Act No. 6 of 2004) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), and any amendments there to.
- 34.4 The Municipality shall, with effect from 1 July 2015 comply with and apply the provisions of the Municipal Property Rates Amendment Act, 29 of 2014, which, among others, include the provisions referred to in bylaws 27.3– bylaw 27.6.

35. ENFORCEMENT OF OTHER LEGISLATION

- 35.1 In addition to the provisions contained in this policy and the published by-laws relating here to, the Council may enforce any other rights or exercise any power conferred upon it by the Municipal Systems Act, 2000 (No. 32 of 2000), the Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and any other applicable legislation.
- 35.2 In the event of an inconsistency between the provisions of this Policy and any other Policy, the provisions of this Policy shall prevail to the extent that the inconsistency can be established.
- 35.3 This Policy must be read in parallel with the Municipal Property Rates Act, The Municipal Finance Management Act and any other relevant legislation, and any amendments there to.



MSUNDUZI ANNUAL BUDGET

BUDGET POLICY



TABLE OF CONTENTS

1.	Introduction	3
2.	Objective	3
3.	Legislative framework	3
4.	Budgeting principles	4
5.	Commencement	6

I. INTRODUCTION

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

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

2. OBJECTIVE

The objective of the budget policy is to set out:

- 2.1 The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- 2.2 The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget.
- 2.3 To establish and maintain procedures to ensure adherence to The Msunduzi Municipality's Integrated Development Plan review and budget processes.
- 2.4 To ensure effective budget monitoring. To ensure compliance with the MFMA Budget and Reporting Regulations.

3. LEGISLATIVE FRAMEWORK

The policy should comply with budget guidelines, Municipal Finance Management Act, 2003 and other applicable legislation issued by National Treasury.

4. BUDGETING PRINCIPLES

- 4.1 The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account historical and current levels.
- 4.2 Expenses may only be incurred in terms of the approved annual budget (or adjustment budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- 4.3 The Msunduzi Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF) and that be reviewed annually and approved by Council.
- 4.4 The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.
- 4.5 Except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.
- 4.6 The capital budget component of the annual or adjustments budget shall only be approved by the Council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.



- 4.7 Before approving the capital budget component 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 any other ordinary operational expenses associated with any item on such capital budget. In addition, the Council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.
- 4.8 The Council shall establish a Capital Replacement Reserve for the purpose of financing capital projects and the acquisition of capital assets and or the replacement of assets. Such reserve shall be established from the following sources of revenue:
 - 4.8.1 Inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - 4.8.2 Further amounts appropriated as contributions in each annual or adjustments budget.
- 4.9 Each annual and adjustments budget shall reflect a realistic surplus, of current revenues over expenses.
- 4.10 Any un-appropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality'
- 4.11 An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the Council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any un-appropriated surplus carried forward from preceding financial years.
- 4.12 The municipality shall establish and maintain a provision for accrued leave up to maximum of 48 days of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- 4.13 The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- 4.14 All expenses, excluding all non cash items expenses, shall be cash-funded.
- 4.15 All capital repayments of external loans shall be paid from the municipality bank account and must have sufficient provision in the calculation of tariffs to recover such expenses.
- 4.16 The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management policy and the accounting policy. At least 7% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

5. COMMENCEMENT

The budget policy is applicable to the Msunduzi Municipality.

The policy and amendments shall be effective as from **1 July 2019**.



MSUNDUZI ANNUAL BUDGET

INDIGENT POLICY 2019\2020



TABLE OF CONTENTS

DEFINITIONS	3	
1. INTRODUCTION.....	5	
2. OBJECTIVES OF POLICY	5	
3. QUALIFYING CRITERIA	5	
4. CRITERIA FOR APPROVAL		6
5. SUBSIDY.....	7	
6. INDIGENT HOUSEHOLDS IN RETIREMENT CENTRES/ ORPHANAGES/DISABILITY CENTRES		8
7. PROCESS MANAGEMENT.....	8	
7.1. Validity Period	8	
7.2. Death of registered applicant		8
7.3. Termination of indigent support		8
8. APPEALS	9	
9.ASSISTANCE PROCEDURES APPLICABLE TO THIS POLICY	9	
9.1. Communication	9	
9.2. Communities	9	
9.3. Application / Registration		9
9.4. Approved applications		9
10. PUBLICATION OF NAMES OF QUALIFYING APPLICANTS		10
11. CURRENT AMOUNTS IN ARREARS		10
12. REGISTER	10	

DEFINITIONS

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

“authorised representative”	The person or instance legally appointed by the Council to act or to fulfill a duty on its behalf.
Life Line Service	The amount or level of any municipal service that is necessary to ensure human dignity and a reasonable quality of life and which, if not provided, could endanger public health or safety of the environment and for the purposes of this Policy are restricted to electricity, refuse, sewerage and water services. It is also to be understood that the national norms will be used as guidelines for the determination of the amount/level of the services.
“Chief Financial Officer”	Refers to the person so designated in terms of Section 80 (2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person;
“Council” or “municipal council”	A municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Msunduzi Municipality.
“customer”	Any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or if there is no occupier, then the owner of the property (including registered indigent household).
“defaulter”	A person who owes money to in respect of a municipal account after the due date for payment has expired.
“Child Headed Household”	This includes all persons who are jointly living on a stand or site on a permanent basis and who receive water and/or electricity from one meter. A household where both parents are deceased and where all occupants of property are children of the deceased and are all under the legal age to contract for service and are considered as minors in law by the State. Child headed households are automatically considered indigent unless proven otherwise.
“Indigent”	Lacking the necessities of life such as sufficient water, basic sanitation, refuse removal, environmental health, basic energy, health care, housing, food and clothing. This is a household which, due to a number of factors as set out in par. 4, is not financially capable of paying for the delivery of Basic Services – including poor households.
“interest”	A levy with the same legal priority as service fees and calculated on all amounts in arrears in respect of assessment rates and service levies at a standard rate as approved by Council.
“municipal account” or “billing”	The proper and formal notification by means of a statement of account, to persons liable for monies levied and indicating the net accumulated balance of the account, specifying charges levied by the Municipality, or any authorised and contracted service provider, in the format of, but not limited to.
“Municipality”	The institution that is responsible for the collection of funds and the provision of services to the customers of the council.
“the Act”	The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time.



I. INTRODUCTION

Council receives Equitable Share to subsidise those who cannot afford to pay for the minimum needs in life. The objective in calculating the amount to be subsidised, must be to prevent an increasing balance on the account of an indigent as it will be difficult to recover the debt in a humanly way. According to the Municipal Systems Act 2000, Section 74(3) and 75(2) stipulates, “A tariff policy may differentiate between different categories of users/debtors.”

2. OBJECTIVES OF POLICY

The objectives of this Policy are to:-

- 2.1. 2.1The objective of this policy is to close the gap between indigent and non-indigent citizens of Msunduzi Municipality, through the targeted assistance with free allocations of electricity, water and other services, together with broader based access to community services.
- 2.2. 2.2Provide a framework within which the Municipality to implement a lifeline service to indigent households in respect of their municipal account.
- 2.3. 2.3Determine the criteria for qualification of indigent households.
- 2.4. 2.4Ensure that the criteria is applied correctly and fairly to all applicants;

3. QUALIFYING CRITERIA

- 3.1 Criteria for Applied Indigent Status
- 3.2 To qualify for “Applied Indigent Status”, a household must comply with all the following criteria:-
- 3.3 The total household income must not exceed the amount approved by council from time to time.
- 3.4 The applicant must be a South African citizen.
- 3.5 The applicant must not be the registered owner of more than one property.
- 3.6 The applicant must be a resident of Msunduzi Municipality and have a registered account with the Municipality.
- 3.7 The requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered, nor in rural areas where no accounts are rendered.
- 3.8 Recognised refugees must provide proof of such status.



MSUNDUZI ANNUAL BUDGET

- 3.9 A tenant or occupier as described in Council's Credit Control and Debt Collection Policy can apply for the benefits in respect of the charges as billed for, while the landlord remains liable for all ownership related charges such as rates

4. CRITERIA FOR THE APPROVAL AS INDIGENT ARE AS FOLLOWS:

- 4.1 That the gross household income for qualification as a registered Indigent be determined each year by Council in terms of the tariff register.
- 4.2 That the prescribed application forms be completed annually.
- 4.3 The Municipality reserves the right to conduct in loco visits to the premises of applicants to verify the actual status of the household.
- 4.4 The Municipality will maintain a register of addresses of account holders receiving subsidies.
- 4.5 The Municipality may publish the register of Indigents and disclose the names and address of registered applied indigents.
- 4.6 The applicant will be subjected to a verification process using all information and systems at the disposal of the Municipality.

5. SUBSIDY

The subsidies below will be funded from the "equitable share" contribution received from National Treasury, plus an amount from the Municipality's own income as budgeted for in the financial year in question. The subsidies will only be granted to qualifying households to the extent that the above mentioned funds are available for allocation.

Where the municipal account exists, the subsidy amount allocated will be calculated and will be credited into the consumer's municipal account every month.

Service levels:

- 5.1 100% of the basic charge and MCB Charge for electricity for one service point per month.
- 5.2 In order to qualify for the indigent subsidy the applicant must have a maximum of 20 amps and in the event that the supply is in excess of 20 amps Council shall down grade the amperage to the maximum of 20 amps.
- 5.3 100% of Scale 2 domestic charge for sewerage per month for one service point.
- 5.4 100% of the domestic refuse removal tariff for one service point per month.
- 5.5 70 kWh of electricity.
- 5.6 6kl of free water to all registered indigent households. Water is calculated on a daily tariff, therefore water is calculated based on 200 litres per day which is multiplied by the number of days the water is



consumed by the customer. In the event that water charged is for a period of 28 days rather than 30 days, the applicable billing will be 200 litres multiplied by 28 days which equates to 5.8 kl free basic water. If water charged was for period of 32 days rather than 30 days the applicable billing will be 200 litres multiplied by 32 days which equates to 6,2 kilolitres.

5.7 100% of the domestic unmetered water tariff for non-metered consumers.

6. INDIGENT HOUSEHOLDS IN RETIREMENT CENTRES / ORPHANAGES/ DISABILITY CENTRES

Indigent consumers living in retirement centres / orphanages / and disability centres shall be eligible to qualify for assistance and support in terms of this policy, subject to the following rules and procedures:

- 6.1 The onus will be upon the board of trustees / managing agent / chairperson of the retirement centre to apply to the municipality for indigent status to be granted in respect of water consumption on behalf of the owners of those units who meet the criteria and conditions for qualification.
- 6.2 The onus will be upon the unit owner/consumer to apply to the municipality for indigent status to be granted in respect of service charges. The representative of the retirement centre will submit applications to the Municipality.

7. PROCESS MANAGEMENT

7.1 Validity period

The validity period for assistance will be for a maximum period of one financial year.

7.2 Death of registered applicant

In the event that the approved applicant passes away, the heirs of the property must re-apply for indigent support and meet the stipulated criteria. **Make provision for deceased family to continue benefitting**

7.3 Termination of indigent support

Indigent support will be terminated under the following circumstances:

- 7.3.1 Death of the applicant.
 - 7.3.2 Upon change of ownership of the property in respect of which support is granted.
 - 7.3.3 When circumstances in the indigent household have improved in terms of gross income threshold as prescribed by Council.
- 7.3.4 If the applicant is found to have furnished false information about his/her personal circumstances or regarding the declaration in respect of the indigent status, the following will apply:
- 7.3.4.1 All arrears will become payable immediately
 - 7.3.4.2 Credit control and Debt Collection measures will apply
 - 7.3.4.3 The applicant will not be eligible to apply for indigent support for a period of Two (2) years.

7.3.5 If the usage category changes to anything other than residential.

8. APPEALS

Any aggrieved person who was not successful in the application to be regarded as an indigent, may lodge an appeal to the Municipality within a period of 14 days from the date on which the aforesaid decision was communicated to the applicant.

9. ASSISTANCE PROCEDURES APPLICABLE TO THIS POLICY

9.1 Communication

The municipality may develop a communications strategy in terms of which communities will be informed and educated in order to have a clear understanding of this policy.

9.2 Communities

Members of the community should monitor responsible use and prevent misuse, e.g. illegal connections and help to distribute information to their neighbours.

9.3 Application / Registration

A person applying for assistance must complete a formal indigent support application form approved by the Municipality and must meet the qualification criteria as stipulated in this policy.

9.4 Approved applications

9.4.1 All applications that meet the prescribed qualification criteria are then processed on the financial system.

9.4.2 The applicant is flagged as Indigent in the prepayment system.

10. PUBLICATION OF NAMES OF QUALIFYING APPLICANTS

The applicant must grant permission for the Municipality to publish his/her name and address on a list of account holders receiving subsidies in terms of this policy and be submitted to credit authorities

Any person may inspect or scrutinise the list at a Customer Care Office and inform/notify the Municipality of any person who, according to their true circumstances, should not be in receipt of a subsidy as envisaged in this policy.

II. CURRENT AMOUNTS IN ARREARS

Applied Indigents, whose municipal accounts are in arrears amounts, will be treated in terms of the provisions of credit control and debt collection policy of the council regarding their status as indigent,

12. REGISTER

The Municipality shall keep a register of approved indigent households.

2019/20 to 2021/22



DEBT WRITE-OFF POLICY 2019/2020



MSUNDUZI ANNUAL BUDGET

	TABLE OF CONTENTS	
1	DEFINITIONS	
2	INTRODUCTION	
3	PURPOSE OF THE POLICY	
4	POLICY PRINCIPLES	
5	CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR DEBT WRITE-OFF	
6	DELEGATIONS FOR DEBT WRITE-OFF	
7	GENERAL PROVISIONS RELATING TO DEBT WRITE-OFF	
8	RECOVERY OF IRRECOVERABLE DEBT	
9	IMPLEMENTATION AND REVIEW OF THE POLICY	



I. DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the following meaning:

- 1.1 **“Accounting Officer”** The Municipal Manager appointed in terms of Section 82(1)(a) or (b) of the Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.2 **“Account Holder”** includes a customer/consumer and refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
- 1.3 **“Arrangements”** means a formal agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.
- 1.4 **“Arrears”** means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;
- 1.5 **“Chief Financial Officer”** refers to the person so designated in terms of Section 75(2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person.
- 1.6 **“Council”** refers to The Msunduzi Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy;
- 1.7 **“Debt Management”** refers to all functions relating to the collection of monies owed by customers and users of municipal services.
- 1.8 **“Financial year”** refers to the period starting from 1 July in a year to 30 June the next year;
- 1.9 **“Interest”** is a charge levied and calculated at a rate determined by law from time to time on all arrear amounts owing;
- 1.10 **“Municipality”** when referred to as:
 - (a) a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000);
 - (b) a geographic area means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
- 1.11 **“Municipal Manager”** means the person appointed as Municipal Manager in terms of Section 82 of the Local Government Municipal Structures Act, 1998, (Act No. 117 of 1998) and includes any person acting in that position or to whom authority has been delegated;
- 1.13 **“Official”** refers to an employee of The Msunduzi Municipality
- 1.14 **“Owner”** means
 - (a) In relation to property referred to in paragraph (a) of the definition of “property, means a person in whose name ownership of the property is registered;



MSUNDUZI ANNUAL BUDGET

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



2. INTRODUCTION

- 1.1 To ensure that household consumers with no or lower income are not denied a reasonable service and that the Municipality is not financially burdened with non-payment of services, Msunduzi Municipality does have an approved Indigent Policy.
- 1.2 However, the Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services. To deal with this, the Council also approved a revised Credit Control and Debt Collection Policy.
- 1.3 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt.

3. PURPOSE OF THE POLICY

- 3.1 The purpose of this policy is to provide a framework for regulating the writing-off of irrecoverable debt and the consequent further enhancement of the municipality's debt management strategy.

4. POLICY PRINCIPLES

- 4.1 The following are the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:
 - 4.1.1 The policy has been compiled in accordance with the Municipal Finance Management Act (MFMA), 2003, Local Government Municipal Systems Act (MSA), 2000, as amended and other related legislation.
 - 4.1.2 Before any debt is written off it must be proved that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as debt where:
 - The tracing of the debtors is unsuccessful; and
 - All reasonable steps were taken by the officials to recover the debt.
 - 4.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are remote, a write off should be considered at the discretion of the Chief Financial Officer.
 - 4.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of Debt Management is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.
 - 4.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.
 - 4.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves. The provision for doubtful debts is informed by the Standards of Generally Recognized Accounting Practice (GRAP) 104.

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

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

5.1.1 Upon approval for registration as an applied indigent consumer, the debtor's outstanding services balance may be written off. The debt write off will be considered after the application is approved.

5.2 Balances on final accounts too small to recover considering the cost for recovery

5.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalization of any final readings and other administrative costs results in a balance of one hundred rand (**R100**) or less, such account must be forwarded once to the consumer for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days such amounts will automatically be written off.

5.3 Insolvency of the Debtor and Insolvent Deceased Estates

5.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off.

5.3.2 In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off.

5.4 Untraceable Debtors

5.4.1 Any amount owed by a debtor that has become untraceable or uneconomical to collect such arrears, maybe written off.

5.4.2 Debt written off in the above instances must automatically result in the debtor being reported to the credit bureau by the Municipality or collecting agent.

5.5 Prescribed Debt

5.6 Special Cases

From time to time, Special Circumstances may warrant a write off of debt. These special circumstances will be considered on its merits and will be at the discretion of the Municipal Council.



6. DELEGATIONS FOR DEBT WRITE - OFF

6.1 The recommended delegated levels for write off are as follows:

- 6.1.1 Senior Manager Revenue–Debtor Account balance up to **R50,000** in consultation with the Chief Financial Officer
- 6.1.2 Chief Financial Officer –Debtor Account balance up to **R100,000** in consultation with the Municipal Manager
- 6.1.3 Debtor Account balance that is **R100,001+** must be approved by the Municipal Council or its delegated authority.
- 6.1.4 All write offs as delegated above shall be reported to Council for noting

7. GENERAL PROVISIONS RELATING TO DEBT WRITE-OFF

- 7.1 Not less than every quarter during the municipality's financial year, the Accounting Officer shall submit a report to the Council on debts to be written-off.
- 7.2 The Council must in its budget make provision for doubtful debts.
- 7.3 In writing-off a debt, the municipality does not abandon its claim and all amounts recovered in reduction of a debt subsequent to its writing-off shall be recorded in the books of the municipality as income.

8. RECOVERY OF IRRECOVERABLE DEBTS

- 8.1 Should there be a payment in respect of the account which has already been written off, such monies must be allocated to the specific general ledger account.

9. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 9.1 This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.
- 9.2 In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.



MSUNDUZI ANNUAL BUDGET

FUNDING AND RESERVES POLICY

2019/20 to 2021/22



TABLE OF CONTENTS

1. INTRODUCTION
2. OBJECTIVE OF THE POLICY
3. APPLICATION **AND** SCOPE

I. INTRODUCTION

Regulation 8 of the Municipal Budget and Reporting Regulation (MBRR) states that each municipality must have a funding and reserves policy.

This policy deals with funding the budget, realising surplus in the operations and building reserves in order for the municipality to expand the capital programs as prioritised on the Integrated Development Plan (IDP).

2 LEGISLATION BACKGROUND

Section 18 of the Municipal Finance Management Act prescribes that:

Funding of expenditure. — (1) An annual budget may only be funded from—

- (a) realistically anticipated revenues to be collected;
- (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17 (2).

(2) Revenue projections in the budget must be realistic, taking into account—

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in previous financial years.

Regulation 8 of the MBRR states that:

(1) Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating—

- (a) projected billings, collections and all direct revenues;
- (b) the provision for revenue that will not be collected;
- (c) the funds the municipality can expect to receive from investments;
- (d) the dividends the municipality can expect to receive from municipal entities;
- (e) the proceeds the municipality can expect to receive from the transfer or – disposal of assets;
- (f) the municipality's borrowing requirements; and
- (g) the funds to be set aside in reserves.

(2) When developing or amending the funding and reserves policy of the municipality, the

- (a) municipal manager must ensure that the policy—is consistent with the most recent actual billings and collection trends;
- (b) takes into account the credit rating of the municipality, if available, the financial position of the municipality, the cost of borrowing and the capacity to repay debt;
- (c) takes into account all the budget-related policies of the municipality, particularly recent amendments to any of those policies;
- (d) takes account of any statutory requirements to set aside funds in reserves; and
- (e) takes account of the transfer and disposal of assets.



3. OBJECTIVE OF THE POLICY

This policy intends to set out the assumptions and methodology for estimating the following :

- (a) Projected billings, collections and direct revenues.
- (b) The provision for revenue that will not be collected.
- (c) The funds the municipality can expect to receive from investments.
- (d) The proceeds the municipality can expect to receive from the transfer or disposal of assets.
- (e) The municipality's borrowing requirements
- (f) The funds to be set aside in reserves

4. POLICY DIRECTIVE

Projected billings, collections and direct revenue are determined in accordance with the following annual council policies and budget documentation:

- (a) Parameters and assumptions for the compilation of the operating and capital budget over the MTREF.
- (b) The Rates Policy that sets out the manner in which the municipality may impose property rates. Property rates are levied in accordance with the Municipal Property Rates Act 6 of 2004 as a cent in the randage based on the property value in municipality's General Valuation Roll and Supplementary Valuations.
- (c) The Tariff policies prescribed by section 74 of Municipal Systems Act 117 of 1998 which guides the annual setting/revision of tariffs which includes the annual approved consumptive tariffs, rates, basic charges for electricity, water and waste management services.
- (d) The Credit Control Policy, Debt Collection Policy and Indigent Policy whose objectives are primarily focus on all the outstanding debt to promote a culture of good payment and provide efficient debt collection methods.
- (e) The Cash and Investment Policy promotes sound and sustainable management of the municipality's surplus cash and investments. The funds expected to be received from investments are calculated based on the budgeted cash flow, taking into account the timing of anticipated inflows and outflows of cash during the year
- (f) The proceeds that the municipality expect to receive from the transfer or disposal of assets are informed by the Asset Management Policy and the Supply Chain Management Policy
- (g) The Municipality's borrowing requirements are done in terms of the Borrowing Policy. The borrowing requirements are determined in accordance with affordability using various metrics.
- (h) The Funds set aside in reserves is determined by affordability as dictated by the liquidity position from time to time.

5. RESERVES

The creation of reserves is sometimes required by statute or other law in order to give the Municipality and its creditors an added measure of protection from the effects of future losses as well as to provide funding for future capital expenditure. Transfers to such reserves are deemed to be appropriations of accumulated surpluses and deficits, and not expenses. Any such transfers are disclosed in the statement of changes in net assets.

The municipality has the following reserves:

5.1 Capital Replacement Fund

The purpose of the Capital Replacement Reserve is to set aside funds for financing capital projects and acquisition of assets. This reserve is therefore an asset financing source that represents an alternative to other funding sources available to the municipality namely external loans (interest bearing borrowings); and, transfers and subsidies.

The reserve is to be funded but not limited to the following sources:

- (a) Unappropriated cash backed surpluses to the extent such surplus are not required for operational purposes.
- (b) Cash proceeds from the sale of any item of Property, Plant and Equipment or Investment property
- (c) Percentage of amount that was utilised in the previous year for the Purchase of Property, Plant and Equipment
- (d) Vat recoveries from SARS.
- (e) Interest on the investments of the CRR, appropriated in terms of the investments policy: and
- (f) Additional amounts appropriated as contributions in annual operating budgets.

The CRR will only be utilised for the purpose of acquiring Assets and will not be used for maintenance thereof.

5.2 Housing Development Fund

The Housing Development fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments which include rental income and sale of houses must be paid into the Housing Development Fund. Monies standing to credit off the Housing Development Fund can be used only to finance housing developments within the municipal areas subject to the approval of the Provincial MEC responsible for housing. The Housing operating account is included in the Statement of Financial Performance. The net result of the Housing Operating Account is then transferred from/to the accumulated surplus/(deficit). Since the HDF was established in terms of legislation it may be reported separately in the statement of financial position and the statement of changes in net assets. The accumulated fund of the HDF includes the Loans extinguished on 1 April 1999.

5.3 Revaluation Reserve

The Revaluation Reserve is established upon revaluation of a class of Heritage Assets.

Under the revaluation model, the difference between the revalued amount and the carrying amount is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit. An amount recognised in surplus or deficit is shown as an impairment loss.

The revaluation surplus relating to an asset will be realised over time by transferring some or the whole of the surplus to accumulated surplus or deficit when the asset is derecognised transferring the portion when the asset to which the surplus relates to is disposed of.



5.4 Insurance Reserve

Insurance Reserves to set aside amounts to offset potential losses. The reserve covers claims that may occur subject to reinsurance where deemed necessary.

The balance of the Self-Insurance Reserve is determined based on insurance risk carried by the municipality and past claims history and, is increased by a transfer from the accumulated surplus/(deficit).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

This reserve must be cash-backed to effectively manage claims

5.5 COID Reserve

The COID reserve is established for Compensation for Occupational Injuries and Diseases where permission to retain contributions has been obtained from the Compensation Commissioner.

The municipality should ensure that all contributions to, or from the COID reserve are shown as transfers between the COID reserve and Accumulated Surplus.

The policy *as amended* will be effective as from **1 July 2019**

2019/20 to 2021/22



IMPAIRMENT POLICY



TABLE OF CONTENTS

1. DEFINITIONS
2. PURPOSE OF THE POLICY
3. SCOPE OF POLICY
4. APPLICABLE ACCOUNTING STANDARDS
5. METHODOLOGY
 - 5.1 Timing of Assessment
 - 5.2 Evidence of Impairment
 - 5.3 Calculation and Recognition of Impairment Loss
 - 5.4 Individually Significant of Impairment Loss
 - 5.5 Risk Categories
 - 5.6 Consumer Receivables
6. REVIEW OF METHODOLOGY



II DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the following meaning:

- 1.1 **“Accounting Officer”**The Municipal Manager appointed in terms of Section 82(1)(a) or (b) of the Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.2 **“Account Holder”** includes a customer/consumer and refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
- 1.3 **“Chief Financial Officer”**refers to the person so designated in terms of Section 75(2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person.
- 1.4 **“Council”** refers to The Msunduzi Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy;
- 1.5 **“Financial year”** refers to the period starting from 1 July in a year to 30 June the next year;
- 1.6 **“Grap”** means Generally Recognized Accounting Practices;
- 1.7 **“Impaired”** means the carrying amount exceeds its recoverable amount;
- 1.8 **“MFMA”** means Municipal Finance Management Act 56 of 2003;
- 1.9 **“Municipality”** when referred to as:
 - a) a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000);
 - b) a geographic area means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
- 1.10 **“Municipal Manager”** means the person appointed as Municipal Manager in terms of Section 82 of the Local Government Municipal Structures Act, 1998, (Act No. 117 of 1998) and includes any person acting in that position or to whom authority has been delegated;
- 1.11 **“Receivable”**means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to provide a framework for methodology for the impairment of receivables in line with the applicable accounting standards;
- 2.2 To ensure that sufficient allowance is made for the impairment of receivables in the financial statements;



MSUNDUZI ANNUAL BUDGET

2.3 To ensure that receivables disclosed in the financial statements are stated at amounts that are deemed collectable; and

2.4 To promote transparency as required by sections 215 and 216 of the Constitution when dealing with receivables and debt.

3. SCOPE OF POLICY

3.1 The methodology is applicable to all receivables subsequently measured at amortized cost.

3.2 This includes the following line items as disclosed on the statement of financial position:

3.2.1 Consumer receivables;

3.2.2 Receivables from exchange transactions; and

3.2.2 Receivables from non-exchange transactions.

4. APPLICABLE ACCOUNTING STANDARDS

4.1 GRAP 104 Financial Instruments sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost.

4.2 GRAP 104.46 "All financial assets measured at amortised cost, or cost, are subject to an impairment review..."

4.3 GRAP 104.57 "An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss. "

4.4 GRAP 104.58 "A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated."

4.5 GRAP 104.61 "If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit."

4.6 GRAP 104.62 "An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph.58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment."



4 METHODOLOGY

5.1 Timing of Assessment

5.1.1 The Municipality will assess at the end of each financial year, whether there is objective evidence, that a receivable account or group of receivable accounts is impaired.

5.2 Evidence of Impairment

5.2.1 The following accounts are specifically excluded from impairment testing:

5.2.1.1 Receivable accounts with a combined credit balance at reporting date;

5.2.1.2 Receivable accounts where the combined balance at reporting date is zero;

5.2.1.3 Receivable accounts where the Msunduzi Municipality is the account holder; and

5.2.1.4 Receivable accounts where the Government, State Owned Entities and Other Municipalities is the account holder

5.2.1.5 Receivable accounts that have no balance outstanding greater than 30 days at reporting date as these accounts are considered not to be past due.

5.3 Calculation and Recognition of Impairment Loss

5.3.1 The impairment loss is calculated as the difference between the carrying value at reporting date less the recoverability ratio of each debtor.

5.3.2 The recoverability ratio of each debtor is calculated as, the total receipts collected from the debtor over the reporting period, divided by the total billed to the debtor over the reporting period, plus any balances brought forward from the reporting period immediately prior to the current reporting period.

5.4 Individually Significant Receivables

5.4.1 Consumer receivables with a total balance outstanding at reporting date of more than **R1 000 000,00** is considered material and will be assessed individually for evidence of impairment.



MSUNDUZI ANNUAL BUDGET

5.5 Risk Categories

5.5.1 All receivables are categorised into one of three risk categories. These categories are:

5.5.1.1 High risk category;

5.5.1.2 Medium risk category; and

5.5.1.3 Low risk category.

5.5.2 The allocation of receivables into the different risk categories are reviewed annually.

5.6 Consumer receivables

5.6.1 The following receivables are specifically identified as being **high risk** due to their nature:

5.6.1.1 Accounts with balances of 60 days and more;

5.6.2 The following receivables are specifically identified as being **low risk** receivables due to their nature and past payment history:

5.6.2.1 Accounts with only a current balance due

5.6.3 The following receivables are specifically identified as being **medium risk** receivables due to their nature and past payment history:

5.6.3.1 Accounts with balances of 30 days only

5.6.4 Summary of risk groups for consumer receivables

High risk	Medium risk	Low risk
Accounts with 60 days balances and above	Accounts with 30 day balances only	Accounts with current balances



5.6.5 The total income from consumers for the reporting period include:

- (a) Property tax;
- (b) Refuse;
- (c) Sewerage;
- (d) Water;
- (e) Electricity;
- (f) Interest; and
- (g) Sundry Charges

6. REVIEW OF METHODOLOGY

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



FRUITLESS AND WASTEFUL EXPENDITURE POLICY

TABLE OF CONTENTS

1. Background of the Policy
2. Definitions
3. Role of the accounting officer
4. Guidelines and procedures for irregular, fruitless and wasteful expenditure
5. Guidelines and procedures for unauthorised expenditure
6. Process to authorise unauthorised expenditure
7. Investigations and disciplinary actions
8. Charge of misconduct
9. Recovery
10. Reporting
11. Regular Review of the unauthorised, irregular or fruitless and wasteful expenditure Register
12. Accounting Treatment of unauthorised, irregular or fruitless and wasteful expenditure



I. BACKGROUND AND THE OBJECTIVE OF THE POLICY

I.1 Background

The following Laws and regulations, amongst others, inform this document:

- (a) Section 32 of the MFMA
- (b) Section 170 and 173 of the MFMA
- (c) Regulation 23 and 74 of the Municipal Budget and Reporting Regulations
- (d) Relevant GRAP statements

I.2 Objective

The objectives of this document includes amongst other things:

- (a) Emphasising the accountability of employees ;
- (b) Ensuring that employees have a clear and comprehensive understanding of the procedures they must follow when dealing with unauthorised, irregular or fruitless and wasteful expenditure;
- (c) Ensuring that resources made available to employees are utilised efficiently, effectively, economically and for authorised official purposes;
- (d) Ensuring that the Municipality's resources are managed in compliance with the MFMA, the Municipal Regulations and other relevant legislation,
- (e) Ensure that irregular, unauthorised or fruitless and wasteful expenditure is detected, processed, recorded, and reported timeously.

2. DEFINITIONS

“fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

“irregular expenditure”, in relation to a municipality or municipal entity, 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, and which has not been condoned in terms of section 170;
- (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 “unauthorised expenditure”

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, 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
- (d) covered by the vote;
- (e) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (f) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” in the MFMA otherwise than in accordance with any conditions of the allocation; or
- (g) a grant by the municipality otherwise than in accordance with the MFMA;

“overspending” –

- (a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during 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

“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 department 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.



3. ROLE OF THE ACCOUNTING OFFICER

MFMA outlines the responsibilities of the Accounting Officers which include amongst others:

- (a) To exercise all reasonable care to prevent and detect irregular, unauthorised, fruitless and wasteful expenditure and must for this purpose implement effective, efficient and transparent processes of financial and risk management
- (b) To inform, in writing the mayor, executive committee and council, as the case may be, if a decision is taken which, if implemented, is likely to result in irregular, unauthorised, fruitless and wasteful expenditure
- (c) On discovery of any irregular, unauthorised, fruitless and wasteful expenditure to report promptly in writing, the particulars of the expenditure to the Mayor
- (d) The MFMA further prescribe the process that must be followed to deal with irregular, unauthorised, fruitless, and wasteful expenditure.

4. GUIDELINES AND PROCEDURES FOR DEALING WITH IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

- 4.1 Any official who becomes aware of or suspects the occurrence of irregular or fruitless and wasteful expenditure should immediately report in writing, the particulars of such expenditure which are within his or her knowledge, to the Accounting Officer or his or her delegate;
- 4.2 Once the Accounting Officer or his or her delegate has received the report alleging the occurrence of irregular or fruitless and wasteful expenditure, the details of such expenditure must be recorded in the register for irregular or fruitless and wasteful expenditure. An example of such register is attached as “Annexure A”;
- 4.3 The Accounting Officer or his or her delegate should investigate the alleged irregular or fruitless and wasteful expenditure to determine whether the expenditure meets the definition of irregular or fruitless and wasteful expenditure;
- 4.4 For accounting records purposes, during the investigation, the expenditure must remain in the expense account i.e. the vote of the department. The results of the investigation will determine the appropriate action to be taken regarding such expenditure;
- 4.5 Should the investigation reveal that the expenditure is not irregular or fruitless and wasteful expenditure as defined; the details of the expenditure should be retained in the register for record purposes and to provide a full audit trail. The register must be updated to reflect the outcome of the investigation;
- 4.6 Should the investigation reveal that the expenditure is irregular or fruitless and wasteful expenditure as defined above, the Accounting Officer must immediately report, in writing, the particulars of such expenditure to the Mayor. The register must be updated to reflect the outcome of the investigation;
- 4.7 The Accounting Officer- must also include the expenditure in the department’s monthly revenue and expenditure report submitted to council in terms of the MFMA;
- 4.8 For accounting records purposes, the irregular or fruitless and wasteful expenditure must be treated as an asset in the books of the municipality until such time as the expenditure is recovered from the responsible person or certified by council as irrecoverable and written off in the Annual Financial Statements.

5. GUIDELINES AND PROCEDURES FOR DEALING WITH UNAUTHORISED EXPENDITURE

- (a) Any employee who becomes aware of, or suspects the occurrence of unauthorised expenditure must immediately report, in writing, such expenditure to the Accounting Officer or his/her delegate;
- (b) On discovery of alleged unauthorised expenditure, such expenditure must be left in the account i.e. relevant vote and the Accounting Officer or his/her delegate should record the details of the expenditure in an unauthorised expenditure register. (Attached as "Annexure B")
- (c) The Accounting Officer or his/her delegate must investigate the alleged unauthorised expenditure to determine whether the expenditure meets the definition of unauthorised expenditure.
- (d) During the period of investigation, the expenditure must remain in the expenditure account. The results of the investigation will determine the appropriate action to be taken regarding the expenditure.
- (e) Should the investigation reveal that the expenditure is in fact valid expenditure and therefore does not constitute unauthorised expenditure the details of the expenditure should be retained in the register for completeness purposes (and to provide an appropriate audit trail). The register must then be updated to reflect the outcome of the investigation;
- (f) If the investigation indicates that the expenditure is in fact unauthorised expenditure the Accounting Officer must immediately report, in writing, the particulars of the expenditure to the Mayor.
- (g) If council subsequently condones the unauthorised expenditure, the municipality requires no further action as the amount has already been expensed in the statement of financial performance. The register should be updated to reflect the fact that the unauthorised expenditure was condoned.
- (h) If however, the council does not condone the amount, the Accounting Officer must take effective and appropriate action to recover the amount from the responsible person.

6. PROCESS TO AUTHORISE UNAUTHORISED EXPENDITURE

6.1 In terms of section 32 of the MFMA, 'unauthorised expenditure' may only be authorised (condoned) by the municipal council in an adjustment budget. In this regard, regulation 23(6) of the municipal Budget and Reporting Regulations provides that:

(6) An adjustment budget contemplated in section 28(2)(g) may only authorise unauthorised expenditure as anticipated in 32(2)(a)(i) of the MFMA and must be

- (a) Dealt with as part of the adjustment budget contemplated in sub-regulation (1); and
- (b) A special adjustment budget tabled in the municipal council when the mayor tables, the annual report in terms of section 127(2) of the act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the MFMA

6.2 This means the following process must be followed:

- (a) Unauthorised expenditure that occurs in the first half of the municipal year must be authorised in the main adjustment budget that must be tabled in council before 28 February.



- (b) Unauthorised expenditure that occurs in the second half of the financial year, or that occurred in the first half of the year but was not authorised in the main adjustment budget (above), has to be reported in the annual financial statements, audited and then only when the mayor tables the annual report in council can an adjustment budget be tabled in council to authorise this expenditure.
- (c) If the council decides not to authorise the unauthorised expenditure, then it must be recovered from the person liable for that expenditure unless the council certifies that the amount is irrecoverable and it is written off by the council.

6.3 The power to authorise unauthorised expenditure and certify unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable may not be delegated to a council committee or to any administrative committee or official. In this regard, regulation 74 of the Municipal Budget and Reporting Regulations provides that:

- (1) A council committee contemplated in section 32(2)(a)(ii) of the Act to investigate the recoverability of any unauthorised, irregular or fruitless and wasteful expenditure must consider -
 - (a) The measures already taken to recover such expenditure;
 - (b) The cost of the measures already taken to recover such expenditure;
 - (c) The estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
 - (d) Submit a motivation explaining its recommendation to the municipal council for final decision

6.4 Section 32 of the MFMA (nor any other section) does not permit council to authorise or condone irregular or fruitless and wasteful expenditure under any circumstances

6.5 Irregular or fruitless and wasteful expenditure may only be

- 1) Recovered from the person liable for the expenditure or
- 2) Certified by the council as irrecoverable and written off.

6.6 Under exceptional circumstances, the National Treasury may be approached to condone unauthorised, irregular or fruitless and wasteful expenditure in terms of section 170 of the MFMA

7. INVESTIGATIONS AND DISCIPLINARY ACTIONS

7.1 In terms section 172 and 173 of the MFMA, an Accounting Officer is guilty of financial misconduct and an offence respectively if he or she:

- (a) will fully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or fruitless and wasteful expenditure as required by the MFMA;
- (b) fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or fruitless and wasteful expenditure;
- (c) fails to report unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA.

7.2 As soon as the Accounting Officer becomes aware of an allegation of financial misconduct against an official, the Accounting Officer has a responsibility to ensure that the Mayor initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.

- 7.3 In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official willfully or negligently fails to perform that duty or exercise that power in line with applicable legislation.
- 7.4 In terms of the MFMA, the accounting officer must take appropriate and effective disciplinary steps against an official who makes or permits unauthorised, irregular or fruitless and wasteful expenditure.
- 7.5 When an accounting officer determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following:
- (a) circumstances of the transgression;
 - (b) extent of the expenditure involved;
 - (c) nature and seriousness of the transgression

8. CHARGE OF MISCONDUCT

- 8.1 A charge of financial misconduct against an accounting officer or an official must be investigated, heard, and disposed of in terms of the statutory or other conditions of appointment or employment applicable to that Accounting officer or official.
- 8.2 In the case of departments, the applicable acts and regulations and the relevant collective agreements (bargaining council resolutions) will apply.

9. RECOVERY

- 9.1 Notwithstanding the disciplinary process, the accounting officer must identify the official who is responsible for the unauthorised, irregular or fruitless and wasteful expenditure.
- 9.2 The information would normally be evident from the investigation process.
- 9.3 The amount of the expenditure should be recovered from the official concerned by taking the following steps:
- (a) The Accounting Officer must write to the official concerned and request him or her to pay the amount within 30 days or in reasonable installments.
 - (b) Reasonable installments will vary from case to case depending on such factors as the total amount involved and the affordability level of the official concerned.
 - (c) The accounting officer is expected to apply his or her discretion judiciously;
- 9.4 Should the official refuse or fail to pay as requested, the matter may be referred to an attorney for recovery
- 9.5 If the amount is not recoverable, the Accounting Officer may request council to certify the debt as irrecoverable and write it off in terms of the MFMA;



IO. REPORTING

- 10.1 The Accounting Officer must comply with the following reporting Requirements:
- 10.1.1 Immediately upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure, the Accounting Officer must report the details of the unauthorised, irregular or fruitless, and wasteful expenditure to the Mayor. The report must include the following details:
- (a) amount of the Unauthorised, irregular or fruitless and wasteful expenditure;
 - (b) name of the vote from which the expenditure was made;
 - (c) reason why the unauthorised, irregular or fruitless and wasteful expenditure could not be avoided;
 - (d) name and title of the responsible official;
 - (e) details of any recovery steps taken or to be taken by the municipality;
 - (f) details of any disciplinary steps taken or to be taken by the municipality,
- 10.1.2 The Accounting Officer must also include the expenditure in the department's monthly revenue and expenditure report submitted to the Council in terms of the MFMA;
- 10.1.3 All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.
11. Regular review of the irregular, unauthorised or fruitless and wasteful expenditure register
- The unauthorised, irregular or fruitless and wasteful expenditure register should be reviewed on a monthly basis by the Chief Financial Officer of the municipality. This review will ensure that unauthorised, irregular or fruitless and wasteful expenditure are adequately disclosed, dealt with, recorded and that no mathematical errors exists.
12. Accounting treatment of unauthorised, irregular or fruitless and wasteful expenditure
- (a) Unauthorised, irregular or fruitless and wasteful expenditure identified during one financial period, but not paid in the specific period should be recorded in the following financial year.
 - (b) The cumulative unauthorised, irregular or fruitless and wasteful expenditure incurred at financial year end should be adequately and appropriately disclosed in the financial statements of the municipality.
 - (c) Recognition and measurement of unauthorised, irregular or fruitless and wasteful expenditure shall be treated in terms of latest available guidelines for the compilation of the Annual Financial Statements issued to municipalities by National Treasury on an annual basis and be in line with the latest GRAP requirements.



MSUNDUZI ANNUAL BUDGET

VIREMENT POLICY

2019/20 to 2021/22



TABLE OF CONTENTS

- 1. Introduction**
- 2. Definition**
- 3. Types of Virement**
- 4. Provision for Virement outside the adjustment budget process**
- 5. General**

I. INTRODUCTION

In compliance with the Municipal Finance Management Act, the policy seeks to give flexibility in terms of undertaking Virement in an event of changes that may take place in line with service delivery and budget implementation plan (SDBIP) of the municipality.

2. DEFINITION

Virement is the process of transferring funds from one line item of a budget to another. The term is derived from a French word meaning a commercial transfer.

3. TYPES OF VIREMENTS

3.1 Project segment Virement

Project segment virement is the process of funds re-allocation between projects segments within a vote (department). The item segment comprises the project segment in terms of mSCOA.

3.2 Vote Virement

Vote Virement is the process of funds re-allocation between the votes (department), undertaken during the mid-year budget process.

To the extent that it is practical to do so, transfers within the first five(5) months and the last two(2) months of the financial year should be avoided.

4. PROVISION FOR VIREMENT OUTSIDE THE ADJUSTMENT BUDGET PROCESS

Unforeseen and unavoidable expenditure will be dealt with in terms of the Municipal Finance Management Act (MFMA).

Exceptional circumstances

The Virement will only take place subject to conditions of authorization as contained in the Virement procedure manual.

5. GENERAL

The Municipal Manager shall be responsible for the implementation and administration of this Policy.

The policy *as amended* will be effective as from **1 July 2019**.

2019/20 to 2021/22



CONDITIONAL AND UNCONDITIONAL GRANTS MANAGEMENT



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS

1. INTRODUCTION
2. PROCEDURES
 - 2.1 CONDITIONAL TRANSFERS TO MUNICIPALITIES
 - 2.2 TIMING OF MUNICIPAL CONDITIONAL GRANTS
 - 2.3 ACCOUNTING TREATMENT OF CONDITIONAL GRANTS
 - 2.4 PAYMENT SCHEDULE
3. RESPONSIBILITIES OF TRANSFERRING AND RECEIVING AUTHORITIES
4. UNSPENT CONDITIONAL GRANT FUNDS
5. REPORTING AND ACCOUNTING FOR MUNICIPAL APPROVED CONDITIONAL GRANT ROLL-OVER
6. CONDITIONAL GRANT ISSUES DEALT WITH IN PREVIOUS MFMA CIRCULARS
7. POLICY ADOPTION



I INTRODUCTION.

Section 216 of the Constitution provides for national government to transfer resources to municipalities in terms of the annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. These allocations are announced annually in the national budget. Transfers to municipalities from national government are supplemented with transfers from provincial government. Further, transfers are also made between district municipalities and local municipalities.

2 PROCEDURES

2.1 Conditional transfers to municipalities

It is important that all these transfers are made transparently, and properly captured in Msunduzi Local Municipality's' budget. In this regard, regulation 10 of the Municipal Budget and Reporting Regulations provides guidance on when Msunduzi Local Municipality should reflect a transfer or donation on their budgets. Note that promises of funds that do not meet the requirements set out in regulation 10 must not be included in the Msunduzi Local Municipality's budget.

In support of regulation 10, the Division of Revenue Bill provides that –

- (a) In terms of section 15, National Treasury is required to publish in the Government Gazette the allocations or indicative allocations for all national grants to municipalities;
- (b) In terms of section 29, each Provincial Treasury is required to publish in the Government Gazette the indicative allocation per municipality for every allocation to be made by the province to municipalities from the province's own funds; and
- (c) In terms of section 28, each category C municipality must indicate in its budget all from its equitable share and conditional allocations to be transferred to each category B municipality within the category C municipality's area of jurisdiction.

The Government Gazette reflecting the allocations and indicative allocations for all national grants to municipalities will be available at:

<http://www.treasury.gov.za>

In addition, National Treasury publishes a payment schedule that sets out exactly when equitable share and national conditional grant funds are to be transferred to municipalities:

<http://www.treasury.gov.za>

The payment schedules that Provincial Treasuries are required to submit to National Treasury in terms of section 29(5) of the Division of Revenue Bill will be published on National Treasury's website, along with the national payment schedule.

2.2 Timing of municipal conditional grant transfers

In order to facilitate synchronisation of the national / provincial financial year (01 April 20xx to 31 March 20xx) with the municipal financial year (01 July 20xx to 30 June 20xx), the Division of Revenue Bill requires that all conditional allocations to Msunduzi Local Municipality be transferred to municipalities within the period 01 July 20xx to 31 March 20xx.

2.3 Accounting treatment of conditional grants

Conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

2.4 Payment schedule

National Treasury has instituted an automated payment system of transfers to Msunduzi Local Municipality during the current financial year in order to ensure appropriate safety checks are put in place.

Section 22 of the Division of Revenue Bill requires transfers to Msunduzi Local Municipality be made as per the approved payment schedule published by National Treasury. Through this system, any transfers not in line with the payment schedule will be rejected. In addition, if the payment details of the municipality are not up-to-date the transfers will also be rejected.

Consequently, Msunduzi Local Municipality must ensure that all its payment details (the municipality's primary banking account and payee details) are submitted to the National Treasury in terms of section 8 of Municipal Finance Management Act (Act No. 56 of 2003, MFMA) and section 10 of the Division of Revenue Bill for approval and verification by National Treasury.

3. RESPONSIBILITIES OF TRANSFERRING AND RECEIVING AUTHORITIES

The legal obligations placed on transferring and receiving officers in terms of the Division of Revenue Bill are very similar to previous requirements. National Treasury intends ensuring strict compliance in order to improve spending levels, and the quality of information relating to the management of conditional grants.

Msunduzi Local Municipality will comply with the annual Division of Revenue Act. It is the responsibility of the municipal manager as the "receiving officer" to ensure compliance.

The municipal manager is responsible for, among other things, the tabling of monthly reports in council on whether or not the municipality is complying with the Division of Revenue Act.

The municipal manager is responsible for reporting on any delays in the transfer or the withholding of funds as failure to do so may have financial implications for the municipality and may lead to loss of revenue when funds are stopped and reallocated.

Where the Msunduzi Local Municipality is unable to comply, or requires an extension, the Municipal Manager will apply to the National Treasury and provide comprehensive motivation for the non-compliance.

4. UNSPENT CONDITIONAL GRANT FUNDS

To bring legal certainty to the process of managing unspent conditional grant funds, the Division of Revenue Bill contains the following provisions:



4.1 Unspent conditional allocations Section 21.

- (1) Despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation that is, in the case of a province, not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal financial year, reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.
- (2) The National Treasury, and a provincial treasury in the case of a provincially funded allocation, may, at the request of a transferring national officer, provincial treasury or municipality, approve—
 - (a) a roll-over from a conditional allocation to the next financial year; and (b) spending of a portion of a conditional allocation on activities related to the purpose of that allocation, where the province or municipality projects significant unforeseeable and unavoidable over-spending on its budget.
- (3)
 - (a) Any funds which must revert to the National Revenue Fund in terms of subsection (1), and which have not been approved by the National Treasury to be retained in terms of subsection (2), must be repaid to the National Revenue Fund.
 - (b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.
- (4) The National treasury, in accordance with subsection (5), may offset any funds which must be repaid to the National revenue Fund in terms of subsection (1) and (3), but which have not been repaid—
 - (a) in the case of a province, against future advances for conditional allocations to that province; and
 - (b) in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.
- (5) Prior to the National Treasury offsetting any amounts against allocations to a province or municipality in terms of subsection (4), the National Treasury must give the relevant transferring national officer, province or municipality—
 - (a) written notice of the intention to offset amounts against upcoming advances for allocations; and
 - (b) an opportunity, within 14 days of receipt of the notice referred to in paragraph (a), to —
 - (i) submit written representations and other documentary proof that the unspent allocation was either spent in accordance with the relevant framework, or is committed to identifiable Projects; Msunduzi Local Municipality Grant Policy
 - (ii) propose alternative means acceptable to the National Treasury by which the unspent allocations can be repaid to the National Revenue Fund; and
 - (iii) propose an alternative payment schedule in terms of which the unspent allocations will be repaid to the National Revenue Fund.
- (6) A notice contemplated in subsection (5) must include the intended amount to be offset against allocations, and the reasons for offsetting the amounts.
- (7) The retention of funds which should revert to the National Revenue Fund in terms of subsections (1) and (3), and which have not been approved by the National Treasury to be retained in terms of subsection (2), constitutes financial misconduct by the receiving officer in terms of section 34

4.2 The following practical arrangements will apply –

- (a) When preparing the annual financial statements, Msunduzi Local Municipality must determine what portion of each national conditional allocation it received remained unspent as at financial year end.

- (b) National Treasury will initiate the process outlined in section 21(4) and (5) of the Division of Revenue Act based on the conditional grant expenditure reports. If the receiving officer wants to motivate in terms of section 21(5)(b) that the funds have been spent or are committed to identifiable projects or wants to propose an alternative payment method or schedule the required information must be submitted to National Treasury by 31 August 20xx.
- (c) National Treasury will confirm in writing whether or not Msunduzi Local Municipality may retain as a rollover any of the unspent funds because they are committed to identifiable projects or whether it has agreed to any alternative payment methods or schedules by 30 November 20xx.
- (d) Msunduzi Local Municipality must return the remaining unspent conditional grant funds that are not subject of a specific repayment agreement with National Treasury to National Revenue Fund. Failure to return these unspent funds will constitute financial misconduct in terms of section 21(7) of the Division of Revenue Act.
- (e) Any unspent conditional grant funds that should have been repaid to the National Revenue Fund will be offset against the Msunduzi Local Municipality's December equitable share allocation. When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 21(2) of the Division of Revenue Act, Msunduzi Local Municipality will supply National Treasury with the following information
 - (1) A formal letter, signed by the accounting officer must be addressed to the **National Treasury** requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2018 DoRA;
 - (2) A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
 - (3) The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - (i) Proof that the project tender was published and the period for tender submissions closed before 31 March;
 - (ii) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
 - (iii) Proof of a project tender, 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 final year of the project;
 - (vi) Incorporation of the Appropriation Statement;
 - (v) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2019 (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 of original allocation per the DoRA;
 - (7) Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered;
 - (8) An indication of the time-period within which the funds are to be spent if the roll over is approved; and
 - (9) Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.



A progress report on the state of implementation of each of the projects;

- (1) The amount of funds committed to each project, and the conditional allocation from which the funds come from; and
- (2) An indication of the time-period within which the funds are to be spent. Msunduzi Local Municipality Grant Policy

All the calculations of the amounts to be surrendered to the National Revenue Fund (NRF) will be subject to scrutiny by the Office of the Auditor-General and will therefore be audited.

5. REPORTING AND ACCOUNTING FOR MUNICIPAL APPROVED CONDITIONAL GRANT ROLL-OVERS

- (1) Section 21 of the Division of Revenue Act requires that any conditional allocations, excluding the Expanded Public Works Programme Incentive Grant, which is not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds will be rolled over (refer to MFMA Circular 51 for more information in this regard).
- (2) In terms of the allocations that have already been transferred to Msunduzi Local Municipality, and are not spent by the end of the financial year, reporting of these funds must be done separately but concurrently with the reporting for the current year's conditional allocations. National Treasury will for purposes of DoRA reporting, provide a reporting template to facilitate monitoring of these conditional grant roll-overs.

6. CONDITIONAL GRANT ISSUES DEALT WITH IN PREVIOUS MFMA CIRCULARS

Msunduzi Local Municipality will refer to MFMA Circulars 58 and 94 with regards to the following issues:

- (1) Accounting treatment of conditional grants – Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by incurring expenditure in accordance with the conditions of the grant.
 - (2) VAT on conditional grants: SARS has issued a specific guide to assist municipalities meeting their VAT obligations – VAT 419 Guide for Municipalities. To assist municipalities accessing this guide it has been placed on the National Treasury website at: <http://www.treasury.gov.za/legislation/mfma/guidelines/default.aspx>.
 - (3) Interest received and reclaimed VAT in respect of conditional grants: Municipalities are reminded that in MFMA Circular 48, National Treasury determined that:
 - (a) Interest received on conditional grant funds must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions however Provincial grants interest accrue to the project.
 - (b) 'Reclaimed VAT' in respect of conditional grant funds be treated as 'own revenue' and its use by the municipality is not subject to any special conditions.
1. Appropriation of conditional grants that are rolled over – As soon as a municipality receives written approval from both National and Provincial Treasuries that its unspent conditional grants have been rolled-over it may proceed to spend such funds (refer to MFMA Circular 51 for other arrangements in this regard).



MSUNDUZI ANNUAL BUDGET

2. Pledging of conditional grants – Applications by municipalities to pledge conditional grants allocated to municipalities in the Division of Revenue Bill must be in accordance with the requirements set out in MFMA Circular 51 MFMA. The only difference is that the timeframe for the pledges will extend as provided for in the Bill.

7. POLICY ADOPTION

The budget policy is applicable to the Msunduzi Municipality.
The policy and amendments shall be effective as from **1 July 2019**.

2019/20 to 2021/22



BORROWING POLICY



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS

- 1. Definitions**
- 2. Introduction and Background**
- 3. Scope and Application**
- 4. Objectives**
- 5. Conditions under which Municipal Debt may be incurred**
- 6. Security**
- 7. Approval**

- 8. Internal Control over Borrowing**

- 9. Reporting and Monitoring Procedures**
- 10. Financial Viability**

- 11. Annual Review of Policy**
- 12. Effective Date**



DEFINITIONS

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

- **“Accounting Officer”** – means the Municipal Manager and vice versa;
- **“Act”** – means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- **“Chief Financial Officer”** – means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the municipality;
- **“Council” or “Municipality”** – means the Municipal Council of Msunduzi Municipality as referred to in Section 18 of the Municipal Structures Act;
- **“Creditor”** – in relation to a municipality, means any person or service provider to whom money is owing by the Municipality;
-
- **“Debt”** – means–
 - (a) a monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities; or
 - (b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another.
- **“Delegatee”** – means an official / person delegated to perform task on behalf of another person;
- **“Financial Statement”** – means statements consisting of at least –
 - I. a balance sheet (statement of financial position);
 - II. an income statement (statement of financial performance);
 - III. a cash-flow statement;
 - IV. any other statements that may be prescribed; and
 - V. any notes to these statements.
- **“Financial year”** – means a year ending 30 June;
- **“Financing Agreement”** means any long-term agreement, lease, instalment purchase contract or hire purchase agreement under which the Municipality undertakes to pay the capital cost of property, plant or equipment over a period of time;
- **“Lender”** – in relation to a municipality means a person or service provider who provides debt finance to a municipality;
- **“Long Term Debt”** – means debt which is repayable over a period exceeding 12 months;
- **“Municipal debt instrument”** – means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including virtual or electronic evidence of indebtedness intended to be used in raising debt;

- **“Security”** – means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor;
- **“Short Term Debt”** – means a debt which is repayable over a period not exceeding 12 months;

INTRODUCTION AND BACKGROUND

Considering the large demand for municipal infrastructure, borrowing is an important element to obtain additional funding sources to fund the municipal capital programme over the medium term.

The legislative framework governing borrowing is informed by the following legislation:

- Local Government Municipal Finance Management Act, (Act 56 of 2003); and
- Municipal Regulations on Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007

The Municipality may only incur debt in terms of the Municipal Finance Management Act, Act No. 56 of 2003. The Municipality may incur two types of debt, namely short-term and long-term debt.

II Short Term Debt

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 realistically 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.

The Municipality:

- Must pay off short-term debt within a financial year; and
- May not renew or refinance its short-term debt.

II Long Term Debt

The Municipality may incur long-term debt for purposes of financing its long-term strategic objectives, as outlined in the Constitution of the Republic of South Africa, Act No. 108 of 1996, and Chapter 7 on Local Government, to:

- Provide democratic and accountable government for local communities;
- Ensure the provision of services to communities in a sustainable manner;
- Promote social and economic development;
- Promote a safe and healthy environment; and
- Encourage the involvement of communities and community organizations in the matters of local government.

SCOPE AND APPLICATION

This policy governs the taking up of new loans, as well as the maintenance and redemption of existing loans. It specifically applies to:



- (a) Conditions under which municipal debt may be incurred;
- (b) Security;
- (c) Approvals;
- (d) Internal Controls,
- (e) Reporting & Monitoring Procedures; and Financial viability.

OBJECTIVES

This Policy, in line with sections 19, 46 and 47 of the Municipal Finance Management Act, 56 of 2003 (MFMA), sets out the procedures to be followed in sourcing funding from external financial service providers

The objectives of this policy are to:

- (a) ensure compliance with the relevant legal and statutory requirements relating to municipal borrowing;
- (b) record the circumstances under which the Municipality may incur debt;
- (c) describe the conditions that must be adhered to by the Accounting Officer or his / her delegatee when a loan application is submitted to Council for approval;
- (d) set out the internal control measures applicable to the maintenance and redemption of loans;
- (e) ensure timely reporting on the loans register as required by the Act and in accordance with Generally Recognised Accounting Practice; and
- (f) record the key performance indicators to ensure access to the money markets.
- (g) Manage interest and credit risk exposure.
- (h) To maintain financial sustainability.

CONDITIONS UNDER WHICH MUNICIPAL DEBT MAY BE INCURRED

The process for obtaining external loan funding for the Municipality falls exclusively within the functional area of the Chief Financial Officer.

All borrowings made by the City must be in accordance with this policy and with any regulations promulgated by National Treasury.

I.I Statutory Conditions

The Municipality may incur debt, provided that:

- (a) The debt is denominated in Rand and is not indexed to, or affected by fluctuations in the value of the Rand to other currencies (Sect 47(a) of the Act);
- (b) The debt is approved by resolution of Council, signed by the Mayor, and the Accounting Officer has signed the agreement or other document which creates or acknowledges the debt (Sect 46(2) of the Act);
- (c) The Accounting Officer has, at least 21 days prior to the meeting of the Council at which the resolution is to be considered, published a notice in a newspaper of general circulation:
 - (i) Stating particulars of the draft resolution, including the amount of the loan, the purpose of the loan to be incurred and the particulars of any security to be provided

- (ii) (Sect 46(3)(a)(i) of the Act); and
Inviting the public to submit written representations to the Council in respect of the draft resolution (Sect 46(3)(a)(ii) of the Act).
- (d) The Accounting Officer has, prior to the adoption of the resolution, submitted an information statement to the Council setting out the purpose for which the debt is to be incurred, the anticipated total cost of credit over the repayment period, the essential repayment terms and particulars of any security to be provided (Sect 46(3)(b) of the Act);
- (e) The relevant resolution was adopted at a meeting of the Council which was open to the public; and
- (f) Where security is to be provided, the provisions of section 6 below have been complied with (Sect 47)(b) of the Act).

II Administrative Conditions

The CFO must, in consultation with the Budget and Treasury Directorates, assess the Municipality's financial requirements and determine the amount of funds that need to be raised from external service providers, particularly to fund the capital programme. The assessment must be made in conjunction with the Medium Term Revenue and Expenditure Framework (MTREF) and the capital budget which is approved by Council.

The possible methods of raising external debt identified are:

- I. Raising of project specific loans through financial institutions.
- II. Raising non project specific loan for a particular financial year
- III. Issuing bonds on the market
- IV. Appointment of a financial institution as debt provider for a period not exceeding three(3) financial years.

A combination of these methods of debt raising could be utilised over a period of time.

A funding requirement assessment is required to ascertain the need to borrow. The funding requirements for capital projects/assets together with the funding sources, must-

- i. be determined annually
- ii. take into account a multi-year period and
- iii. be done in order to determine the adequacy of available funding sources.

Consideration must be taken into account of how funding decisions affect the operating budget for the multi-year period, which will include the long term impact on tariffs.

A full analysis of all cash reserves is required prior to borrowing to ensure the most cost effective method of financing

- (a) To obtain Council's approval for a bank overdraft, call bond or short-term loan the Accounting Officer or his / her delegatee must submit:
- (i) A cash-flow statement indicating the anticipated shortfalls and anticipated further income streams that will repay the short-term debt;
 - (ii) Monthly cash-flow reports indicating progress towards the repayment of the bank overdraft, call bond or short-term loan.



- (b) To obtain Council's approval for a long-term loan the Accounting Officer or his /her delegate must submit:
 - (i) The Bid Committee's recommendation after having obtained and evaluated quotations from at least three financial institutions stating the loan period (repayment period), comparable interest rates and administrative costs;
 - (ii) An operating budget reflecting the effect of the anticipated depreciation of the envisaged asset to be financed and / or capital costs on service charges; and
 - (iii) Statements from the financial institutions that the proposed instruments are in line with national legislation. When entering into discussions with a prospective lender with a view to incur municipal debt, the City must indicate in writing to the prospective lender whether it intends to incur short-term or long-term debt.

Interest rates are to be fixed at an optimal rate unless it can be shown that a variable rate can provide better cost efficiency

SECURITY

- (a) The Municipality may, by a resolution of the Council, authorise security to be provided for any of its debt obligations;
- (b) Without contravening the above point, the Municipality when incurring debt, may:
 - (i) Undertake to maintain revenues or specific charges, fees, tariffs or funds at a particular level or at a level sufficient to meet its obligations arising from that debt;
 - (ii) Undertake to effect payment directly from monies or sources that may become available and authorise direct access to such sources to ensure payment of those obligations;
 - (iii) Undertake to make provision in its budget for the payment of those obligations, including capital and interest;
 - (iv) Undertake to deposit funds with the lender or a third party as security for the debt;
 - (v) Agree to specific payment mechanisms or procedures to ensure exclusive or dedicated payment to lenders, including payments into special purpose funds / accounts or other payment mechanisms / procedures;
 - (vi) Cede as security any category of revenue or rights to future revenue specified in the financing agreement or information statement contemplated in 5.1(d) above;
 - (vii) Undertake to have disputes resolved through mediation, arbitration or other dispute resolution mechanisms;
 - (viii) Agree to restrictions on debt which the Municipality may want to incur in future; and
 - (ix) Agree to such other arrangements as the Municipality may consider necessary and prudent.
- (c) A Council resolution authorizing the giving of security as referred to in 6.(a):

- (i) Must determine whether the asset or right with respect to which the security is given, is necessary for providing a minimum essential municipal service; and
 - (ii) If so, must indicate the manner in which the availability of the asset or right for the provision of that service will be protected.
- (d) If the resolution has determined that the asset or right is necessary for providing a minimum essential service, the lender to whom the municipal security is given, may not, in the event of a default by the Municipality, deal with the asset or right in the manner that would preclude or impede the continuation of the minimum essential municipal service.
- (e) A determination in terms of 6(c) that an asset or right is not necessary for providing a minimum essential municipal service is binding on the Municipality until the secured debt has been paid in full.

APPROVAL

- (a) Once Council approves the loan, the Accounting Officer has to enter into an agreement with the recommended financial institution on behalf of Council. The Chief Financial Officer must ensure that the terms and conditions are as originally agreed before the Council is committed;
- (b) All municipal loan commitments must be recorded in a Loans Register reflecting at a minimum the:
- (i) Loan number;
 - (i) Type of loan;
 - (iii) Financial institution;
 - (iv) Date issued;
 - (v) Purpose of loan;
 - (vi) Loan period;
 - (vii) Interest rate;
 - (vii) Installments (capital and interest);
 - (ix) Due dates (quarterly / half-yearly / yearly);
 - (x) Security (if any);
 - (xi) Final redemption date;
 - (xii) Opening balance at the beginning of the financial year;
 - (xiii) Amounts received during the financial year;
 - (xiv) Capital amounts redeemed during the financial year; and
 - (xv) Closing balance at the end of the financial year.
- (c) Sufficient provision must be made in the budget to depreciate assets linked to the loan;

INTERNAL CONTROL OVER BORROWINGS

II Draw-down claims on loans

Regular claims must be prepared, signed and submitted for processing to the financing institution providing the loan facility. The following supporting documents must be attached to each draw-down claim:

- (a) Signed copy of Certified Statement, signed by an authorised representative of the Municipality;
- (b) Signed copy of Application for Loan Draw-down, signed by an authorised representative of the Municipality; and



- (c) Expenditure summary listing the expenditure being claimed.

I.I Repayments made on loans

Loans are paid at the end of each quarter, being March, June, September and December as norm but subject to conditions of loans by the lender . Payments are made in terms of the amortization schedules or notices from the financing institution for the respective loans due for repayments. The following supporting documents must be attached to each loan repayment:

- (a) Signed copy of cheque requisition;and
- (b) Copy of amortization schedule or notice from financing institution detailing the capital and interest amounts due and payable.

I.I Reconciliations between General Ledger / Loans Register and Financing Institutions

The following reconciliations are performed between the Loans Register, Statements / Amortization schedules of financing institutions and the General Ledger and are examined by a senior official under the direction of the Chief Financial Officer:

- (a) Loans Register to General Ledger on a monthly basis;
- (b) Capital redemptions per the General Ledger to the redemptions schedule on a monthly basis;
- (c) Interest paid per the General Ledger to the interest schedules on a monthly basis;and

I.I Documentation kept on record

The following loan documentation and certificates, at a minimum, must be safeguarded at all times:

- (a) Loan agreements;
- (b) Any applicable security agreements;
- (c) Copy of annual loans register;
- (d) Signed copies of monthly reconciliations;
- (e) Copies of all repayments made;
- (f) Copies of amortization schedules;
- (g) Copies of quarterly National Treasury returns.

REPORTING AND MONITORING PROCEDURES

Regular reporting mechanisms shall be put in place in order to assess the overall standing of the Municipality's borrowings and to ensure that the current borrowings comply with policy objectives, guidelines, applicable legislation and regulations.

I.I As a minimum, the following reports shall be prepared: For Internal Treasury management

- (a) A monthly schedule of loans detailing each loan;and
- (b) A monthly reconciliation of all interest / capital repaid and capital received.

II For the Mayor and Council

A monthly report, within 15 working days of each month, on the borrowing portfolio to the Mayor and thereafter to the Finance Portfolio Committee for information, detailing:

- (a) Date issued;
- (b) Interest rate;
- (c) Loan number;
- (d) Reference number;
- (e) Redemption date;
- (f) Institution funding source;
- (g) Opening balance at the beginning of the financial year;
- (h) Amounts received during the financial year;
- (i) Capital amounts redeemed during the financial year; and
- (j) Closing balance at the end of the financial year.

II For External parties

- (a) A schedule of the Municipality's borrowings must be published as part of the annual financial statements;
- (b) Any information to be submitted to the financing institutions and/or security providers / guarantors as and when required.

FINANCIAL VIABILITY

Where it has been decided that funding will be sourced externally, the financial service provider may, when considering an application for external debt from the municipality, take certain ratios into consideration.

The CFO/Delegate must determine the applicable ratios for long term funding and suggested performance levels. The ratios should be monitored to ensure that the City is able to meet its requirements to access external debt from financial services providers of its choice.

Supply Chain Management procedures must be followed in evaluating and appointing an appropriate credit rating agency for securing and maintaining an appropriate credit rating from a recognised, reputable credit rating organisation if dictated by the source of funding required.

- (a) The Accounting Officer or his / her delegatee must ensure that the Municipality is financially viable and will be able to access the capital market. A report in this regard must be submitted to Council after the completion of the financial statements at the end of every financial year;
- (b) To ensure a financially sustainable Municipality, the ratios below are used as guidelines to determine the City's ability to borrow. The Chief Financial Officer must complete a financial analysis of at least the following ratios and the achievement of the following targets / norms must be included in the report:

- (i) Percentage of Total Debt to Assets:

$$A = B / C \times 100; \text{where}$$

A = Percentage Debt in relation to Assets,



$B = (\text{Long-term Liabilities} + \text{Current Portion of Long-term Liabilities})$, $C = \text{Total Assets}$
Target = Less than 10% (Note: End March 2025 = 3,8%)

(ii) Percentage of Debt to Revenue:

$A = B / C \times 100$; were

- A = Percentage Debt in relation to Revenue,
 - B = (Long-term Liabilities + Current Portion of Long-term Liabilities),
 - C = (Total Income for the year – Operating Government Grants)
- Target = Less than 35% of Revenue (Note: End March 2025 = 25%)

(iii) Percentage of Capital Charges to Operating Expenditure:

$A = B / C \times 100$; were

A = Percentage Capital Charges in relation to Operating Expenditure,
B = Capital Charges,
C = Operating Expenditure
Target = Less than 16% (Note: End March 2025 = 14%)

(iv) Percentage of Interest Paid to Operating Expenditure:

$A = B / C \times 100$; were

A = Percentage Interest Paid in relation to Operating Expenditure,
B = Interest Paid,
C = Operating Expenditure
Target = Less than 5% (Note: End March 2025 = 2,15%)

(v) Percentage of Total Debt to Equity:

$A = B / C \times 100$; were

A = Percentage Debt in relation to Equity,
B = (Long-term Liabilities + Current Portion of Long-term Liabilities),
C = Funds & Reserves
Target = Less than 10% (Note: End March 2025 = 4,32%)

(vi) Gearing:

$A = B / C$; were

A = Ratio of Equity in relation to Long-term Debt,
B = Funds & Reserves,
C = (Long-term Liabilities + Current Portion of Long-term Liabilities)
Target = Less than 25% (Note: End March 2025 = 23%)

(vii) Current Ratio:

$A = B / C$; were

A = Ratio of Current Assets in relation to Current Liabilities,



MSUNDUZI ANNUAL BUDGET

B = Current Assets,

C = Current Liabilities

Norm = Better than 2 : 1 (Note: End March 2025 = 1,47 : 1)

(viii) LiquidRatio:

$A = B / C$;were

A = Ratio of Cash Assets in relation to Current Liabilities,

B = Cash Assets (e.g. Call Deposits, Cash, Bank),

C = Current Liabilities

Norm = At least 1.5: 1 (Note: End March 2025 = 0,96 : 1)

(ix) Percentage of Outstanding Debtors toRevenue:

$A = B / C \times 100$;were

A = Percentage Outstanding Debtors in relation to Revenue,

B = (Consumer Debtor + Other Debtors – Current Portion of Long-term Receivables),

C = Total Income for the year

Target = Less than 18% (Note: End March 2025 = 15,2%)

(x) Percentage of Personnel Cost to Operating Income:

$A = B / C \times 100$;were

A = Percentage of Personnel Cost in relation to Operating Income,

B = Personnel Cost,

C = Operating Income

Norm = less than 30% of Operating Income (Note: End March 2025 = 28,33%)

(a) The Accounting Officer must indicate the steps to be taken in order to address deviations from the set targets and / or any other actions required to ensure access to the capital market on a continuous basis.

ANNUAL REVIEW OF POLICY

This policy will be reviewed regularly or when so required by changes to legislation. Any changes to this policy must be adopted by Council and be consistent with the Act and any National Treasury regulations.

EFFECTIVE DATE

The effective date of this policy shall be **01 July 2019**.

2019/20 to 2021/22



CASH MANAGEMENT AND INVESTMENT POLICY



MSUNDUZI ANNUAL BUDGET

TABLE OF CONTENTS

1. [Introduction](#)
2. [Objectives of the policy](#)
3. [Scope Of Policy](#)
4. [Responsibility / Accountability](#)
5. [Cash Management](#)
6. [Cash Management Principles](#)
7. [Investment ethics and principles](#)
8. [Permitted Investments](#)
9. [Prohibited Investments](#)
10. [Investment Procedures](#)
11. [Other external deposits](#)
12. [Control over deposits](#)
13. [Competitive selection process](#)
14. [Commencement](#)



I. INTRODUCTION

This policy applies to Msunduzi Municipality, its municipal entities and its investment managers acting on behalf of or assisting it or a municipal entity in making or managing investments (Sec. 2: Gazette No. 308: 2005 Municipal Investment Regulations)

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management activities in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No 56 of 2003

2. OBJECTIVES OF THE POLICY

The Council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

The objectives of the policy are:

- Chiefly to ensure the preservation and safety of Msunduzi City's investments.
- To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments.
- To ensure diversification of the Municipality's investment portfolio across acceptable financial institutions permitted investment types and investment maturities.
- To ensure that the liquidity needs of the Municipality are properly and adequately addressed.

The Council therefore has a responsibility to invest these public revenues, knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments. Consequently, the policy aims amongst other things, to reduce risk through investment diversification and effective treasury function management.

This investment policy is therefore aimed at gaining the highest possible return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

3. SCOPE OF POLICY

The Policy deals with:-

- Responsibility / Accountability;
- Investment instruments;
- Cash Management;
- Cash Management Principles;
- Investment ethics and principles;
- Investment procedures;

- Other external deposits; and
- Control over investments.

4. RESPONSIBILITY / ACCOUNTABILITY

- 4.1 The Municipal Manager as the Accounting Officer of the municipality is accountable for investment management.
- 4.2 The municipal council must approve a policy directing procedures, processes and systems required to ensure efficient and effective management of investments.
- 4.3 Efficient and effective investment management include:-
 - a. Accurately forecasting the institution's cash flow requirements.
 - b. Timing of the in- and outflow of cash.
 - c. Recognizing the time value of money.
 - d. Taking any other action that avoids locking up money unnecessarily and inefficiently.
 - e. Avoiding bank overdrafts.

5. CASH MANAGEMENT

- 5.1 To collect all monies as soon as possible after they become payable and deposit them into a bank account.
- 5.2 Effective control over expenditure and proper planning of payments.
- 5.3 Administer effectively and control available cash through the proper management of one or more bank accounts.
- 5.4 Before money can be invested, the Chief Financial Officer must determine whether there will be surplus funds available for the term of the investment.
- 5.5 In order to be able to make investments for any fixed term, it is essential that cash flow projections can be drawn up.
- 5.6 Provision must be made in the cash flow projections for the operating and capital requirements of the municipality:-
 - a) The cash flow projections operating requirements must include provisions for:-
 - (i) Payment of monthly salaries.
 - (ii) Payment for bulk purchases of electricity and water.
 - (iii) Interest on long-term loans.
 - (iv) Maintenance of assets.
 - (v) General expenditure.
 - (vi) Expected daily and monthly income./cash inflows
 - b) The cash flow projections capital requirement must provide for:-
 - (i) The anticipated cash flow requirements for each capital project.



6. CASH MANAGEMENT PRINCIPALS

The respective responsibilities of the Chief Financial Officer and other senior managers are articulated in the delegations framework of the Municipality. The unremitting support of and commitment to the Municipality's Credit Control Policy, both by the Council and the Municipality's Officials, is an integral part of proper cash collections, and by approving the present policy the Council pledges itself to such support and commitment.

The Chief Financial Officer/Delegate shall prepare an annual estimate of the Municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate 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. Heads of Departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

The Chief Financial Officer shall report to the Finance Committee, on a monthly basis and to every Ordinary Council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the Chief Financial Officer/Delegate shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

The Chief Financial Officer shall monitor cash flows on a daily basis to ensure that Council is able to meet its financial commitments and that the operating bank account does not carry unduly high balances. Any surplus funds shall be transferred on a daily basis to a call account attracting the highest possible interest provided that those funds can be retrieved at short notice.

7. INVESTMENT ETHICS AND PRINCIPLES

7.1 Standard of Care

- 7.1.1 Investments made by The Msunduzi Municipality and its municipal entities 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 and in accordance with the standard of care set out in regulation 5; Gazette No. 308:2005 to ensure that it placed its investments with credit-worthy institutions.
- 7.1.2 All investments must be genuine investments that are, not made for speculation.
- 7.1.3 Investments must in the first instance be made with the primary regard being to the probable safety of the investments. In the second instance, to the liquidity needs of the municipality and lastly to the probable income derived from the investment.
- 7.1.4 A municipality or municipal entity must regularly monitor its investment portfolio; and when appropriate, liquidate an investment that no longer has the minimum acceptable credit rating as specified in this policy,
- 7.1.5 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.



- 7.1.6 The Municipal Manager will be responsible for the investment of funds, and he / she has to steer clear of outside interference, regardless of whether such interference comes from individual councillors, agents or any other institution.
- 7.1.7 Under no circumstances may he / she be forced or bribed into making an investment.
- 7.1.8 No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his / her work or was not intended to do so, and can merely be seen as goodwill.
- 7.1.9 A certificate in respect of any gifts received should be furnished to the Municipality.

7.2 Limiting Exposure

- 7.2.1 The municipality must take all reasonable and prudent steps, consistent with its Investment Policy and according to the standard of care in section mentioned in 5.1 above:-
- 7.2.2 In terms of Gazette No. 308; 2005 S 4 (c) (ii) (bb) the policy must have due regard for the need for investment diversification. In terms regulation 10 (Gazette No. 308:2005) of Municipal Investment Regulations this investment may include the placing of investment portfolio across institutions, types of investments and investment maturities in order to limit the risk exposure of the municipality.
- 7.2.3 The municipality shall further ensure that investments are spread across more than one investment category or type, for example call, money market and fixed deposits and that the investment maturities are not all the same.
- 7.2.4 Interest rates offered should never be divulged to another financial institution.
- 7.2.5 Long-term investments should be made with an institution with at least a minimum F rating (where F refers to low risk institutions) however institutions without a credit rating should be considered in line with sec 217 subsection (1) a and b of the constitution.
- 7.2.6 Short-term investments should be made with an institution with at least a minimum BBB+ rating (where BBB+ refers to higher risk institutions) or better investment grading from a nationally or internationally recognised credit rating agency, however institutions without a credit rating should be considered in line with sec 217 subsection (1)a and b of the constitution.
- 7.2.7 The maximum amount invested with a financial institution should not exceed 10% of the relevant institution's shareholder's funds (capital and reserves).
- 7.2.8 The municipality may not borrow money specifically for re-investment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.
- 7.2.7 If the Municipal Manager invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) and that they are approved financial institutions, as approved by the Reserve Bank of South Africa from time to time.
- 7.2.8 When making growth related investments, the Municipal Manager must obtain a guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

7.3. Risk and Return

Subject to section 4 (c) (ii) of the Municipal Cash Management and Investment Regulations, the Chief Financial Officer in making investments on behalf of the municipality shall always strive to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.

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

8. PERMITTED INVESTMENTS

In terms of Regulation 6 of the Municipal Investment regulations, the following investments are permitted:

- a) Securities issues by National Government
- b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency.
- c) Deposits with bank banks registered in terms of the Banks Act, 1990(Act No. 94 of 1990)
- d) Deposits with Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984)
- e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984)
- f) Banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990
- g) Guaranteed endowment policies with the intention of a sinking fund
- h) Repurchase agreements with banks registered in terms of the Banks Act, 1990
- i) Municipal bonds issued by a municipality
- j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the MFMA Act No. 56 of 2003
- k)

9. PROHIBITED INVESTMENTS

The Municipality is prohibited from making the following investments:

- a) In listed or unlisted shares
- b) Derivative instruments
- c) Denominated in, or linked to, foreign currencies.
- d) In credit linked notes.
- e) The Municipality may not borrow for the purpose of investing
- f) Speculative money market instruments trading for profit.



IO. INVESTMENT PROCEDURES

After determining whether there is cash available for investment and fixing the maximum term of investment, the Municipal Manager must consider the way in which the investment is to be made.

IO.I Short-term Investments:

- a) Quotations should be obtained from a minimum of three financial institutions (local banks), for the term of which the funds will be invested.
- b) Should one of the institutions offer a better rate for a term, other than what the municipality had in mind, the other institutions which were approached, should also be asked to quote a rate for the other term.
- c) Quotations should be obtained in writing.
- d) Quotations from institutions must include the following: -
 - (i) Name of institution;
 - (ii) Name of person quoting rates;
 - (iii) Period of the investment;
 - (iv) Relevant conditions; and
 - (v) Other facts, such as interest payable monthly or on maturation date.
- e) Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested.
- f) The best offer must under normal circumstances be accepted, with thorough consideration of investment principles.
- g) No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.
- h) The investment capital must only be paid over to the institution with which it is to be invested and not to an agent or third party.
- i) The financial institution where the investment is made must issue a confirmation stating the details of the investments.
- j) The Municipal Manager document, if issued, is an approved institution.
must make sure that the investment genuine document and issued by the
- k) The municipality must be given a monthly report on all investments.
- l) The Municipal Manager must obtain information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

10.2 Long-term investments:

- a) Written quotations must be obtained for all investments made for periods longer than twelve months.
- b) The municipal council must approve all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

10.3 Withdrawals

All investment amounts withdrawn and not re-invested at the same institution at the time of withdrawal, shall be paid into the primary bank account.

All interest shall be paid into the primary bank account at the time of withdrawal of an investment, irrespective of the capital being re-invested.

II. OTHER EXTERNAL DEPOSITS

The principles and procedures set out above must apply to other investment possibilities subject to the applicable legislation, which is available to the municipality, including debentures and other securities of the state as well as other municipalities or statutory bodies in the Republic of South Africa, instituted under and in terms of any law.

12. CONTROL OVER INVESTMENTS

12.1 An investment register should be kept of all investments made. The following information must be recorded:

- a) Name of institution;
- b) capital invested;
- c) date invested;
- d) interest rate;
- e) maturation date;
- f) interest received;
- g) capital repaid; and
- h) balance invested

13. COMPETITIVE SELECTION PROCESS

- a) The selection of investee for any investment shall be a competitive process.
- b) Quotations shall be invited in the manner specified above, from at least three eligible investees for the terms for which the investment is to be made.
- c) In the event of one of the investees offering a more beneficial rate for an alternative term, the other investees initially invited to quote should be approached for their rates on the alternative term as indicated in the preceding paragraphs.

2019/20 to 2021/22



I4. COMMENCEMENT

This policy and amendments shall be effective as from **1 July 2019**.



MSUNDUZI ANNUAL BUDGET

CREDIT CONTROL POLICY



TABLE OF CONTENTS

1	Definitions
2	Introduction
3	Objectives
4	Application for Services and Service Agreements
5	Deposits and Guarantees
6	Metering of Municipal Services
7	Accounts, Billing and Payment
8	Interest On Arrears & Other Penalty Charges
9	Payment Arrangements for Arrear Accounts
10	Special Conditions Regarding Payments Arrangements
11	Allocation of Payments
12	Queries in Respect of Accounts
13	Disconnection/ Restriction of Services
14	Reconnection/ Reinstatement of Terminated/ Restricted Services.
15	Period for Reconnection or Reinstatement
16	Debt Collection
17	Recovery of Overdue Rates
18	Councillor and Municipal Staff Arrears
19	Sundry Charges
20	Tampering and/ or Theft of Services
21	Audit Of Services
22	Termination of Service Agreement
23	Set – Off
24	Refunds
23	Deceased Estates

I DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the following meaning:

- 1.1 **“Account”** Any invoice rendered by the Municipality;
- 1.2 **“Accounting Fee”** means a fee for the setting up of new account as determined by Council from time to time;
- 1.3 **“Accounting Officer”** The Municipal Manager appointed in terms of Section 82(1)(a) or (b) of the Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.4 **“Account Holder”** includes a customer/consumer and refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
- 1.5 **“Acknowledgement of Debt”** commonly referred to as an “AOD”, is a document which contains an unequivocal admission of liability by the debtor.
- 1.6 **“Actual consumption”** means the measured consumption of a consumer of a municipal service during a specified period;
- 1.7 **“Administration Fee”** means a fee for any additional administration on Municipal billing accounts as determined by Council from time to time;
- 1.8 **“Arrangements for payments”** means a formal agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.
- 1.9 **“Arrears”** means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;
- 1.10 **“Average consumption”** means the deemed consumption of a customer of a municipal service during a specific period.
- 1.11 **“Bank guarantee”** refers to an undertaking by a registered financial institution whereby it guarantees a specified maximum amount to be paid if the principal debtor (“the consumer”) fails to pay;
- 1.12 **“Billing cycle”** means the start of the cycle in which the account is billed to the date on which it becomes due and payable.
- 1.13 **“Calculated amounts”** refers to the amounts calculated by the Chief Financial Officer, in consultation with the relevant technical departments, to be due to the Council by a consumer in respect of the supply of the applicable municipal services for any period during which the exact quantity of the supply cannot be determined accurately for reasons beyond the control of the Chief Financial Officer. This shall normally be based on the average consumption figures, if available, for the service rendered to the customer **or**, failing the availability of such data, on the average consumption figures applicable to one or more properties of similar size and nature in the area in which the customer resides or carries on business;



- 1.14 **“Chief Financial Officer”** refers to the person so designated in terms of Section 80 (2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorized to act on behalf of such person;
- 1.15 **“Consolidated account”** refers to one combined account for all municipal services, housing rents and instalments, rates, basic charges, sundry charges and miscellaneous charges, and “consolidated bill” has a corresponding meaning;
- 1.16 **“Collection Charges”** means a penalty raised as provided for in Section 75 A 1(b) of the Local Government; Municipal Systems Act 2000 (Act No 6 of 2000)
- 1.17 **“C D U”** shall mean the Central Distribution Unit that distributes electricity from a central point to households;
- 1.18 **“Consumption”** means the ordinary use of municipal services, including water, sanitation, refuse removal, and electricity services for all categories of consumers;
- 1.19 **“Councillor”** refers to a member of a Municipal Council
- 1.20 **“Deposit”** refers to a minimum sum of money specified by the Chief Financial Officer and payable by the consumer to the Municipality prior to occupation of the property or prior to the date on which services to the property are required and also refers to a minimum sum of money specified by the relevant business unit and payable by the customer to the municipality prior to concluding a housing rental and/or a business rental/ lease agreement.
- 1.21 **“Electricity and Water meters”** means electricity and/or water meters, (including prepaid meters), which are used to determine the supply of electricity and water and which are normally read on a monthly or other fixed interval basis;
- 1.22 **“Estimated consumption”** arises when no actual reading can be taken and is equivalent to the existing average consumption providing that this is done in accordance with the relevant provisions of the water and electricity bylaws.
- 1.23 **“Final payment date”** in the absence of any express agreement in relation thereto between the Council and the customer, refers to the date stipulated on the account and determined from time to time as the last date on which the account must be paid;
- 1.24 **“Final Demand”** means a notice sent to an account holder calling for settlement of any municipal debt that has not been paid by due date and where legal action may be taken after giving due consideration to the notice period specified in the notice.
- 1.25 **“Financial year”** refers to the period starting from 1 July in a year to 30 June the next year;
- 1.26 **“Interest”** is a charge levied on overdue accounts.
- 1.27 **“Miniature Circuit Breaker”** (MCB) refers to the size of the amperage demand per supply
- 1.28 **“Meter audits”** refers to a verification by the municipality of the correctness of the consumption and supply of electricity and water;



MSUNDUZI ANNUAL BUDGET

- 1.29 **“Municipality”** means, an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998.
- 1.30 **“Municipal Manager”** is the accounting officer of the Municipality appointed in terms of Section 82 of the Municipal Structures Act, 1998 (Act No 117 of 1998)
- 1.31 **“Municipal services”** means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether:
- (a) Such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in section 76 of the **Municipal Systems Act, 2000**
- (Act No 32 of 2000)** or by engaging an external mechanism contemplated in section 76 of the Municipal Systems Act.
- 1.32 **“Official”** in relation to a municipality or municipal entity, means,
- An employee of a municipality or municipal entity
 - A person seconded to a municipality
 - A person contracted by a municipality or municipal entity
- 1.33 **“Occupier”** in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property.
- 1.34 **“Owner”** means
- In relation to property referred to in (a) of the definition of property, means a person in whose name ownership of the property is registered;
 - In relation to a right referred to in (b) of the definition of “property”, means a person in whose name the right is registered;
 - In relation to a land tenure right referred to in (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
 - In relation to public service infrastructure referred to in (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of **“publicly controlled”**, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
 - A trustee in the case of a property in a trust excluding state trust land;
 - An executor or administrator, in the case of a property in a deceased estate;
 - A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - A judicial manager, in the case of a property in the estate of a person under judicial management;



- v. A curator, in the case of a property in the estate of a person under curatorship;
- vi. A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- vii. A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- viii. A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;
- ix. Member in the case of a property registered as a close corporation

1.35 “Property” means-

- a. Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- b. A right registered against immovable property in the name of a person, excluding a mortgage bond registered against a property;
- c. A land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- d. Public service infrastructure;

1.36 “Rate” means a municipal rate on property envisaged in section 229 (1)(a) of the Constitution;

1.37 “Service agreement” refers to a written agreement for the consumption of electricity and/or water and other services.

1.38 “The Municipality” refers to The Msunduzi Municipality and its successors in law and includes the Council of that municipality or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee who has delegated any powers and duties with regard to this policy;

1.39 “Sundry charge” means any charge other than rates, housing rental, housing loans, business rental, encroachments, informal traders, metered services, sewerage and regular refuse removal.

1.40 “Variable flow-restricting device” refers to a device that is coupled to the water connection that allows the water supply to be restricted or closed;

1.41 “Visitation fee” refers to the fee charged for attendance and/or disconnection/reconnection of an electricity/water supply when the supply is been disconnected/reconnected due to non-payment and/or tampering, or where access to disconnect/restrict has not been gained, which fee shall be determined from time to time by the Municipal Council;

1.42 “Garnishee order/Emoluments order” refers to a court order for the deduction of an amount of money from the salary or other income of a customer.

1.43 **“Municipal Pay-Point”** shall mean all Municipal Cash Offices and third party vendors who are authorized to collect monies on behalf of Municipality”.

1.44 **“Notice”** means any notice or other document that is served.

2. INTRODUCTION

1.1 The Municipality must develop, maintain and implement a credit control and debt collection policy that is consistent and complies with the relevant legislation.

1.2 This policy is to be read in conjunction with other relevant legislation, policies and bylaws, (including the Register of Tariffs and Charges).

3. OBJECTIVES

The objectives of the Credit Control and Debt Collection Policy are:

3.1 To define a framework which enables the municipality to bill for and collect its revenues;

3.2 To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No. 32 of 2000), and other applicable legislation;

3.3 To maintain and implement a credit control and debt collection policy, which complies with Section 97 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

4. APPLICATION FOR SERVICES AND SERVICE AGREEMENTS

1.1 Only the owner or pending rate payer shall enter into a service agreement for the provision of municipal services. However, in the event that the owner is not resident within the municipal area, an agent may with a proxy enter into a service agreement in the name of the owner or the tenant may sign surety for the debt pending the finalisation of the winding up of the Estate.

1.2 The only exceptions to (4.1) above are individuals and businesses with lease agreements, who lease properties from the Municipality, will be allowed to open an account in the name of the lessee of the property.

1.3 Directors of companies, members of Close Corporation and Trustees of Trust shall sign personal surety ships with the Municipality when opening services accounts.

1.4 A new Service Agreement will only be entered into in respect of a property, once all amounts due, which include the current account due in respect of that property and all other properties owned by the respective owner, are settled in full or a suitable payment arrangement has been made by the owner of the property.

1.5 Where the owner has failed to enter into an agreement for the provision of services; the owner responsible for the payment of rates on the property will be billed for the consumption of all municipal service charges applicable to the property.

1.6 An occupier who illegally consumes services without a valid service agreement will be subject to disconnection and/or removal of the service and may be prosecuted.



- 1.7 Application forms are available at the municipal offices and the application process should occur at least ten (10) working days prior to taking occupation of the premises. This will ensure that services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken. Once the application has been approved, a service agreement will be entered into and services will commence.
- 1.8 The service agreement shall set out the conditions under which the services are provided and shall require the signatories thereto to agree to abide by the provisions of the Municipalities Credit Control and Debt Collection Policy and Bylaws.
- 1.9 The Municipality will render the first account after the first billing cycle following the date of signing the service agreement or as soon as is administratively possible.
- 1.10 The owner of the property shall be jointly and severally liable with the consumer in respect of all amounts due for the municipal services provided to the property.
- 1.11 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the owner to advise the Municipality of such a change.
- 1.12 Council may consolidate any separate accounts of persons liable for payments to the Municipality in terms of Chapter 9 of the Municipal Systems Act.

5. DEPOSITS AND GUARANTEES

- 5.1 Deposits are payable on application for the provision of municipal services, before the municipality renders any services to the property.
- 5.2 Deposits are payable on all housing rental and business rental/lease accounts on conclusion of the agreement.
- 5.3 The minimum deposit payable is determined by the Municipality.
- 5.4 No interest will accrue on any deposit payable to any debtor.
- 5.5 Council reserves the right to review deposits as and when required.
- 5.6 Council reserves the right to raise deposits on Sundry debtor accounts.
- 5.7 Council reserves the right to review all deposits where a change in use of the property is affected.
- 5.8 On termination of the supply of services and after the finalization of the account, the amount of the deposit less any payment due to the Municipality will be refunded to an account holder. The account holder will apply for the refund and submit all required documents.

6. METERING OF MUNICIPAL SERVICES

- 6.1 The Meters (water and electricity) together with their associated accessories such as Miniature Circuit Breakers (MCB), cable jumpers, seals and incoming mains cables are the property of the Municipality however;

the property owner/occupier is responsible for their safekeeping and security whilst used for metering consumer supplies.

- 6.2 The Municipality reserves the right to remove the whole electricity service or only the metering installation where the supply has been disconnected/not used for more than twelve (12) months. This includes properties with more than one meter whilst other meters are sitting idle in the meter box, such meter(s) shall be removed from the consumer's property and the installation downgraded accordingly. Should the customer require the services in the future, such service request shall be treated as a new or additional installation.
- 6.3 Credit electricity and waters meters are read in cycles of approximately 30 days.
- 6.4 If for any reason the municipality is unable to read any credit electricity or water meters on any property, the Municipality shall estimate the consumption of the service concerned and thereafter bill the consumer for the monetary value of such estimated consumption.
- 6.5 In the event that the Municipality continues to be unsuccessful in obtaining access to the property or meter for a period of 3 (three) months and, therefore, is unable to obtain an accurate meter reading, the Chief Financial Officer or their authorised representative may disconnect the relevant metered supply.
 - 6.5.1 The metered supply shall remain disconnected until such time that the consumer provides access to the meter(s) to read and or where necessary conduct a complete installation audit.
 - 6.5.2 The Municipality may after conducting the installation audit demand within reasonable time (21 days) that the consumer move the meter box to the boundary of their property at their own cost. Should the consumer fail to adhere to this, the Municipality may disconnect supply until the customer complies with this requirement.
 - 6.5.3 In the event that Council is unable to apply disconnection of supply due to supply configurations, Council reserves the right to replace the conventional meter with a prepaid meter.
- 6.6 Readings provided by consumers are subject to the following:
 - 6.6.1 Readings will be permitted provided the Municipality obtains any final reading should the consumer terminate the supply of service.
 - 6.6.2 Consumers may be liable for a fee to cover the costs of obtaining a reading if no advance warning is given and special arrangements are required to obtain a reading.
 - 6.6.3 An audit reading during the normal reading cycles may be obtained at least once every 6 (six) months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
 - 6.6.4 The consumer may because of reasons of non-accessibility to their properties by meter readers, voluntarily provide monthly meter readings for billing purposes, subject to compliance with this policy and By-laws. The Chief Financial Officer may, however, cancel this option if the consumer fails to render readings on two or more consecutive occasions.
- 6.7 If any calculation, reading or metering error is discovered in respect of any account rendered to a Customer:
 - 6.7.1 The error shall be corrected in the subsequent account.



- 6.7.2 Any such correction shall only apply in respect of account for a period of (3) three years preceding the date on which the error in the account was discovered.
- 6.7.3 The correction shall be based on the tariffs applicable during the period.
- 6.7.4 The Customer may settle the back charge in equal instalments over the same period in relation to the period of the back charge.
- 6.7.5 If it is deemed that the meter reading error/calculation lies as the fault of the Municipality, this payment period in (6.7.4) may be interest free.
- 6.8 The owner or occupier of premises in this municipality must give an official of this municipality, **(who must clearly identify him/herself by either a letter of appointment signed by authorised person of the Municipality or a Municipal Identification card or a clearly marked vehicle confirming the relationship with the Municipality)** or any representative of a service provider authorised by the Municipality, access to the premises at all times in order to:
- a) Change the metering installation,
 - b) Conduct repairs to metering installation/customer service cable to the meter,
 - c) Conduct installation audit, Meter reading, installation inspections
 - d) Disconnection of supply for fault finding purposes and for operational reasons
 - e) Upgrade the metering technology together with associated accessories,
 - f) Reconfigure the metering system and or connection setup as and when necessary or where Municipality deems fit.
 - g) Inspect the premises
 - h) Disconnect supply (ices),
 - l) Stop or restrict the provision of any service.

7. ACCOUNTS, BILLING AND PAYMENT

- 7.1 The Council shall provide the account holder with a monthly consolidated bill for rates, services and/or any other municipal charges.
- 7.2 The Municipality shall furnish the account to the account holder's address, in South Africa, as supplied by each account holder. However, non-receipt of an account does not negate the responsibility of the account holder to pay the amount owing by final date nor prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the statements (not exceeding 3 months), before the final payment date.
- 7.3 Any request for statements in excess of 3 months will be subject to the relevant rates in the Tariff of Charges.
- 7.4 The account holder shall notify the Municipality in writing of any change of address, including an e-mail address, and contact details.
- 7.5 Accounts must be paid in full on or before the final payment date as indicated on the account. Failure to comply with this section shall result in credit control measures being instituted against the consumer. Interest on the capital arrears will accrue after the final payment date if the account remains unpaid.
- 7.6 Only Bank guaranteed and attorney trust cheques will be accepted at the Municipal Offices and no 3rd party agencies can accept cheques.

- 7.7 The Municipality will only accept payment by Credit card and Debit card if it is presented by the card holder together with proof of Identity Document/Card.
- 7.8 An official receipt issued by Council or its authorized agents will be the only proof of payments made.
- 7.9 No interest will accrue on amounts paid in excess of the existing debt on an account. Such credit balance/s may be held in anticipation of future rates and fees for municipal services.

8. INTEREST ON ARREARS AND OTHER PENALTY CHARGES

- 8.1 Amounts on accounts, which remain unpaid after the due date shall attract interest irrespective of the reasons for non-payment. Interest is calculated at the prime interest rate plus 1%, as approved with Councils final budget.
- 8.2 Interest shall be charged on all arrear capital amounts for a full month, irrespective of when payment is made.
- 8.3 Applied Indigent debtors shall not be billed interest on arrear rates, provided they have entered into a payment arrangement and the arrangement is being maintained.
- 8.4 No interest may be billed if any billing error is deemed to be the fault of the Municipality. Such may only be permitted after obtaining approval by the Senior Manager: Revenue and the debtor is maintaining their payment arrangement.
- 8.5 The Municipality will be entitled to raise the following charges in addition to the interest charge contemplated in clause 8.1
- 8.5.1 In the case of arrear rates, a collection charge equal to 10% will be raised sixty (60) days after the date of final instalment on the capital amount in arrears.
 - 8.5.2. Charges for disconnection or reconnection of electrical services
 - 8.5.3. Charges for restriction or removal of water services
 - 8.5.4. Charges for reconnection or reinstatement of water services
 - 8.5.5. Charges for notices of default and other correspondence
 - 8.5.6. Surcharge penalty charges for illegal reconnections and/or tampering of any nature
 - 8.5.7. Penalty charges for dishonoured cheques or dishonoured direct debits and electronic funds transfers (EFT) payments
 - 8.5.8 Legal and administration costs, including attorney, client, disbursements, tracing fees and collection costs incurred in the recovery of debts.
 - 8.5.9 Any such charges as prescribed in the Tariff of Charges

9. PAYMENT ARRANGEMENTS FOR ARREAR DEBTS

- 9.1 The Municipality is authorised to enter into payment arrangements with account holders in arrears with their accounts and to grant account holders extensions of time for settlement of the amounts due to the Municipality.

9.2. BUSINESS/COMMERCIAL CATEGORY

Where an account holder in arrears, is a business or commercial concern, a minimum of 50% of the total overdue amount and the current amount due, as an initial payment, shall be paid, and the balance of the account shall



be paid in equal instalments over a maximum period of six months.

Upon written application by an account holder the maximum repayment period may be extended and the minimum amount due reviewed

- 9.2.1 In the event that the customer cannot pay the 50% upfront payment and provided that they still honour the six (6) month maximum period, the Manager: Debtors Management is authorised to approve the payment arrangement.
- 9.2.2 A customer may request to exclude the current account from the initial payment and undertake to pay the current account at the end of the same month that the payment arrangement is being concluded, this must be authorised by the Debtors Management: Supervisor.
- 9.2.3 In the event that the customer cannot pay the 50% upfront payment and requires a payment arrangement up to twelve (12) months, the Senior Manager: Revenue is authorised to approve the payment arrangement.
- 9.2.4 In the event that the customer cannot pay the 50% upfront payment and requires a payment arrangement up to thirty six (36) months, the Chief Financial Officer is authorised to approve the payment arrangement.

Any application with a repayment period greater than thirty six (36) months will be referred to the Municipal Council.

- 9.2.5 The payment arrangement may be subject to the supply of the previous years audited financial statements, six months bank statements, valid tax clearance certificate and any other documentation deemed relevant. Any future monthly current accounts shall be paid on or before the final dates for the month in question.
- 9.2.6 The deposit on business debtors may be reviewed in instances where the consumers is disconnected in two consecutive months.

9.3. DOMESTIC/OTHER CATEGORY

Where a customer in arrears is a domestic consumer, a minimum of 10% of the total overdue balance and the current amount due, as an initial payment, and the balance of the account shall be paid in equal instalments over a maximum period of twelve months.

Upon written application by an account holder the maximum repayment period may be extended and the minimum amount due reviewed

- 9.3.1 A customer may request to exclude the current account from the initial payment and undertake to pay the current account at the end of the same month that the payment arrangement is being concluded, this must be authorised by the Debtors Management: Supervisor.
- 9.3.2 In the event that the customer cannot pay the 10% upfront payment and provided that they still honour the twelve (12) month maximum period the Manager: Debtors Management is authorised to approve the payment arrangement.



MSUNDUZI ANNUAL BUDGET

9.3.3 In the event that the customer cannot pay the 10% upfront payment and requires a payment arrangement up to thirty six (36) months, the Senior Manager: Revenue is authorised to approve the payment arrangement.

9.3.4 In the event that the customer cannot pay the 10% upfront payment and requires a payment arrangement up to sixty (60) months, the Chief Financial Officer is authorised to approve the payment arrangement.

Any application with a repayment period greater than sixty (60) months will be referred to the Municipal Council.

9.3.5 The payment arrangement may be subject to the supply of three months bank statements and any other documentation deemed relevant.

9.4 Should an account holder breach the payment arrangement in any way, the balance of the arrear account, together with the balance of interest outstanding on the account, may immediately become due and payable to the municipality.

9.5 A customer who fails to comply with any payment arrangement **may not be permitted to enter into any further arrangement or extension of time** for payment and may have their services terminated. However a customer who brings their payment arrangement up to date by an immediate payment shall have their services reconnected as soon as is practically possible.

9.6 An account holder who fails to comply with any payment arrangement of debt may have the electricity credit meter removed and/or prepaid meter purchases blocked, and/or the water service restricted.

9.7 Only debtors with positive proof of identity or an authorized agent with a proxy shall be permitted to enter into an Acknowledgment of Debt agreement with the Municipality.

9.8 Where a debtor is a close corporation, trust, or a company, the person who signs an acknowledgment of debt on behalf of such close corporation, trust or company, shall produce written proof that they are authorized to sign such acknowledgment on behalf of all members and/or directors of the close corporation, trust, or the company.

9.9 Any account holder who makes a payment arrangement in terms of 9.2 or 9.3 shall ensure that the owner completes a waiver in terms of section 118 (i) of the Local Government Municipal Systems Act (Act 32 of 2000).

9.10 Where consumers using prepaid meters have arrear amounts in respect of any Municipal Debt rendered by the Municipality, the Municipality shall allocate a proportionate amount as determined by the Municipal Council, of any future prepaid purchases to arrear amounts until such time as the arrears have been brought up to date or a payment arrangement is entered into and being maintained.

9.11 All payment arrangements may be subject to review.



10. SPECIAL CONDITIONS REGARDING PAYMENT ARRANGEMENTS

- 10.1 An existing payment arrangement may be reviewed where circumstances exist that are beyond the control of the debtor and they cannot meet their current arrangement. The review must be authorised by the Senior Manager: Revenue.
- 10.2 Should the current account be higher than normal, due to, but not limited to, under-estimations and faulty meters, metering calculations or metering errors, unbilled rates or Municipal services, previous accounts rendered may be taken into consideration, when determining an amount to pay in order to enter into a payment arrangement or an existing arrangement is reviewed.
- 10.3 The Municipality would normally only enter into payment arrangements with property owners. On receipt of an affidavit by the occupier or tenant of a residential property, which certifies that the owner of the property is untraceable, the Municipality reserves the right to enter into a payment arrangement with the occupant provided that the rental is also paid to the Municipality in terms of Section 28 of the Property Rates Act and Section 104 of the Municipal Systems Act.
- 10.4 The Municipality may disconnect or restrict any service to a property, if the owner of the property or account holder withdraws, in writing, any permission granted to an agent or tenant where the tenant has defaulted on the payment arrangement made.
- 10.5 The Municipality may enforce a defaulting consumer to convert their conventional metered supply to a pre-paid metered supply.

11. ALLOCATION OF PAYMENTS

- 11.1 Any payment made shall be allocated in the following order:
 - 11.1.1 to any unpaid property rates;
 - 11.1.2 to any unpaid interest raised on the account;
 - 11.1.3 to any other sundry debtors (miscellaneous);
 - 11.1.4 to housing rents and instalments;
 - 11.1.5 to any unpaid refuse collection charges;
 - 11.1.6 to any unpaid sewerage charges;
 - 11.1.7 to any unpaid water charges;
 - 11.1.8 To any other unpaid charges and
 - 11.1.9 To any other unpaid electricity charges

12. QUERIES IN RESPECT OF ACCOUNTS

- 12.1 A customer who has lodged an enquiry in terms of 102 (2) of the Municipal Systems Act No 32 of 2000 is not relieved of the responsibility to maintain regular payment on his account.
- 12.2 In the event of an account holder providing reasonable grounds as a basis (in writing) for a query on any item or items on the municipal account, no action shall be taken against the account holder provided the account holder has paid, by due date, an amount equal to the monthly average of the three most recent undisputed accounts in respect of the service in dispute, as well as all undisputed balances on such account.



MSUNDUZI ANNUAL BUDGET

12.3 When an enquiry has been investigated and responded to, the entire amount becomes payable.

12.4 Internal or Suspected internal water leak queries are not regarded as a dispute.

13. DISCONNECTIONS/RESTRICTIONS OF SERVICES

13.1 The Municipality is obliged to issue any final request notices or other reminders to customers whose accounts are in arrears, prior to disconnection in terms of the Promotion of Administrative Justice Act, 2000 (Act No.3 of 2000) in so far as possible.

13.2 The account, if in arrears for 30 days or more, shall reflect a message warning of disconnection.

13.3 In the event that full payment of the account, including any accumulated arrears, is not received on or before the due date, the electricity supply and thereafter the water supply may be disconnected/restricted, unless a formal acknowledgement of debt has been signed by the customer and the necessary payment arrangement for an extension of time has been approved.

13.4 Even though a customer may have concluded a satisfactory payment arrangement, the Municipality is not obliged to effect a reconnection of services on the day that payment is received or the agreement has been signed but shall do so as soon as possible after such payment arrangement have been approved.

13.5. Where a customer's services are disconnected/ restricted, the customer shall be charged a visitation fee, as determined by the council from time to time. In the event that the premises were visited but no access was gained to effect the disconnection / restriction, the visitation fee shall still apply.

13.6. Where a customer or owner's account is in arrears and no payment arrangement for the settlement of any outstanding debt has been entered into, and whether the services to the property have been disconnected/ restricted or not, the Municipality may, regardless of whether the service agreement is terminated or not, implement the procedures for debt collection as set out in Section 16 of this policy, if such action is deemed to be in the best interests of the Municipality..

13.7. Should the termination of services, in respect of an arrear account result in the endangerment of the life of any person, the Municipality may appropriately restrict the supply rather than terminate the services in question.

14. RECONNECTION/REINSTATEMENT OF TERMINATED/ RESTRICTED SERVICES

14.1 Services which have been terminated or restricted shall only be reconnected or reinstated by the Municipality when all the following conditions have been met:

(a) The arrear account has been paid in full, including the interest raised on such account;
Or an acceptable payment arrangement has been entered into with the Municipality for the payment of the arrear account, including the interest raised on such account;
Or a query, as contemplated in Section 12, has been resolved and arrangements for payment as approved by the Municipality have been concluded;

(b) A revised service agreement has been entered into or an existing one reinstated with the Municipality, as contemplated in Section 4 of this policy; and



- (c) A deposit, as determined by the Municipality in terms of Section 5, has been paid to the Municipality.

15. PERIOD FOR RECONNECTION OR REINSTATEMENT

The Municipality shall endeavour to reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in Section 14 of this policy have been met, unless unable to do so because of circumstances beyond the control of the Municipality.

16. DEBT COLLECTION

Where debtor accounts are in arrears, the Municipality is authorised to institute any action available in law for the purposes of recovering such debt, including making application to a competent court of law for the issuing of garnishee/ emoluments orders.

- 16.1 The Municipality may issue a final demand for all amounts in arrears.
- 16.2 The Municipality may withhold payment to suppliers whose accounts are in arrears in terms of the Supply Chain Management policy.
- 16.3 The approval of building plans may be withheld/ rejected if there are arrears on the property.
- 16.4 Arrear rates, service charges and other charges may be recovered from tenants/occupiers and/or agents by attaching the rentals as set out in Sections 28 and 29 of the Municipal Property Rates Act no 6 of 2004 and in terms of Section 104 (f)(iii) of the Local Government Municipal Systems Act, 2000 (Act 32 Of 2000).
- 16.5 Where consumers using prepaid meters have arrear amounts in respect of rates and/or services rendered by the Municipality, the Municipality may remove the prepaid metered supply and a new application for a prepaid supply will be required. The Municipality reserves the right to refuse a prepaid supply in instances of arrears.
- 16.6 The Municipality may publish the names of account holders, persons or entities with outstanding debt.
- 16.7 The Municipality may institute eviction processes in respect of arrear housing rental, business rental, housing loans and informal trader accounts.
- 16.8 The Municipality may hand the collection of arrear debt to an authorised collecting agent of the Municipality.
- 16.9 The Municipality may enforce a defaulting consumer to convert their conventional metered supply to a prepaid metered supply.

17. RECOVERY OF OVERDUE RATES

- 17.1 The Municipality may publish a list of all rates defaulters who have failed to pay within 60 days after the final instalment of the rates assessment calling on the ratepayer to settle the arrears within a specified time frame, failing which an application will be made to a court of competent jurisdiction for an order for the sale by public auction

- 17.2 If the rates remain unpaid in terms of 17.1 above, the municipality shall make application to a court of competent jurisdiction showing the amount of rates, penalties and surcharges then in arrear, and that all notices have been given and requesting the court to order any such rateable property be sold by public auction and the proceeds thereof to be paid in to court, and to direct payment to the Municipality of all rates, penalties and surcharges accrued as at the date of such sale together with the costs of obtaining the said order and all expenses of such sale.
- 17.3 If before the sale of any rateable property in terms of an order made under subsection (17.2) there is produced to the Deputy Sheriff or other person charged with the sale thereof, a certificate by the Municipality that all amounts owing in terms of outstanding and arrear rates, penalty charges, and surcharges have been paid, together with the costs of obtaining the said order and all expenses of such sale, the said property shall be withdrawn from the sale.
- 17.4 Notwithstanding that all outstanding and arrear rates, penalty charges and surcharges may have been paid before the said sale, the Municipality shall not be liable to any person for any loss or damage suffered by such person by reason of the sale of any such property in respect of which no such certificate has been produced to the said Deputy Sheriff or other person charged with the sale thereof.

18. COUNCILLOR AND MUNICIPAL STAFF ARREARS

- (a) Staff arrears will be dealt with in accordance with schedule 2 (10) of the **Municipal Systems Act, 2000 (Act 32 of 2000)** and in terms of any procedures, method or actions referred to in this policy. Notwithstanding any other procedure, method or action that may be taken in terms of this policy, the Municipality shall deduct any outstanding amount from such staff members' salary.
- (b) In accordance with schedule 1, item 12A of the **Municipal Systems Act, 2000 (Act 32 of 2000)**, a councillor of the Municipality may not be more than 90 days in arrears for municipal service fees, surcharges on fees, Rates or any other municipal taxes, levies and duties levied by the Municipality.

19. SUNDRY CHARGES

Interest will be charged on all overdue accounts. In the recovery of sundry charges, the Municipality reserves the right to institute any legal action at its disposal as well as making use of any third party debt collectors. Restrictions, disconnections and the termination of services may be instituted to recover overdue Sundry Charges.

20. TAMPERING WITH AND/OR THEFT OF SERVICES

- 20.1 With regard to electricity and water services, if tampering of any nature or theft of such services is identified, the electricity supply to the property may be discontinued by applying the one of the methods identified in item 13.2 to 13.4 for electricity and the water supply may be restricted and/or discontinued. The discretion on which method to apply is that of the authorised official.
- 20.2 Water and electricity metering and connection equipment remain the property of the Municipality and anyone involved in instances of tampering, damaging or theft thereof may be liable for criminal prosecution. The landlord, property owner or the occupier has a responsibility to ensure that the equipment mentioned above is kept safe at all



times. Should they be lost or stolen, the cost of replacement shall be borne by the landlord, property owner or the occupier and the Municipality shall only replace them after the relevant payments have been made and the case number is presented to the municipality as well as the affidavit stating that the meter indeed was stolen.

The matter may be investigated and if the Municipality is of the opinion that the meter was removed to eliminate evidence, the Municipality may make such claim and substantiate it and claim the relevant losses from such customer. Until the relevant fees/costs are paid, the Municipality shall not restore the service.

- 20.3 If the restricted water supply is tampered with the water supply may be discontinued and the service connection removed
- 20.4 All required outstanding amounts shall be paid in full, or a payment arrangement is entered into; before any reconnection, however the tampering fee is payable up front and in full. Any deviation from this shall be authorised by the Chief Financial Officer or his/her delegated authority.
- 20.5 Where a tampered supply is unmetered/meter bridged etc, the Municipality reserves the right to calculate the lost revenue and back charge the customer from the date that such tampering happened, where the date could not be ascertained, the Municipality will calculate the back charge for 36 months. The onus is on the customer to provide material evidence sufficient to convince the Municipal Official that the likelihood of the tampering is less than 36 months. In the absence of such evidence, 36 months shall be used.
- 20.6 Back charges will be raised in respect of meters that have been tampered with for the following reasons:
- 20.6.1 Broken seals in order to tamper with the bridge screw
 - 20.6.2 Bridge wire illegally connected
 - 20.6.3 Illegal bypassing of meter and or of MCB, (this includes the wire installed at the back of the meter bypassing the meter and the wires installed between Circuit Breaker poles at the back of the Circuit Breaker)
 - 20.6.4 Direct connection to main supply including CDU
 - 20.6.5 Direct connection to another consumer
 - 20.6.6 Meter tampered with or MCB rating has been scratched off
 - 20.6.7 Any other illegal activity not covered above, a calculated amount will be levied against the account for the period under review. The calculated amount is payable before services are reinstated.

21. AUDIT OF SERVICES ON PROPERTIES

- 21.1 The Municipality reserves the right to audit any installation to any property at any time.

22. CHANGES TO AND OR TERMINATION TO THE SERVICE AGREEMENT

- 22.1 A property owner or account holder who intends varying the service agreement must do so by submitting the application to the finance unit of Msunduzi Municipality. The Municipality will allow only one change per any 12 months period. During the scale change, the active peak demand shall be used for billing until it lapses after its 12 months anniversary.

- 22.2 The Municipality will notify the customer in writing of the decision in terms of downgrade of supply. The Municipality reserves the right to approve or decline the application.
- 22.3 The property owner or account holder should take it into account the fact that when they apply for the upgrade after 12 months of the approved downgrade, their application shall be treated as a new application for capacity increase, this application will therefore undergo the normal upgrade process.
- 22.4 The application will incur cost to property owner or account holder and it may depend on the availability of capacity at that stage.
- 22.5 Any new installation together with its installation will be regarded as first application in this regard and no change will be allowed until the first 12 months.
- 22.6 A property owner or account holder must terminate an agreement with the Municipality for the provision of any municipal services by notice in writing (completing the relevant termination and account closure forms of the Municipality) not less than seven (7) working days before the required termination date.
- 22.7 Where the owner has requested the termination of supply and the supply remains terminated for 12 months, the Municipality reserves the right to remove the whole electricity service or only the metering installation. This includes properties with more than one meter whilst other meters are sitting idle in the meter box, such meters shall be removed from the consumer's property and the installation downgraded accordingly.

Should the customer require the services in the future, such service request shall be treated as a new or additional installation.

- 22.8 Should the service account(s) or the meter sit idle for longer than 12 months, the Municipality shall by virtue of time lapsed, terminate the services to that property, remove the whole electricity service or only the metering installation. This includes properties with more than one meter, such meters shall be removed from the consumer's property and the installation downgraded accordingly. Should the customer require the services in the future, such service request shall be treated as a new or additional installation. It should be noted that the balance owing shall still be recoverable from the customer.

23. SET-OFF

The Municipality may set off any credit balance due on an account against any due and payable as determined in Section 102 of the Municipal Systems Act

24. REFUNDS

Credits on accounts shall only be refunded

- 24.1 On application and subject to all the customer's accounts being fully paid,
- a. to the account holder, on a rates or services account;
 - b. to the owner;
 - c. to the conveyancer to pay the buyer or seller, on transfer of a property,
- unless otherwise directed by an order of Court.
- 24.2 The provisions of subsection 24 above shall apply to any credits that may arise from an objection or Appeal



process.

24.3 A refund shall be forfeited after 3 years if it remains unclaimed.

25. DECEASED ESTATES

25.1 The Executor of a Deceased Estate shall be liable for payment of all debts on the property.

25.2 For the purposes of liability for an account, including a consolidated account, the occupier or occupiers of a property which vests in a deceased estate where neither an executor nor administrator has been appointed, will be regarded as the Deemed Owner. The Chief Financial Officer may request a deemed owner to sign a services agreement. Where there is more than one occupier on the property, every occupier will be jointly and severally liable for an account or consolidated account.

25.3 Deemed Ownership” does not confer any rights on an occupier other than the liability to pay the accounts.

25.4 Failure to inform the Municipality that the property forms part of a deceased estate may result in the disconnection of services, until an executor has been appointed.



MSUNDUZI ANNUAL BUDGET

APPOINTMENT OF CONSULTANTS POLICY



TABLE OF CONTENTS

1	INTRODUCTION
2	PREAMBLE
3	OBJECTIVE
4	SCOPE OF APPLICATION
5	LEGISLATIVE FRAMEWORK
6	ACTUAL POLICY
6.1	APPOINTMENT OF CONSULTANTS
6.1.1	PRIMARY REASONS FOR APPOINTMENT OF CONSULTANTS
6.1.2	MINIMUM REQUIREMENTS WHEN APPOINTING CONSULTANTS
6.1.3	SELECTION METHODS FOR THE APPOINTMENTS OF CONSULTANTS
6.1.4	EMPLOYMENT CONTRACT OR AGREEMENT
6.1.5	TERMS AND CONDITIONS
6.2.	RENUMERATION OF CONSULTANTS



MSUNDUZI ANNUAL BUDGET

INTRODUCTION

2. PREAMBLE

For the purposes of this policy the following definitions apply:

- | | |
|-----------------------------|---|
| “Accounting Officer” | - The municipal manager |
| “Budget” | - The appropriated |
| “CFO” | - Chief Financial Officer |
| “Municipality” | - Msunduzi Municipality |
| “Consultant” | - An external person or organization that provides a service to the municipality in those arrears, where the municipality either Lacks the required specialized skills or Capacity. |
| “Lack of Capacity” | - Insufficient physical resources within the Municipality;
- Relevant knowledge, expertise and
- experience that may not exist within municipality. |



PREAMBLE

Where the need may arise in a department of the municipality to appoint the consultants for the purpose of this Policy, the term consultant includes, among others, consulting firms, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organizations (NGOs) and individuals, the policy will guide the procurement objectives in terms of Section 35 of the Supply Chain Management Policy of Msunduzi Municipality read in conjunction with Regulation 35 of the Municipal Supply Chain Management Regulations promulgated in 2005 and National Treasury guidelines.

I. POLICY OBJECTIVES

The objective is to provide guidelines on the appointment of Consultants by The Msunduzi Municipality.

2. SCOPE OF POLICY

This policy applies to all The Msunduzi Municipal employees, whether full-time or part-time, or paid on a salaried or an hourly individual basis when appointing the consultants.

3. APPLICABLE LEGISLATION

- 3.1 Municipalities must comply with the requirements of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and The Msunduzi Municipality has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of the appointment of Consultants.
- 3.2 In terms of section 62(1)(c) (i) of the MFMA 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 the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.
- 3.3 The MFMA endeavours “to regulate financial management in the municipalities; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those municipalities; and to provide for matters connected therewith.”
- 3.4 In particular, Section 78(1)(b) and (c) of the MFMA places the onus on each employee within the municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee’s area of responsibility. In particular, the employee must take effective and appropriate steps to prevent, within that employee’s area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.
- 3.5 The Following Acts and Prescripts are central in defining municipality boundaries and areas of influence:
 - Municipal Finance Management Act
 - Treasury Regulations
 - National Treasury guidelines and Practice notes

6. ACTUAL POLICY

6.1 APPOINTMENT OF CONSULTANTS

All appointment of consultants in the municipality shall be approved in terms of Supply Chain Management framework of delegations by the Municipality Bid Adjudication Committee.

Project / Responsibility managers may recommend the appointment of consultants to render specific services, should there be of the opinion that the Municipality lacks the required skills or necessary capacity and those funds are available within their existing budgets.

The Project Manager will be responsible to prepare the “**Terms of Reference**” and submission to the Municipality Specification Committee to recommend to the Accounting Officer for the advertisement to request proposals.

6.1.1 PRIMARY REASONS FOR APPOINTMENT OF CONSULTANTS

Consultants are engaged principally for the following reasons:

- To provide specialized services for limited periods without any obligation of permanent employment;
- To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment;
- To provide independent advice on the most suitable approaches, methodologies and solutions of projects.

6.1.2 MINIMUM REQUIREMENTS WHEN APPOINTING CONSULTANTS

When appointing consultants, it is necessary to strive to satisfy the following minimum requirements:

- Meeting the highest standards of quality and efficiency;
- Ensuring that the advices proposed or assignments executed, are meeting the ethical principles of the consultancy professions
- Obtaining advice that is unbiased ,that is, being delivered by a consultant acting independently from an affiliation, economic or otherwise, which may cause conflict between the consultant’s interests and those of government

6.1.3 SELECTION METHOD(S) FOR THE APPOINTMENT OF CONSULTANTS

The following are methods most generally used for the appointment of consultants:

- Quality and cost based selection
- Quality based selection
- Selection under a fixed budget
- Least cost selection
- Single source selection

6.1.4 APPOINTMENT CONTRACTOR AGREEMENT

- (a) All appointments shall be by means of a written contract or agreement, between the Municipality and the consultant concerned;
- (b) The Accounting Officer shall sign as the duly appointed representative of the Municipality;



- (c) The Accounting Officer may approve the extension of employment contracts or agreements provided that:
- Sufficient funds are available;
 - The extension is required as a result of additional operational requirements;
 - The original terms of reference have not been deviated from;
 - Delivery has been satisfactory and in accordance with the terms of reference and there must be a skill transferred.

6.1.5 TERMS AND CONDITIONS

Written contracts or agreements shall, as a minimum, contain the following:

- (a) Defined deliverables;
- (b) The mechanisms allowing for the frequent monitoring of progress in terms of the agreed objectives;
- (c) The period of employment;
- (d) The terms and conditions in terms of a specific regulation, code or collective agreement or tender;
- (e) The notice period required by either side to terminate the contract;
- (f) The rates agreed upon;
- (g) The frequency of payment; and
- (h) The method of payment.

6.2 RENUMERATION OF CONSULTANTS

The payment of a consultant appointed on contract shall be:

- (a) Where the consultant belongs to a professional body, the rate of payments as stipulated by that body; and
- (b) In any other case, the rate as stipulated by the Auditor-General or at a rate determined fair or equitable by the Accounting Officer and agreed upon by both parties.

7. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 7.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Chief Financial Officer once approved by Council.
- 7.2 In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.



MSUNDUZI ANNUAL BUDGET

ASSET MANAGEMENT IMPLEMENTATION GUIDELINE



TABLE OF CONTENTS

Glossary Definitions

- 1 Introduction
- 2 Legislative Framework
- 3 Institutional Arrangement
- 4 Roles and Responsibilities
 - 4.1 Asset Management Control Unit
 - 4.2 Project Management Unit
 - 4.3 Supply Chain Management Unit
 - 4.4 Human Resources Office
 - 4.5 All Business Units
- 5 Pre-Acquisition Planning
 - 5.1 Approval to Acquire Property Plant and Equipment
 - 5.2 New Capital Projects
 - 5.2.1 Procedures and Rules
 - 5.3 Recording Capital Projects on the FAR
 - 5.3.1 Procedures and Rules
 - 5.3.2 Capitalisation of Assets
- 6 Funding Sources
 - 6.1 External Loans
 - 6.2 Grants, Subsidies and Public Contributions
 - 6.3 Capital Replacement Reserves
 - 6.4 External Loans
- 7 Asset Classification
 - 7.1 Procedures and RulesCapitalisation of Assets
 - 7.2 Capitalisation of Assets
 - 7.3 Creation of New Infrastructure Assets
 - 7.3.1 Procedures and Rules
 - 7.4 Self-Constructed Assets
 - 7.4.1 Procedures and Rules
 - 7.5 Donated Assets
 - 7.5.1 Procedures and Rules

- 8 Recognition of Assets
 - 8.1 Identification of Capital Assets
 - 8.1.1 Procedures and Rules
 - 8.1.2 Movable Asset Barcoding Allocation
 - 8.2 Recognition of PPE
 - 8.2.1 Initial Recognition of PPE
 - 8.2.2 Initial Measurement of PPE
 - 8.2.3 Updating Procedures
 - 8.2.4 Subsequent Expenses on PPE
 - 8.2.5 Enhancement (Upgrades)/ Rehabilitation
 - 8.2.6 Maintenance/ Refurbishment
 - 8.2.7 Revaluation of PPE
 - 8.3 Recognition of Heritage Assets
 - 8.3.1 Measurement of Heritage Assets
 - 8.4 Recognition of Investment Property
 - 8.4.1 Initial Measurement of Investment Property
 - 8.4.2 Subsequent Measurement of Investment Property
 - 8.5 Recognition of Leased Assets
 - 8.5.1 Initial Measurement of Leased Assets
 - 8.6 Recognition of Intangible Assets
 - 8.6.1 Initial Measurement of Intangible Assets
- 9 The Fixed Asset register
 - 9.1 Format of the FAR
 - 9.1.1 Procedures and Rules
 - 9.2 FAR Asset Categories
 - 9.2.1 Immovable Assets:
 - 9.2.2 Movable Assets:
 - 9.3 Updating the FAR
 - 9.3.1 Procedures and Rules
- 10 Useful Lives of Assets
 - 10.1 Useful Life of Assets
 - 10.1.1 Procedures and Rules
 - 10.2 Revised Useful Life
 - 10.2.1 Procedures and Rules
- 11 Residual Values.



- 11.1.1 Procedures and Rules
- 12 Depreciation / Amortisation of Assets
 - 12.1 Depreciation Method of business unit
 - 12.2 Offset of Depreciation
 - 12.2.1 Assets Financed by the Grants Reserve
 - 12.2.2 Procedures and Rules
 - 12.3 Depreciation Calculation
 - 12.3.1 Tangible Assets
 - 12.3.2 Intangible Assets - Amortisation period and amortisation method of business unit
 - 12.4 Alternative Method of business units of Depreciation in Specific Instances
 - 12.5 Disclosure Requirements
- 13 Impairment
 - 13.1 Impairment of Tangible and Intangible Assets
 - 13.1.1 External Impairment Indicators
 - 13.1.2 Internal Impairment Indicators
 - 13.1.3 Procedures and Rules
 - 13.2 Disclosure of Impairment Losses
 - 13.3 Reversal of an Impairment Loss
- 14 Transfer and Disposal of Assets
 - 14.1 Disposal
 - 14.1.1 Procedures and Rules
 - 14.2 Transfers of Investment Property
 - 14.2.1 Procedures and Rules
 - 14.3 Disposal or Permanent Withdrawal from use of Investment Property
 - 14.3.1 Procedures and Rules
 - 14.3.2 Disclosure
 - 14.4 Transfer of PPE
 - 14.4.1 Procedures and Rules
 - 14.5 Disposal of PPE
 - 14.5.1 Procedures and Rules
 - 14.6 Land Disposals
 - 14.6.1 Procedures and Rules
 - 14.7 Exchange of Assets
 - 14.7.1 Procedures and Rules
 - 14.8 Movement of Assets



MSUNDUZI ANNUAL BUDGET

- 14.8.1 Procedures and Rules
- 14.8.2 tracking of assets movements
- 14.9 Updating the Asset Management System
 - 14.9.1 Procedures and Rules
- 14.10 Depreciation on disposal
- 14.11 Disposal Committee
- 14.12 Writing-off of Assets
 - 14.12.1 Procedures and Rules
- 14.13 Disclosure
- 15 Updating Fixed Asset register
 - 15.1 Unbundling of Components
 - 15.2 Asset Verification
 - 15.2.1 Verification of Movable Assets
 - 15.2.2 Verification of Fixed Assets
 - 15.3 Review of Asset Conditions
 - 15.3.1 Delphi Group Sessions
 - 15.3.2 Conditional Assessments
 - 15.4 Review of RUL
- 16 Maintenance of Assets
 - 16.1 Maintenance of Assets in the Asset Register
 - 16.1.1 Procedures and Rules
 - 16.2 Renewal of Assets
 - 16.2.1 Procedures and Rules
 - 16.3 Replacement of Assets
 - 16.3.1 Procedures and Rules
 - 16.4 Maintenance Plans
 - 16.5 Deferred Maintenance Plans
 - 16.6 General Maintenance
- 17 Asset Risk Management
 - 17.1 Insurance
 - 17.2 Other Risk Reducing Method of business units
- 18 General Procedures
 - 18.1 Tagging
 - 18.2 Physical Inventory of all Movable Assets
 - 18.3 Acquisition

2019/20 to 2021/22



- 18.4 Receiving
 - 18.5 Asset Management Responsibilities
 - 18.6 Additions / Improvements
 - 18.7 Termination of Employee's Service
 - 18.8 Safeguarding and protection of assets
 - 18.9 Transfer of Assets
 - 18.10 Reconciliation
 - 18.11 Derecognition
 - 18.12 Sale of Land and Buildings
 - 18.13 Issues not covered
- 19 Amendments to the Asset Management Implementation Guide
- Annexure A – Best Practice Guidelines
 - Annexure B – Expected Useful Lives
 - Annexure C – Impairment Questions and Values
 - Annexure D – Capital Works Project Form
 - Annexure E – Purchase of Asset Form
 - Annexure F – Request for all Risk Insurance Cover for New Assets Purchased
 - Annexure G – Asset Movement and Transfer Form
 - Annexure H – Asset Disposal/ Transfer Form
 - Annexure I – Asset Retirement Disposal Checklist

GLOSSARY

AFS	Annual Financial statements
AP	Accounting Procedure. This is a procedure which is executed to ensure that reliable information is recorded in the annual financial statements.
AR	Asset Register
ASB	Accounting Standards Board
ASB	Accounting Standards Board.
BUIL	Business Unit Inventory Listing
CDF	Capital Development Fund
CFO	Chief Financial Officer
CFO	Chief Financial Officer
CLF	Consolidated Loans Fund
COA	Chart of accounts
COID	Compensation for Occupational Injuries and Diseases
CR	Capitalisation Reserve
CRC	Current Replacement Cost
CRR	Capital replacement reserve
DCM	Deputy City Manager
DRC	Depreciated Replacement Cost
EFF	External Financing Fund
EUL	Expected Useful Life
FAR	Fixed Asset Register
FCP	Financial Control Procedure. This is a procedure that is executed to ensure that financial control takes place within the municipality
FMBPR	Financial Management Best Practice Requirement. This is the accounting standard, finance legislation or accounting control best practice requirement that the municipality is expected to comply with
FSOP	Finance Standard Operating Procedure
FSOP Type	Type of Finance Standard Operating Procedure
FSOPM	Finance Standard Operating Procedures Manual
GAAP	Generally Accepted Accounting Practice. SA GAAP is the set of accounting standards that is followed by private sector entities in SA for the preparation of AFS
GAMAP	Generally Accepted Municipal Accounting Practice
GL	General Ledger
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards. These standards are the guidelines that are followed by private sector entities for the preparation of AFS.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards.
IIR	Insignificant Items Register

2019/20 to 2021/22



IPSAS	International Public Sector Accounting Standards. The IPSAS are the public sector equivalent of the IAS and are regarded as being internationally accepted accounting best practice for public sector entities.
LCP	Legislation compliance procedure. This is a procedure that is executed to ensure that the municipality adheres to all legislation relevant to municipalities.
MFMA	Municipal Finance Management Act
CM	City Manager
MSA	Municipal Systems Act
NT	National Treasury
PPE	Property, plant and equipment
RUL	Remaining Useful Life
SCM	Supply Chain Management
WIP	Work in Progress

DEFINITIONS

ITEM	DESCRIPTION
Asset	An asset is a resource, tangible or intangible, controlled by the municipality/entity which is expected to last more for than twelve months and from which future economic benefits or service potential will flow.
Asset management	Management of the assets of the municipality as required by municipal legislation which inter alia includes the compilation of a fixed asset register
Accounting Standards Board (ASB)	Accounting Standards Board was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.
Carrying Amount	The amount at which an asset is included in the statement or financial position after deducting any accumulated depreciation and any impairment losses thereon
Cash-generating assets	Assets held with the primary objective of generating a commercial return.
Cash-generating unit	The smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
Chief Financial Officer (CFO)	Chief Financial Officer or the official acting in that capacity
Commencement of the lease term (Msunduzi as the lessee)	The date from which the municipality is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction
Depreciation	This is the systematic allocation of the depreciable amount of an asset over its useful life
Depreciable amount	The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value
Disposal Committee	A committee established in accordance with the provisions of Section 4 of Msunduzi Municipality's Supply Chain Management Policy.
Fair Value	The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction
Fair Value less costs to sell	The amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
FAR	Fixed Assets Register preferably in computerized format and maintained strictly in accordance with this document, which shall reflect all the assets of the municipality.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
Impairment	An asset is impaired when the carrying amount exceeds its recoverable amount
Lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Lease Term	The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset with or without any further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.
Non-Cash-generating assets	Assets other than cash-generating assets.

2019/20 to 2021/22



ITEM	DESCRIPTION
PPE	Property, Plant & Equipment – These are tangible assets that: <ul style="list-style-type: none"> • are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and • are expected to be used during more than one reporting period
Recoverable amount	The estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Residual Value	The estimated amount which the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Recoverable service amount	The higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
Useful Life	Useful life is either: <ul style="list-style-type: none"> • the period over which an asset is expected to be available for use by the municipality, or • the number of production or similar units expected to be obtained from the asset by the municipality.
Recognition	Recognition is the process by which expenditure is included in the Financial Asset Register as an asset or attractive item.
Replacement Value	Replacement Value is the amount which is needed in current terms to replace an asset.
Value in use	Is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Value in use of a non-cash-generating asset	The present value of the asset's remaining service potential.

INTRODUCTION

The objective of this guideline is to provide a standardised and documented approach to the implementation of the Asset Management Policy and associated asset management practices within Msunduzi Municipality. This document therefore details the actions and processes required for the effective management of all assets under the control of the municipality as prescribed by the Msunduzi Asset Management Policy, in line with the relevant legislative prescripts.

The overall objectives of this Asset Management Implementation Guide are:

- To provide direction for the management, accounting and control of Property, Plant & Equipment (PPE), investment property and associated intangible assets owned or controlled by the municipality, detailing the relevant processes and procedures to follow.
- To ensure compliance to the Msunduzi Asset Management Policy as well as all relevant legislative prescripts.

Within the context of this document an asset is identified as a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the municipality. An asset may be used over several accounting periods; hence the municipality is required to retain certain critical information about each asset that is purchased.

This Asset Management Implementation Guide does not contain policy decisions required from Council, but rather describes the responsibilities and actions of management required to comply with such policy decisions, applicable legislation (especially GRAP standards) and best practices.



LEGISLATIVE FRAMEWORK

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:

- Providing democratic and accountable government for local communities,
- Ensuring the provision of services to communities in a sustainable manner,
- Promoting social and economic development,
- Promoting a safe and healthy environment, and
- Encouraging the involvement of communities and community organisations in matters of local government.

The manner in which a municipality manages its PPE is fundamental to meeting the above objectives. The Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable. Similarly, the Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner.

Section 63 of the Municipal Finance Management Act Number 56 of 2003 governs Asset and Liability Management and states the following:

1. The accounting officer of a municipality is responsible for the management of –
 - a. The assets of the municipality, including the safeguarding and the maintenance of those assets; and
 - b. The liabilities 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 a management, accounting and information system that accounts for the assets and liabilities of the municipality;
 - b. That the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and
 - c. That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed

The Municipal Finance Management Act Number 56 of 2003 will be the legislative framework for this document whilst the Generally Recognised Accounting Practice (GRAP) will be the accounting framework

The asset management processes and practices prescribed in this Guideline Document therefore comply with all relevant legislative requirements governing asset management within South Africa, including:

- The Constitution of the Republic of South Africa, 1996,
- Municipal Structures Act, 1998,
- Municipal Systems Act, 200,
- Division of Revenue Act (enacted annually), and
- Municipal Finance Management Act, Act No. 56 of 2003.

This document also complies with the standards specified by the Accounting Standards Board. The relevant recognised accounting standards include:



MSUNDUZI ANNUAL BUDGET

- GRAP 17 on Property, Plant and Equipment,
- GRAP 16 on Investment Property,
- GRAP 13 on Leased Assets
- GRAP 103 on Heritage Assets,
- GRAP 21 on Impairment of Non-Cash Generating Assets
- GRAP 27 on Agricultural Assets,
- GRAP 31 on Intangible Assets,

As accounting officer of the city, the City Managers shall be the principal custodian of all the Municipality's assets, and shall be responsible for ensuring that the Asset Accounting Policy is scrupulously applied and adhered to.

The Asset Accounting Policy regulates the acquisition, safeguarding, maintenance of all assets and disposal of assets where the assets are no longer used to provide a minimum level of basic service as regulated in terms of section 14 of the MFMA.

This Asset Management Implementation Guide should be reviewed on an annual basis to ensure compliance with relative legislative prescripts, accommodating all amendments and updated to legislation and best practices.



3. INSTITUTIONAL ARRANGEMENT

Asset Steering Committee, comprising of GM, Infrastructure, Process Manager: Roads and Transportation, Process Manager: Electricity, CFO, Senior Manager: Assets & Liabilities, Project Manager: Land Fill Site, Manager: Project Management Unit, etc.

4. ROLES AND RESPONSIBILITIES

The responsibility for developing and implementing procedures rests with management. Every member of the organisation is responsible for ensuring compliance with the documented and approved procedures. The overall responsibility for the development and amendment of this procedure manual will lie with the Chief Financial Officer. Internal / External audit should assess compliance with these procedures and provide recommendations for their improvement.

4.1 Asset Management Control Unit

The CFO shall be responsible for the operation and management of the Asset Management Unit (AMCU). Under the guidance of the CFO, the AMCU will be responsible for the following:

- Ensuring that complete records of asset items are kept, verified and balanced regularly.
- Ensuring that all movable assets are properly tagged and accounted for.
- Ensuring that physical asset verification is performed annually to verify the assets on the asset register. The results of this verification must be reported to the City Manager and Council.
- Compiling an asset verification report, upon completion of the asset verification process, that will:
 - Reflect a complete list of all assets found during the verification;
 - Reflect whether appropriate records have been maintained reflecting what assets should have been found during verification;
 - Reflect any discrepancies between the assets found during verification and the complete record referred to above.
- Ensuring that the assets management system is balanced monthly with the general ledger and the financial statements in conjunction with the CFO.
- Ensuring adequate bar codes, description, name-plates etc. to facilitate asset control at all times.
- Providing the Auditor-General (AG) or his personnel, on request within the indicated reporting/response period, with the financial records relating to assets belonging to Council as recorded in the assets management system.
- Ensuring that all audit queries are resolved in a timely manner.
- Ensuring that the relevant information relating to the calculation of depreciation is obtained from the Strategic Business Units and provided to the Strategic Business Unit Finance in the prescribed format.
- Ensuring that asset acquisitions are allocated to the correct asset code.
- Ensuring that, before accepting an obsolete or damaged asset(s) or asset inventory item(s), a completed asset disposal form, countersigned by the Asset Management Unit, is presented.
- Ensuring that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory

items received from Strategic Business Units.

- Compiling a list of the items to be auctioned in accordance with the guidelines in the Supply Chain Management (SCM) Policy.
- Compiling and circulating a list of unused assets to enable other Strategic Business Units to obtain items that are of use to them.
- Ensuring that the Supply Chain Management is notified of any auctioning or disposing of written-off asset(s) or asset inventory item(s).

4.2 Project Management Unit

- Shall ensure that the Assets Control Unit receive information regarding all projects, from inception to completion.
- Shall ensure that the Assets Management unit is updated on a monthly basis regarding all progress payments effected on each contract, as per schedules supplied.
- Shall provide the Assets Management Unit with the details of all components of any infrastructure created, including values and estimated life span, on an ongoing basis as and when required.
- Shall inform the Assets Management Unit when the work in progress is completed, and supply a copy of the relevant completion certificates, As-built drawings, Bill of Quantity and Close-Out Report..

4.3 Supply Chain Management Unit

- Ensure that invoices authorised for payment are matched to the goods received note before processing such payment.
- Shall dispose of assets in accordance with the provisions in the Supply Chain Management (SCM) Policy, MFMA and Municipal Asset Transfer Regulations.
- The Bid Adjudication / Bid Specification Committee must comply with and be constituted in accordance with the procurement SCM policy.

4.4 Human Resources Office

The Human Resources (HR) Departments of Business Units:

- Shall ensure that no monies are paid out on termination of service without receiving the relevant asset resignation form signed off by the relevant Department.
- Shall ensure that every asset resignation form is counter signed by the Asset Management Unit before processing the termination of service.

4.5 All Business Units

- Shall ensure that employees in their Departments adhere to the approved Asset Management Policies.
- Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in his / her Department. The Asset Management Unit must be notified of who the responsible person is. Although authority has been delegated, the responsibility to ensure adequate physical control over each asset remains with the manager of the Department.
- Shall ensure that assets are properly maintained in accordance with their respective asset maintenance plans.



- Shall ensure that the assets and / or inventory items of the Municipality are not used for private gain.
- Shall ensure that all their movable assets as reflected on the Assets Management System are bar coded.
- Shall ensure that the Asset Management Unit is notified of any changes in the status of the assets under the Department's control.
- This must be done on the prescribed form and include the following:
 - Movements/Disposals which relate to the transfer of assets (inter Departmental transfers)
 - Changes in the estimated useful lives of assets for depreciation purposes.
 - The identification of impairment losses on assets by following the procedures as outlined in this document.
- Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Unit without delay.
- Shall be responsible for maintaining and managing their own Department Inventory Listing (DIL) for items that will not be recorded in the Fixed Asset Register These inventory assets are acquired via the operational budget. The information to be recorded in the DIL must include the description, quantity and location of the items.
- Shall ensure that the correct cost element and description are being used before authorising any requisitions.
- Shall not put any asset to use until the asset number is allocated, and will ensure that assets are bar-coded by the Assets Management Unit and insured by Finance (Insurance Department).

5. PRE-ACQUISITION PLANNING

Acquisition of assets refers to the purchase of assets by buying, building (construction) or leasing. The CFO shall ensure that the Supply Chain Management (SCM) Policy makes provision for principles prescribing the acquisition of assets. The CFO shall furthermore ensure that all acquired assets are appropriately insured. Before a capital project is included in the draft municipal budget for approval, the relevant Business Units must prove that they have considered:

- The projected acquisition and implementation cost over all the financial years until the project is operational,
- The future operational costs and revenue on the project, including tax and tariff implications
- The financial sustainability of the project over its economic life span including revenue generation and subsidization requirements,
- The physical and financial stewardship of the asset through all stages in its life span including acquisition, installation, maintenance, operations, disposal and rehabilitation, and
- The inclusion of the capital project in the Integrated Development Plans and future budgets.

The Chief Financial Officer is accountable to ensure that the relevant responsible persons receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

5.1 Approval to Acquire Property Plant and Equipment

Funds can only be invested with a capital project if:

- They have been appropriated in the capital budget,
- The project, together with the total project cost, has been approved by the Council;
- The Chief Financial Officer confirms that funding is available for that specific project, and
- Any contract that will impose financial obligations more than two years beyond the budget year is appropriately disclosed.

All PPE acquired shall be recorded at cost on the date of acquisition in the FAR. An item of PPE can also be initially recognised at its fair value, if it is acquired at no or nominal measurable cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

5.2 New Capital Projects

5.2.1 Procedures and Rules

- Capital Works Project Form must be completed for all projects by the Department responsible for the Capital Project (Refer to Annexure D)
- The Capital Works project form must be signed by the responsible official in the Department as proof that the new project has been authorised.
- The authorised capital works project form must be forwarded to the AMU.
- The assets controller must review the form to ensure that the details are correct and that the form has been duly authorised.
- If the assets controller is satisfied that the form has been correctly completed and authorised, the asset controller must create the asset on the assets management system.
- The asset number should be recorded on the form and the form should be signed and dated by the asset controller.
- The capital works project form with asset number recorded thereon should be filed sequentially by the AMU and a copy should be forwarded to the Department requesting the creation of the new project.
- The Accountant: Asset Management must maintain a register of all approved purchase orders together with a file containing copies of the purchase orders.
- The Accountant: Asset Management should review the purchase order register on a regular basis to ensure that long outstanding purchase orders are investigated and followed up on with the Procurement department.
- The Senior Accountant: Asset Management must review the pending file of Purchase Orders (PO) on a weekly basis to ensure that long outstanding orders are followed up on.



5.3 Recording Capital Projects on the FAR

5.3.1 Procedures and Rules

- On a monthly basis the Asset Management unit in consultation with the Project management unit must create an Excel spreadsheet detailing all new capital projects created for the month.
- The Project Management Unit sends a SDBIP report for the preparation of the new capital projects spreadsheet by the AMU.
- The spreadsheet detailing new capital projects must contain the following:
 - Asset description and class,
 - Budgeted cost of asset,
 - Cost incurred on the project,
 - Asset number,
 - Vote /WBS number,
 - Serial number / Registration number / Title deed number,
 - Project start date,
 - Project end date,
 - Project details, and
 - Comments.
- The spreadsheet must be sent electronically to the AMU requesting them to update the Assets Management System with the new capital project.
- On completion of the monthly updates to the Assets Management System, the Asset Management Unit must send a report to the Expenditure Control Office, listing all capital projects under construction (WIP).
- On completion of the monthly updates to the Project Progress Schedules the Project Management Unit must send a report to the Expenditure Control Office, detailing all capital expenditure in respect of capital projects that need to be updated to the Assets Management System. The report must which include the following minimum information:
 - Asset number,
 - Description of additions (components),
 - Date of additions,
 - Amount of expenditure (excluding claimable VAT),
 - Estimated remaining life of asset, and
 - Serial numbers (if any).
- The Expenditure Control Office must review the report of new projects from the Project Management Unit and agree the details to the Excel spreadsheets and actual expenditure recorded in the financial system. Any discrepancies must be timeously followed up and resolved.

- The Expenditure Control Office must then forward the capital expenditure details to the Asset Management Unit on a monthly basis for updating in the Assets Management System.

5.3.2 Capitalisation of Assets

Assets will only be capitalised in the asset register on completion or finalization of the project.

Projects to be completed over more than one financial year will be initially disclosed in the asset register and financial statements as work in progress (WIP) thereafter only on completion the asset will be capitalised and depreciated.

- All relevant spatial information must be provided in electronic format (cad, pdf, dwg or shp) for capital projects that have been completed.
- The PMU must send a copy of the Completion Certificate for each project to the Asset Management Unit, when issued, for capitalisation of the asset at the date it is brought into use, and calculation of depreciation, and costing to the relevant Business Unit.
- The Bill of Quantities must be provided to facilitate componentisation of the assets.



Figure I below depicts a high level overview of the asset acquisition process.

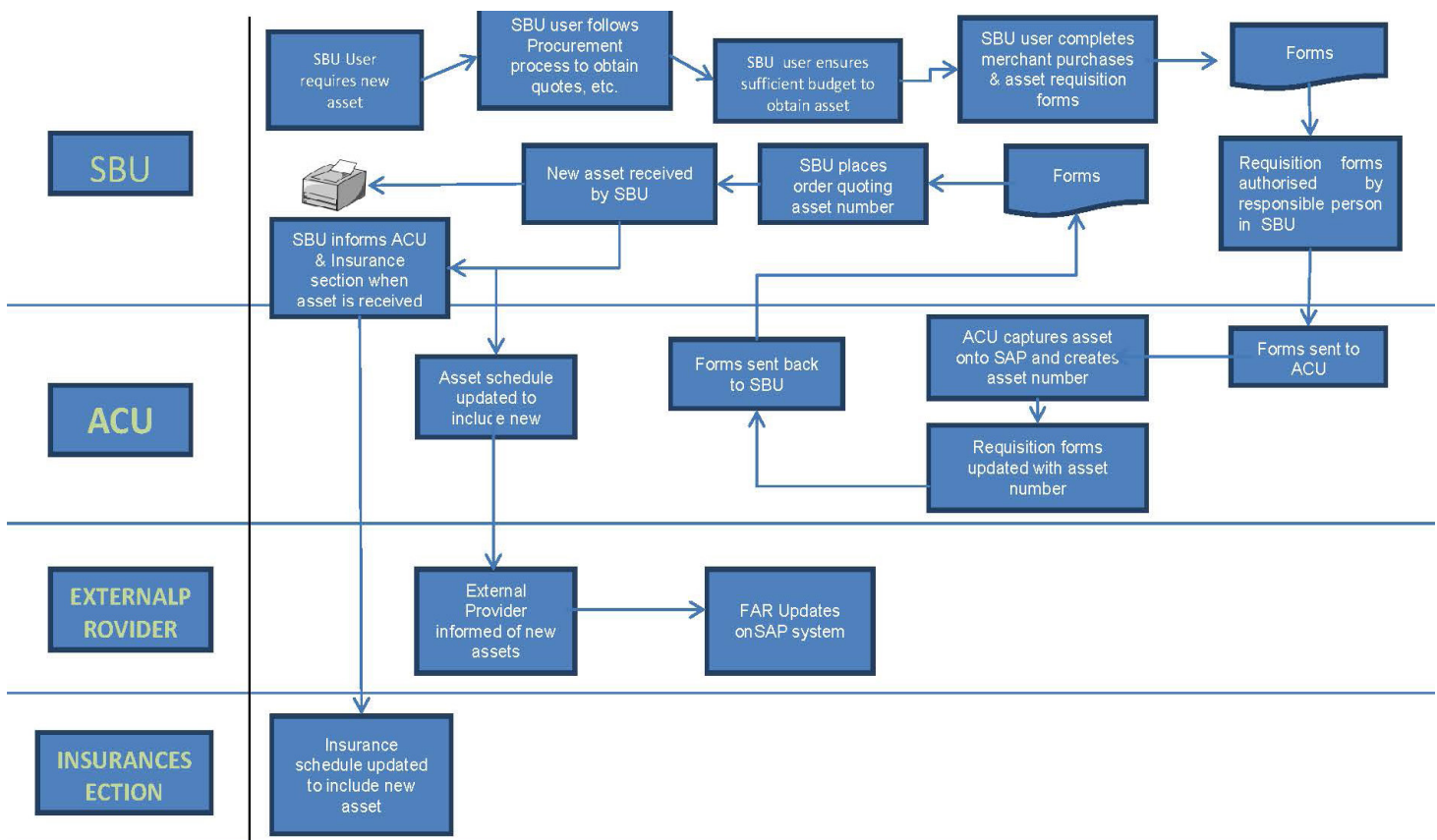


Figure 1 Asset Acquisition Process

6. FUNDING SOURCES

The main sources of finance utilised to acquire assets are:

1. External Loans
2. Grants, Subsidies and Public Contributions
3. Revenue Contributions
4. Capital Replacement Reserve

The sources of finance that may be utilised to finance assets are utilised in accordance with the provisions of Section 19 of the Municipal Finance Management Act.

There will be a departure from GRAP 1.144 regarding Capital Reserves, in accordance with GRAP 1.22 and 1.23, read with GRAP 3.07, as the inclusion of capital receipts applied for the purchase of Property, Plant and Equipment in the Accumulated surplus will lead to a misinterpretation by users, particularly Council and Ratepayers/Consumers. These Reserves will be disclosed in accordance with GRAP 1.86.

6.1 External Loans

Major expenditure on PPE, especially Infrastructure and major items of Plant, can be financed from external financing sources, if the municipality complies to the requirements of the MFMA in this regard. Costing of this source of finance must include finance costs and depreciation against the Statement of Financial Performance over the

period of financing. The period of financing should ideally be aligned to the estimated lifespan of the assets thus financed, but should never exceed such.

6.2 Grants, Subsidies and Public Contributions

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Grants Reserve equal to the Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Reserve to the accumulated surplus/ (deficit). The purpose of this procedure is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Grants.

Unspent conditional grants are reflected on the Statement of Financial Position under current liabilities as Unspent Conditional Grants. These funds always have to be backed by cash. The following conditions are set for the creation and utilisation of these funds:

- The cash which backs up the grant is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If the conditions are silent on investment interest it is recognised as interest earned in the Statement of Financial Performance and might be allocated, in part or fully, to the unspent portion of the grant if it is so stated in the accounting policy.
- Whenever an asset is acquired from a conditional government grant an amount equal to the cost of the asset is transferred from the Unspent grant creditor to the Statement of Financial Performance as revenue. Thereafter an equal amount is transferred to the Grant Reserve. This account must have equal book value of assets purchased from conditional government grants and is utilised to offset depreciation charged on assets purchased out of conditional government grants.

When an asset, previously financed by a conditional government grant, is disposed of with a balance left on the Grants Reserve account such a balance must be transferred to the Accumulated Surplus account.

6.3 Capital Replacement Reserves

The CRR is an asset financing source that represents an alternative to the other funding sources available to the municipality namely external loans (interest bearing borrowings) and government grants & subsidies. It is a GRAP requirement that the balance on the CRR must always be represented by cash, which must be held in a separate identifiable investment account. Subsequent to the implementation of GRAP in 2008, Reserves and Funds had to be discontinued as they are not permissible in terms of GRAP. However, the National Treasury determined that the CRR is one of the few funds and reserves that are allowed. Therefore, it is a requirement that since fund accounting is not allowed in terms of GRAP, for disclosure in the Annual Financial Statements, CRR should form part of Accumulated Surplus and should not be disclosed on the face of the Statement of Financial Position.

As a matter of principle, the focus is the manner in which these reserves are created and accounted for, which in this instance the capital replacement of major components of Infrastructure Assets in the event of technical failure. For accounting purposes, the CRR will be created by transferring amounts out of Accumulated surpluses/deficits to the respective reserve account, or vice versa, in the Statement of Changes in Net Assets. The net effect of these transfers will be nil in the Statement of Changes in Net



Assets, and will not affect the value of reserves in totality. It is the requirement of GRAP that no transactions should be accounted for, directly to the Statement of Changes in Net Assets other than those specifically allowed in terms of GRAP, i.e. Revaluation Surplus Reserve. Therefore situations should be avoided where reserves are created and accounted for, by taking amounts directly to the Statement of Changes in Net Assets thereby circumventing the Statement of Financial Performance.

The municipality should determine a policy on the revenue sources that will be used to maintain or increase the balance of the CRR. These revenue sources may include, but not limited to, the following:

- Interest earned by the municipality on the CRR investment account;
- Cash proceeds from the sale of any item of PPE or Investment Property;
- Percentage of amount that was utilised in the previous financial year for the purchase of items of PPE;
- VAT input recovered from SARS.

The CRR will only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and will not be used for the maintenance of such items.

6.4 External Loans

Major expenditure on PPE, especially Infrastructure and major items of Plant, can be financed from external financing sources, if the municipality complies to the requirements of the MFMA in this regard. Costing of this source of finance must include finance costs and depreciation against the Statement of Financial Performance over the period of financing. The period of financing should ideally be aligned to the estimated lifespan of the assets thus financed, but should never exceed such.

7. ASSET CLASSIFICATION

In compliance with National Treasury as well as GRAP regulations, the CFO shall ensure that all assets are classified under the following asset categories.

Assets will be classified in to the following asset types in accordance with the relevant definitions detailed in the Asset Management Policy.:

1. Property Plant and Equipment (GRAP 17)
 - Land and Buildings (land and buildings not held as investment and not attached to infrastructure, community, leased or heritage assets),
 - Infrastructure Assets (assets which are part of a network of similar assets, immovable assets that are used to provide basic services),
 - a) Electricity
 - b) Gas
 - c) Sewerage
 - d) Road
 - e) Pedestrian malls
 - f) Airports

- g) Security measures
- h) Water
- i) Buildings
- Community Assets (resources contributing to the general well-being of the community),
 - a) Buildings
 - b) Recreational facilities
 - c) Security
- Other Assets (utilised in normal operations):
 - a) Emergency equipment
 - b) Office equipment
 - c) Furniture and fittings
 - d) Bins and containers
 - e) Motor vehicles
 - f) Aircraft
 - g) Watercraft
 - h) Plant and equipment
- 2. Leased Assets (assets held in terms of finance leases) (GRAP 13),
- 3. Heritage Assets (culturally significant resources) (GRAP 103),
- 4. Intangible Assets (GRAP 31),
- 5. Investment Property (GRAP 16), and
- 6. Agricultural Assets (GRAP 27).

7.1 Procedures and Rules

- The CFO shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.
- The CFO shall inform the Business Units of the classification requirements.
- Heads of Business Units shall in writing provide the CFO with information or assistance required to compile a proper classification of all assets.
- The CFO shall adhere to the classifications indicated in the annexure on useful life of assets (as per Annexure B), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

Definitions of the above mentioned Capital Asset categories are detailed in the Asset Management Policy for Msunduzi Municipality.

The following asset decision tree, illustrated in Figure 2 shall be applied when determining the relevant asset types.

7. CAPITALISATION OF ASSETS

7.1 Capitalisation of Assets

All PPE that comply with the definition of an asset and role of asset as per Msunduzi Asset Management Policy, in accordance with GRAP 17 standards, must be capitalised in the FAR inclusive of non – claimable vat.

ALL PPE that meets the prescribed definitions will therefore be accounted for in accordance with GRAP 17 standards.

Assets will only be capitalised in the FAR on completion or finalisation of the project. Projects to be completed over more than one financial year will be initially disclosed in the FAR and financial statements as “Work in Progress” (WIP). Only on completion will the asset be capitalised and depreciated.

7.2 Creation of New Infrastructure Assets

Creation of new infrastructure assets refers to the purchase, construction and/or donation of totally new assets that has not been in the control or ownership of the municipality in the past.

All items of PPE acquired that comply with the relevant asset definition must be capitalised in the FAR at cost and be provided for on the capital budget.

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

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

7.2.1 Procedures and Rules

- The Heads of Business Units shall ensure that relevant documentation, detailing all necessary information pertaining to the new asset, is completed and submitted to the Asset Management Unit. The form is to include all relevant details of the work in progress.
- The Heads of Business Units shall notify the Asset Management Unit when the works have been completed and the assets can be recognised and capitalised accordingly.
- The Heads of Business Units shall guide service providers to submit invoices of work in progress as per the classification of assets and components in the FAR so as to facilitate the apportioning of project cost to all constituent assets and components.
- The cost of an item of PPE shall be recognized as an asset if, and only if:
 - It is probable that future economic benefits or services potential associated with the item will flow to the entity and
 - The cost of fair value of the item can be measured reliably.
- The Asset Manager, in consultation with the Business Units, must ensure that assets are capitalised and recorded in the FAR as soon as it is acquired/ completed.
- Assets constructed over more than one financial year must be recorded as WIP until it has been completed and available for use, where after it shall be appropriately capitalised as an asset.
- In addition to the classification of assets into PPE the Asset Manager will furthermore be responsible for



annually presenting all PPE information by:

- Class of PPE,
- Funding Source, and
- Responsible Business Unit.

Refer to Annexure A for Best Practice Requirements

7.4 Self-Constructed Assets

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the FAR and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged as such in the FAR (as per section 5.3.1 and 7.2.1) until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

7.4.1 Procedures and Rules

- Heads of Business Units shall ensure that proper records of staff time, transport and material costs are kept such that all costs associated with the construction of these assets are completely and accurately accounted for.
- Heads of Business Units shall open a job card for each infrastructure project constructed by the municipality.
- On completion of the infrastructure project, the Heads of Business Units shall ensure that all costs (both direct and indirect) associated with the construction of the assets be summed and be capitalised to the assets that make up the project.
- Infrastructure assets constructed will be componentised based on the information contained in the following documents:
 - Completion Certificates,
 - Completion Reports,
 - As-Built drawings, and
 - Final adjusted Bill of Quantities.
- The Heads of Business Units shall guide service providers to submit invoices of work in progress as per the classification of assets and components in the AR so as to facilitate the apportioning of project cost to all constituent assets and components.

7.5 Donated Assets

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

Donated assets should be measured at fair value, reflected in the asset register, and depreciated as normal assets.

7.5.1 Procedures and Rules

- The CFO must be informed of any donation to the municipality
- Donated assets must initially be measured at its fair value, at the date of acquisition, and included on the AR.
- Where the value of the asset is known, such value shall be included in the register in line with recognition criteria.
- It shall be the responsibility of the Heads of Business Units to notify the CFO of such assets for capitalisation purposes.

8. RECOGNITION OF ASSETS

When accounting for Capital Assets, the municipality must follow the various standards of GRAP relating to Capital Assets. An item will be recognised as a Capital Asset if it satisfies the definition as well as the criteria for recognition of assets.

The municipality therefore needs to first establish whether the item meets the definition of an asset. If the item satisfies the definition of an asset, the nature of the asset should be determined, and thereafter the recognition criterion must be applied.

8.1 Identification of Capital Assets

An asset identification system is to be used as an effective method of business unit to uniquely identify each municipal asset in order to ensure that each asset can be accounted for on an individual basis. The asset identification system must be operated and applied in conjunction with the FAR.

As far as practicable, every individual asset shall have a unique identification. Movable assets will be identified using a barcode system and immovable assets will be identified using a unique numbering convention.

8.1.1 Procedures and Rules

- Immovable assets will be identified by means of a unique asset identification code in addition to an accurate asset description and physical location information to be recorded on the AR. The components of immovable assets will carry the description of the parent asset as well as its own unique component identification code to be recorded on the FAR.
- The naming and numbering conventions applied to immovable assets must enable easy location of the asset in the field.
- Movable assets will be identified using a barcoding system, attaching a barcode to each item and recording the corresponding barcode on the AR.
- Heads of Business Units shall ensure that all the assets under their control are correctly identified.

8.1.2 Movable Asset Barcoding Allocation

Department procuring the asset is required to complete a Purchase of Asset form (Refer to Annexure E). The Purchase of Asset forms must include following information and all relevant supporting documentation must be attached:



- Requisition
- Approved quotation
- Type-1 Pro Forma
- Award letter

The AMU is responsible for verifying that all necessary information is supplied with signatures, cost-centres and budgets (must be available)

If budgets are not provided the “Purchase of Asset” form will not be processed and will be returned to the relevant Business Unit.

If all the necessary information has been provided the purchase of asset will be processed and a barcode allocated. All barcodes are registered via SAP.

A copy needs to be provided to the AMU and the Business Units will be responsible for submitting the documents to SCM to process the official order.

8.2 RECOGNITION OF PPE

All fixed assets that satisfy the definition PPE, as detailed in the Asset Management Policy, must be capitalised in the FAR inclusive of non – claimable vat.

First step of the recognition process is to determine if the item meets the definition of an asset.

8.2.1 Initial Recognition of PPE

The initial recognition criteria are illustrated by Figure 3 below.

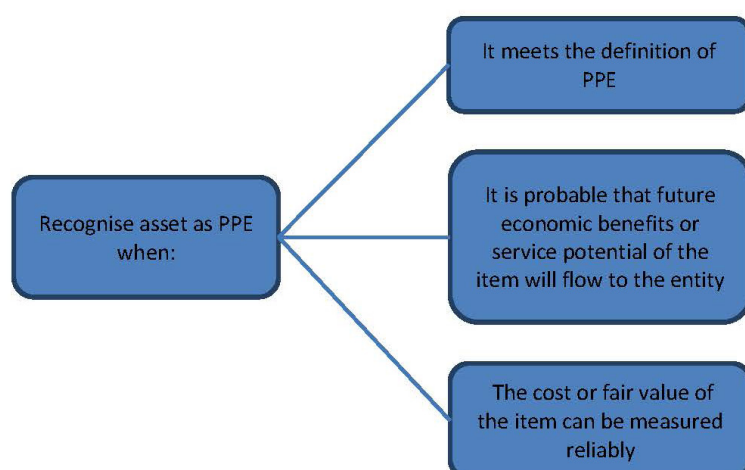


Figure 3 Initial Recognition Criteria

8.2.2 Initial Measurement of PPE

An item of PPE that qualifies for recognition as an asset should initially be measured at its cost at the date of acquisition. An item of PPE can also be initially recognised at its fair value, at the date of acquisition, if it is acquired at no or nominal measurable cost (Donations).

Where there is insufficient supporting documentation to verify or confirm the actual costs, the deemed cost method of business unit shall apply. Assets obtained at no cost or nominal cost should be measured at fair value on the date of acquisition.

Spare parts and servicing equipment are usually carried as inventory in terms of the Standard of GRAP on Inventories and recognised in surplus or deficit as consumed. Major spare parts and stand-by equipment will however qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

The cost of an item of PPE comprises its purchase price and any other directly attributable costs of bringing the asset to the location and condition necessary for its intended use. The cost of PPE includes:

- Import duties and non-refundable purchase taxes,
- Any trade discounts and rebates, and
- The initial estimates of the costs of dismantling and removing an item and restoring the site on which an item is located.

Directly attributable costs include:

- Employee costs as defined in GRAP 25 on Employee Benefits,
- Those costs that arises as a result of direct involvement in the construction or acquisition of the item of PPE,
- Costs to prepare the site where PPE will be located,
- Initial delivery and installation cost;
- Costs of testing the asset, and
- Professional fees.

8.2.3 Rules and Procedures

- The Head of every Business Unit shall ensure that all assets under their control are correctly accounted for and recognised as assets.
- Where the deemed cost method of business unit applies, the asset's fair value shall either be its market price or the amount the asset can be sold for in an arm's length transaction between two knowledgeable willing parties.
- The obligation to incur dismantling or relocation costs on PPE arises either when the entity acquires the asset, or as a result of using the asset over a certain period, except when the asset is used to produce inventory during that period. If the asset is used to produce inventory during a period, an entity applies GRAP 12 on Inventory to the cost of obligations for dismantling, removing and restoring the site on which the asset is located.



8.2.4 Updating Procedures

On receipt of the asset, the relevant Business Unit, as the custodian of the asset, will be responsible for ensuring that the Insurance section has been informed of the new purchase, and that the asset has been adequately insured. A Request for all Risk Insurance Cover for New Assets Purchased form (Refer to Annexure F) must be completed and submitted to the Insurance Section.

Once satisfied that the asset is in good condition and that all documentation is in place, the Business Unit must forward the following documentation to the Asset Management Unit:

- Copy of the official order.
- Copy of the original invoice.
- Asset Addition Form.
- Copy of Insurance Schedule.

On receipt of these details, the Asset Management Unit must update the acquisition of the asset in the Asset Management System, and if a movable item issue a bar-coded label for affixation to the asset.

8.2.5 Subsequent Expenses on PPE

PPE assets are often modified during their life. There are two main types of modification which may affect the measurement of an asset:

1. Enhancement (upgrades)/ rehabilitation, and
2. Maintenance/ refurbishment.

8.2.6 Enhancement (Upgrades)/ Rehabilitation

Enhancement/ rehabilitation refer to work carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances. Disbursements of this nature relating to an asset, which has already been recognised in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the entity over the remaining life of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably

To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

- Modification of an item or plant to extend its useful life, including an increase in its capacity for service delivery.
- Upgrading machine parts to achieve a substantial improvement in the quality of output.
- Adoption of new production enabling a substantial reduction in previously assessed operating costs.
- Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift.



MSUNDUZI ANNUAL BUDGET

- Improve the performance of the asset.
- Prolong the expected working life of the asset.
- Increase the size of the asset.
- Change the shape of the asset.

The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

8.2.6 Maintenance/ Refurbishment

Expenditure related to maintenance or refurbishments of PPE are made to restore or maintain the future economic benefits or service potential that an entity can expect from the asset.

Maintenance/ refurbishment of works therefore do not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

Thus if the improved performance or extended life of an asset is not beyond what has originally been estimated for the asset and the expenditure is only to bring performance back to the level that is normally expected for the asset, the expenditure will be considered an operating expense.

8.2.6.1 Procedures and Rules

- The CFO shall ensure that all PPE are correctly recorded in the AR and revaluated (if applicable) in terms of the municipality's policies.
- The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:

Capital Expenditure	Maintenance Expenditure
Acquiring a new asset Replacing an existing asset Further developing an existing asset so that its original useful life is extended	Restoring an asset so that it can continue to be used for its intended purpose Maintaining an asset so that it can be used for the period for which it was initially intended. Enhancing an existing asset so that its use is expanded

8.2.7 Revaluation of PPE

Increases in the carrying amount arising on revaluation of assets are credited to a Revaluation Reserve in the Statement of Changes in Net Assets. Decreases that offset previous increases of the same asset are charged against the Revaluation Reserve directly in the Statement of Changes in Net Assets; all other decreases are charged to the Statement of Financial Performance.

8.3 RECOGNITION OF HERITAGE ASSETS

Accounting for Heritage Assets must be carried out in accordance with GRAP 103. Assets satisfying the description of Heritage Assets, detailed in the Asset Management Policy, must be capitalised in the FAR.

8.3.1 Measurement of Heritage Assets

An asset that qualifies for recognition as a Heritage Asset shall be measured at its cost, or when acquired through a non-exchange transaction (donation), its cost shall be measured at its fair value as at the date of acquisition,



which will not be considered as revaluation.

Heritage Assets are considered to have an infinite life, and will not be depreciated, but will be regularly assessed for impairment.

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the definition of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

When the municipality does not recognise a heritage asset, or a class of heritage assets as a result of reliable measurement not being possible on initial measurement, the municipality shall disclose the following for each heritage asset or class of heritage assets:

- A description of the heritage asset or class of heritage assets, and
- The reason why the heritage asset or class of heritage assets could not be measured.

8.4 RECOGNITION OF INVESTMENT PROPERTY

Accounting for Investment Property must be carried out in accordance with GRAP 16. Only assets satisfying the prescribe definition of Investment Property, as detailed in the Asset Management Policy, must be capitalised in the FAR.

Investment Property is only recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

8.4.1 Initial Measurement of Investment Property

Investment property that qualifies for recognition should initially be measured at its cost (including transaction costs). Where an investment property is acquired at no cost (donated assets), or for a nominal cost, its initial cost will be measured as its fair value at the date of acquisition.

The cost of a purchased investment property includes:

- Purchase price,
- Any directly attributable expenditure, such as:
 - Professional fees
 - Legal services, and
 - Property transfer taxes and other transaction costs.

The cost of a self-constructed investment property will be measured as its cost at the date when the construction or development has been complete. Until that date, the Municipality applies the GRAP standard on accounting for PPE. At the completion date, the property will become Investment Property and GRAP 16, Standard on Investment Property will apply.

8.4.2 Subsequent Measurement of Investment Property

Subsequent expenditure relating to an investment property that has already been recognised should be added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of per-



MSUNDUZI ANNUAL BUDGET

formance of the existing investment property, will flow to the entity. All other subsequent expenditure should be recognised as an expense in the period in which it is incurred.

After initial recognition of the investment property the Municipality may choose to reflect the investment property at fair value or at cost less accumulated depreciation.

The fair value of investment property is usually its market value. Fair value is measured as the most probable price reasonably obtainable in the market at the reporting date in keeping with the fair value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. After initial recognition, an entity that chooses the fair value model should measure all of its investment property at its fair value at each Statement of Financial Position date. A gain or loss arising from a change in the fair value of investment property should be included in net surplus/deficit for the period in which it arises. No depreciation will be calculated on this property.

If, after initial recognition, the Municipality chooses the cost model it should measure all of its investment property using the guidelines for normal assets that is, at cost less any accumulated depreciation and accumulated depreciation and accumulated impairment losses.

Figure 4 below illustrates subsequent measurement of Investment Property.

Figure 4 Subsequent Measurement for Investment Property

8.5 RECOGNITION OF LEASED ASSETS

At the beginning of the lease term all leased assets should be recognised as an asset and the lease commitment must be recognised as a liability in the statement of financial position.

8.5.1 Initial Measurement of Leased Assets

The leased asset should be measured at lower of:

- The fair value of the leased property, or
- The present value of the future minimum lease payments.

The present value of the future minimum lease payments is discounted at the interest rate implicit in the lease, which can usually be calculated from the information provided in the contract. If it is not possible to calculate the rate implicit in the lease, then the entity uses its incremental borrowing rate (i.e. entity / government lending rate). The initial measurement for leased assets must include the initial direct costs that the Municipality or Business Unit incurred to negotiate and arrange the lease.

8.6 RECOGNITION OF INTANGIBLE ASSETS

A municipality frequently expend resources, or incur liabilities, on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licences, intellectual property, market knowledge and trademarks (including brand names and publishing titles). Intangible assets may also be transferred or donated to a municipality. Common examples of items encompassed by these broad headings are computer software, patents, copyrights, motion picture films, customer lists, and the right to use water and/or land.



8.6.1 Initial Measurement of Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method of business unit are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

9. THE FIXED ASSET REGISTER

The fixed asset register (FAR) shall be maintained in the format determined by the CFO, which format shall comply with the requirements of GRAP as well as any other accounting requirements which may be prescribed.

The FAR consists of an inventory of all assets, each having been assigned a unique asset identification code in accordance with the asset identification system.

9.1 Format of the FAR

All relevant asset data must be recorded in the FAR. The minimum data requirements for the FAR are as follows:

- a brief but identifiable description of each asset,
- Classification of each asset,
- The date on which the asset was acquired or commissioned,
- The location of the asset,
- The Business Unit or cost centre within which the assets will be utilised,
- The Responsible Person for the asset,
- The title deed number, in the case of fixed property,
- The stand number and physical address, in the case of fixed property,
- Encumbrances or impediments upon fixed property such as servitudes, caveats, mortgages, etc.,
- Status of the fixed property (land) in terms of the municipal town planning scheme,
- Where applicable, the identification number, as determined in compliance with 7.2 below,
- The original cost or fair value if no costs is available,
- The (last) revaluation date of the fixed assets subject to revaluation,
- The re-valued value of such fixed assets,
- Accumulated depreciation to date,
- The carrying value of the asset,
- Whether this is a cash or non-cash generating asset,
- The method of business unit and rate of depreciation,
- Impairment losses,

- Impairment recovery,
- The source of financing;
- The current insurance arrangements,
- The date on which the asset is disposed of,
- The disposal price, and
- The date on which the asset is retired from active use, if not disposed of.

9.1 Procedures and Rules

- All Heads of Business Units under whose control any fixed asset falls must promptly provide the CFO, in writing, any information required to compile the FAR.
- All Heads of Business Units must promptly advise the CFO, in writing, of any material change which may occur in respect of information contained in the FAR.
- A fixed asset, satisfying the prescribed descriptions, must be capitalised in the FAR as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, thereafter it shall be appropriately capitalised as a fixed asset.
- A fixed asset shall remain in the FAR for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.
- Immovable assets on the asset register will not be physically numbered with barcode labels but will have a unique asset number.
- If an asset has been fully depreciated but is still being used by the Municipality, it indicates that the asset's remaining useful life (RUL) needs to be reviewed and re-estimated. This adjustment needs to take into consideration the condition of the asset. The municipality will therefore have to account for a change in estimate based on the Business Unit, using the asset's adjusted RUL and condition at the time of adjustment (This applies to assets with material values).
- Capital work-in-progress (WIP); Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

9.2 FAR Asset Categories

The FAR will contain the following types of assets categorised as immovable or movable assets (in accordance with the prescribed asset classifications):

9.2.1 Immovable Assets:

- Infrastructure assets
 - Electricity assets
 - Water networks and related assets
 - Waste water networks and related assets
 - Roads and Storm-water
- Land and Buildings



- Investment properties
- Community assets
- Heritage assets
- Intangible assets
- Agricultural assets
- Other assets

9.2.2 Movable Assets:

- Office Equipment
- Furniture and Fittings
- Bins and Containers
- Emergency Equipment
- Motor Vehicles
- Aircraft
- Watercraft
- Plant & Equipment

9.3 Updating the FAR

The FAR must be updated on a monthly basis

9.3.1 Procedures and Rules

- The Asset Management Unit will be responsible for monthly updating the FAR.
- During the month, the Acquisitions, Disposals and Movements spreadsheets must be updated with information obtained from the Asset Addition form, Asset Movement/ Transfer form (Refer to Annexure G) as well as Asset Disposal/ Transfer form (Refer to Annexure H), and the necessary transaction processing completed.
- A backup of the FAR is to be made and located on the server.
- It is the responsibility of the Asset Management Unit to carry out the necessary checks and balances with regards to the transactions processed.
- Should there be any discrepancies, the necessary follow-up queries must be administered and corrected immediately.

10. USEFUL LIVES OF ASSETS

10.1 Useful Life of Assets

The useful life (UL) or expected useful life (EUL) of assets will be assigned by to each asset type as prescribed by the MFMA guidelines.

Should the municipality decide on a UL outside the given parameters, the National Treasury, Auditor General, should be informed and provided with a motivation, for its agreement of the rate utilised. The calculation of UL is based on a particular level of planned maintenance.

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

10.1.1 Procedures and Rules

- The CFO is responsible for assigning the EUL of assets.
- The CFO shall adhere to the EUL set out in Annexure B, in accordance with MFMA guidelines.
- In the case of an asset which is not listed in Annexure B, the CFO shall determine a UL, if necessary in consultation with the of the Business Unit (who shall control or use the fixed asset in question) and shall be guided either by the UL assigned in Annexure B to the fixed asset most closely comparable to the asset in question or by the likely pattern in which the asset's economic benefits or service potential will be consumed.

10.2 Revised Useful Life

10.2.1 Procedures and Rules

- The municipality shall assess at each reporting date whether there is any indication that the municipality's expectations about the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life accordingly.
- In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:
 - a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
 - b) The use of the asset has changed, because of the following:
 - 1.1 The municipality has changed the manner in which the asset is used.
 - 1.2 The municipality has changed the utilisation rate of the asset.
 - 1.3 The municipality has made a decision to dispose of the asset in a future reporting period (s) such that this decision changes the expected period over which the asset will be used.
 - 1.4 Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - 1.5 Legal or similar limits placed on the use of the asset have changed.
 - 1.6 The asset was idle or retired from use during the reporting period.
 - c) The asset is approaching the end of its previously expected useful life.
 - d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.



- e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

- The CFO is responsible for ensuring that the RULs are revised
- The CFO must therefore Issue a memorandum to Heads of all Business Units, at year end, requesting them to ensure that they assess whether there is any indication that the useful life of an assets under their control have changed since the preceding reporting date
- The Asset Management Unit should be notified of items of PPE with RULs shorter than those reflected on the AR at the year end.
- Review of the RUL must take the condition of the asset/ component into consideration.
- The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. IF the reviewed RULs, Following the review of RULs, are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted.
- The RUL is calculated using the condition based RUL calculation where the RUL is calculated according to the asset condition. RUL calculated for this method of business unit will therefore be independent of the age of the asset.

$$RUL = EUL \times \left(1 - \left(1 - \frac{CI}{100}\right)^{\frac{1}{2}}\right)$$

II. RESIDUAL VALUES

In accordance with GRAP 17, the residual value is defined as the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. In practice the residual value of an asset is often insignificant and, therefore, is more immaterial in the calculation of the depreciable amount.

Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. Assets typically not sold by the municipality are infrastructure and community assets, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

The municipality shall assess at each reporting date whether there is any indication that the municipality's expectations about the residual value of an asset have changed since the preceding reporting date.

II.1.1 Procedures and Rules

- Heads of each Business unit must determine the reasonable residual values of the assets under their control.
- Changes in residual values must be approved by the CFO.
- The CFO is responsible for ensuring that residual values, and changes thereof, are properly recorded and accounted for in the AR and the general ledger.
- The municipality shall assess whether there is any indication that the residual values of assets have changed since the preceding reporting date and the changes shall be accounted for as changes in accounting estimates in terms of GRAP 3.
- In assessing whether there is any indication that the expected residual value of an asset has changed, the municipality shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators.
- The CFO is responsible for ensuring that the residual value of an asset is reviewed.
- Review of the residual values must be amended in the AR for items identified as a result of the previous procedure and ensure that the depreciation charge for these items is adjusted for future periods.

12. DEPRECIATION / AMORTISATION OF ASSETS

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed, from the date that the asset is brought into use i.e. acquired and available for use (purchase dates/invoice date).

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

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

12.1 Depreciation Method of business unit

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method of business unit. The depreciation method of business units are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis, in accordance with GRAP 3.

Depreciation will be charged to the applicable Department utilising the service of each asset on a monthly basis, and will form part of the operating expenses of such Department, and will commence when an asset is brought into use. The date brought into use will be considered to be the delivery date for movable items, and the date of completion in respect of buildings and infrastructure.

Depreciation will be charged in terms of the approved estimated lifespan for each type of asset, but will be adjusted when the remaining estimated life of an asset is adjusted.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are



regarded as having an infinite life. Land is also not depreciated for the same reason.

12.2 Offset of Depreciation

12.2.1 Assets Financed by the Grants Reserve

The principle of government grant funded assets is that there should be no capital cost included in tariffs from using this source of financing.

The Grants Reserve was created and is credited with the equivalent amount used to finance an asset through Government Grant funding. This liability is then utilised to offset the depreciation charges that will emanate from the relevant asset being brought into commission (IAS 20: Accounting for Government Grants).

12.2.2 Procedures and Rules

- All fixed assets, except Land, Investment property and heritage assets, shall be depreciated – or amortised in the case of intangible assets.
- Because land normally has unlimited life it is not depreciated.
- Heritage assets are not depreciated as these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.
- The amortisation period of an intangible asset with a finite UL shall be allocated on a systematic basis over its UL, and reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be amended accordingly.

12.3 Depreciation Calculation

12.3.1 Tangible Assets

The city uses the straight-line depreciation method of business unit whereby items of property, plant and equipment are depreciated on a constant or uniform amount over their estimated useful life.

For example, if a vehicle is purchased and has an estimated useful life of 5 years, each month 1/60th of the vehicle will be depreciated.

Depreciation is an expense both calculated and debited on a monthly basis against the appropriate line item in the Business Unit or vote in which the item of property, plant and equipment is used or consumed and should be recognised as such.

Depreciation shall be charged from the calendar month following the month in which an item of property, plant and equipment is brought into commission and will continue until the accumulated depreciation equals the cost or valuation amount of the respective item of property, plant and equipment or the item is disposed or written off.

When depreciation is calculated, a corresponding accumulated depreciation account is created. The accumulated depreciation account is a statement of financial position item (it is an asset provision). This account balance reflects the depreciation charge that has been expensed or capitalised since the asset was brought into commission.

The balance on the accumulated depreciation account can never exceed the cost or valuation of the

specific item of property, plant and equipment to which it relates.

12.3.2 Intangible Assets - Amortisation period and amortisation method of business unit

a. **Finite useful life**

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. The amortisation method of business unit used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method of business unit shall be used. The amortisation charge for each period shall be recognised in profit or loss unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

b. **Infinite useful life**

No amortisation will take place.

The amortisation period and the amortisation method of business unit for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method of business unit shall be changed to reflect the changed pattern.

12.4 Alternative Method of business units of Depreciation in Specific Instances

The Chief Financial Officer may employ the sum-of-units method of business unit of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The Chief Financial Officer shall only employ this method of business unit of depreciation if the Head of Department controlling or using the fixed asset in question gives a written undertaking to the City Manager to provide:

- Estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and
- Actual statistical information, for each financial year.

The Head of the Business Unit concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

Where the Chief Financial Officer decides to employ the sum-of-units method of business unit of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the municipality of the decision in question.

Offset Depreciation - Assets financed by Government Grants or Public Contributions

The principle of government grants and public contribution funded assets is that there should be no capital cost included in tariffs from using this source of financing.

Funding from Government grants and Public Contributions, equal to the amount used to finance the asset are directly transferred to the operating account as revenue. This transfer will reflect in the accumulated surplus as offset of depreciation against future depreciation charges on these assets.



Offset Depreciation - Assets financed by the Capital Replacement Reserve (CRR)

To offset the double cost allocation by having to fund annual depreciation charges as well as contributions to the CRR, when the Capital Replacement Reserve is used to finance the acquisition of assets, a once-off transfer equal to the amount used to finance the item of property, plant and equipment is made from the Reserve to Accumulated Surplus / Deficit account to accommodate future annual depreciation charges on these assets.

12.5 Disclosure Requirements

According to GRAP 17 the following information relating to depreciation should be disclosed in the financial statements:

- In the Accounting Policy Notes
 - The depreciation method of business units used and the depreciation rates or useful lives.
- On the Statement of Financial Position
 - The depreciation is part of the Net Property, Plant and Equipment amount.
- On the Statement of Financial Performance
 - The depreciation charged in arriving at the net surplus or deficit disclosed in the income statement.
- In the notes to the Statements
 - The gross carrying amount and the accumulated depreciation at the beginning and end of the period in respect of each class of property, plant and equipment, together with all the other movements on the asset accounts.
- In Annexure B and C to the Financial Statements
 - Additions
 - Disposals
 - Acquisitions through business combinations
 - Increases or decreases resulting from revaluations
 - Reductions in carrying amount (impairment losses)
 - Depreciation

When PPE is disposed of whether by selling or destroyed, the asset values must be offset against the proceeds, if any, resulting in a profit or loss on the particular item of property, plant and equipment. If this item was previously financed from a Government Grant and there is still a balance left regarding this item on the Deferred Income Account: Government Grant, this balance must then be transferred to the Accumulated Surplus / Deficit account.

B. IMPAIRMENT

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

An impairment loss will be recognised when the recoverable amount is less than the asset's carrying amount. The impairment amount will therefore be calculated as the amount by which the carrying amount of the asset exceeds its recoverable service amount.

The recoverable service value of an asset will be calculated as the depreciated replacement cost (DRC) assessing the remaining useful life. Where the DRC is less than the carrying amount, the carrying amount should be reduced to the DRC amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at revalued amount.

B.1 Impairment of Tangible and Intangible Assets

Annually the municipality must assess whether there are any indications that an asset/ component may be impaired. Only if such indications exist (in accordance with the impairment indicators listed below) will the DRC of the asset/ component be compared to its carrying value so as to calculate impairment loss where relevant.

To assess whether there is an indication that an asset/ component may be impaired both external as well as internal impairment indicators need to be considered.

B.1.1 External Impairment Indicators

- Significant long-term changes with adverse effect on the municipality in technology, market, economic, Government or legal environment have taken place or will take place in the near future. For example, sanctions have been imposed on the importing of a significant component of the asset, or a vehicle that does not meet new emission standards.
- There is cessation, or near cessation, of the demand or need for services provided by the asset. For example, the need for a service (provided by an asset) has ceased because the parties to whom the service was provided for has obtained its own asset to perform the services. Another example may be where the demand for the service has decreased due to adverse economic conditions.
- The demand or the need for services (not necessarily a near cessation or cessation as indicated in first bullet point above) provided by the asset has taken a significant long term decline. For example, a number of countries have made use of services provided by certain assets of an entity, but during the current period, other entities also provided similar services to certain of those countries. As a result, the entity will be experiencing a significant long term decline in the demand for the services provided by its assets, and
- An asset's market value has declined significantly during the reporting period, more than would have been expected as a result of the passage of time or normal use.

B.1.2 Internal Impairment Indicators

- There is evidence of the obsolescence or physical damage to an asset. For example, flood damage to a bridge.
- Significant long-term changes in the manner or extent to which an asset is used, or expected to be used during the period or in the near future, that will have an adverse effect on the entity. These changes may include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- Internal reporting indicates that the economic performance of an asset is, or will be, signifi-



cantly worse than expected. This evidence relates to the ability of the asset to provide services (i.e. internal source), rather than a decline in the demand or need for services provided by the asset (i.e. external source). Examples can include a significant increase in the cost of maintaining or operating the asset and significantly lower service or output levels than those originally budgeted and expected respectively.

- Entity has decided to taken to halt the construction of the asset before it is complete or in a usable condition.
- Reviews of:
 - Significantly decreased remaining useful life (includes various types of obsolesces);
 - significantly decreased residual value, and
 - Significantly decreased replacement cost.

13.1.3 Procedures and Rules

- Impairment loss will be calculated at asset and component level.
- The recoverable amount is calculated as being the DRC of the asset/ component.
- Assets/ components will be reviewed annually (at the same time during the financial reporting period) to assess the presence of impairment indicators. Should assets/ components meet the criteria of the prescribed impairment indicators it will signal the potential need for the asset/ component to be impaired. The DRC will therefore be compared to the carrying value of these assets/ components to establish impairment loss. When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation on properties in which case it should be charged to the Revaluation Reserve in accordance with GRAP 17.
- The DRC of individual assets/ components, or groups of identical assets/ components, will be determined separately and the carrying amount reduced to the DRC amount on an individual asset/ component, or group of identical assets/ components, basis.
- Internal and External impairment indicators need to be considered.
- Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its DRC.
- Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.
- Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its DRC, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

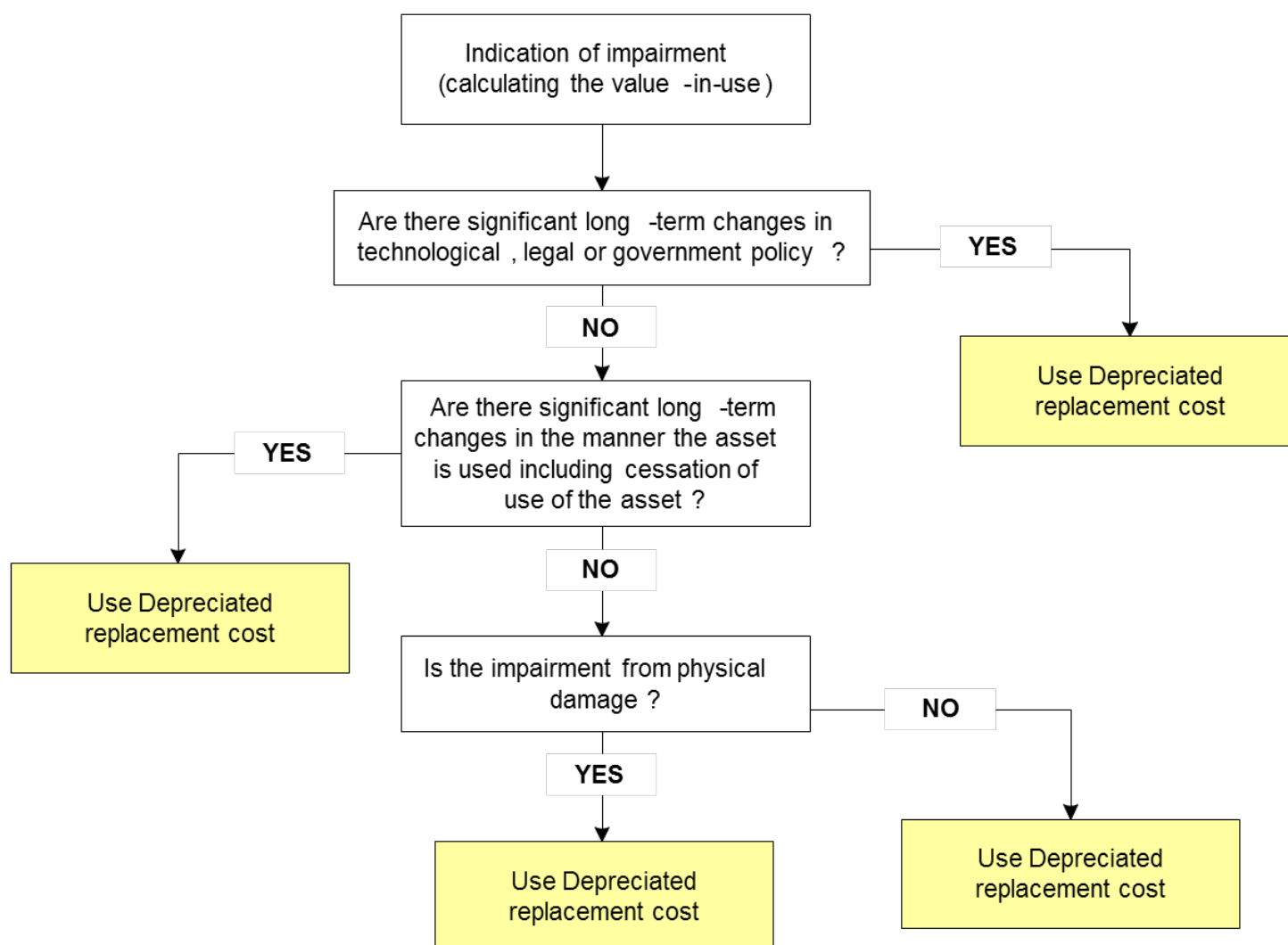


Figure 5 Impairment Process Flow

Refer to Annexure C for more information relating to Impairment queries and values.

13.2 Disclosure of Impairment Losses

All impairment losses must reflect on the Statement of Financial Performance.

The Financial Statements should also disclose, in the reconciliation of the carrying amount at the beginning and end of the period for each class of property, plant and equipment recognised in the Financial Statements any impairment losses recognised in the statement of financial performance during the period and impairment losses reversed in the statement of financial performance during the period.

Material impairment losses need to be disclosed in the notes to the Statement of Financial Performance as a separate item.

13.3 Reversal of an Impairment Loss

The same procedures as for the identification of impaired assets are followed as to whether there is an indication that impairment may have decreased. If so, the recoverable amount must be added to the carrying value of the asset.



The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

Reversal of an impairment loss must be recognised as income in the Statement of Financial Performance and depreciation must be adjusted for the remaining life cycle.

14. TRANSFER AND DISPOSAL OF ASSETS

In compliance with the principles and prescriptions of the Municipal Financial Management Act and Municipal Asset Transfer Regulations, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the city's supply chain management policy.

14.1 Disposal

When assets are disposed of the following procedures must be adhered to:

- An Asset Retirement and Disposals Checklist (Refer to Annexure I) as well as Asset Disposal/ Transfer form (Refer to Annexure H) must be completed and submitted to the AMU,
- The asset register must be updated, and
- The journal entries to record the sale, disposal, transfer or purchase must be processed.

Asset disposals must be in accordance with the Supply Chain Management Policy and the Asset Transfer Regulations released in September 2008.

14.1.1 Procedures and Rules

- All Heads of Business Units must report in writing to the CFO on a quarterly basis on all fixed assets controlled or used by the Business Unit wishes to dispose of by public auction or public tender. The CFO will thereafter consolidate the requests received from the various Business Units, and report the consolidated information to the Council or the City Manager, recommending the process of disposal to be adopted.
- The maintenance schedules or replacement plans may indicate those assets that have reached a point of replacement and therefore to be disposed of.
- Any items declared obsolete or damaged will be handed in to the AMU for safekeeping. No items will be received by the AMU without a completed Asset Disposal/ Transfer form (Refer to Annexure H) countersigned by the AMU, describing the status of the item and the reason for writing-off the item.
- Each Business Unit must take the necessary steps to ensure that all their obsolete or damaged assets are disposed of in the correct and approved manner. It is the responsibility of each Business Unit to ensure that all such assets to be disposed of are delivered to and received at the AMU.
- An independent official with the necessary technical knowledge will be requested to assess the status of the assets in accordance with the report.
- The Council shall ensure that the disposal of any fixed asset takes place in compliance with Section 14 of Municipal Financial Management Act of 2004 and the Supply Chain Management Policy.
- Heads of Business Unit must ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the Business Unit is promptly reported in writing to the Insurance Section as well as the AMU by using the Asset Disposal/ Transfer form (Refer to Annexure H) to the internal auditor, and, in cases of suspected theft or malicious damage, also to the South African Police Services. Once the fixed assets are disposed, the CFO shall remove the relevant records from the fixed asset register.

It is important to note that a disposal of an asset must comply with the following requirements:

- Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
- Capital assets may only be disposed of after the municipal council in a meeting open to the public:
 - Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service, and
 - Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

14.2 Transfers of Investment Property

14.2.1 Procedures and Rules

Transfers to, or from, investment property should be made when, and only when, there is a change in use, evidenced by:

- Commencement of own-occupation, for a transfer from investment property to own-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of own-occupation, for a transfer from other classified property to investment property;
- Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; or
- End of construction or development, for a transfer from property in the course of construction or development to investment property.

For a transfer from investment property carried at fair value to own-occupied property or inventories, the property's cost for subsequent accounting under the relevant GRAP Standards on PPE or Inventories should be its fair value at the date of change in use.

If an own-occupied property becomes an investment property that will be carried at fair value, an entity should apply the relevant GRAP standard on PPE up to the date of change in use. The Municipality should treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation under the relevant GRAP Standard on PPE by crediting a reserve.

For a transfer from inventory to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in net surplus/deficit for the period.

When the Municipality completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in net surplus/deficit for the period.

14.3 Disposal or Permanent Withdrawal from use of Investment Property

14.3.1 Procedures and Rules

- An investment property should be eliminated from the Statement of Financial Position;
- Gains or losses arising from the retirement or disposal of investment property should be determined as



the difference between the net disposal proceeds and the carrying amount of the asset. For the purposes of display in the Financial Statement, the gain or loss should be included in the Statement of Financial Performance as an item of revenue or expense.

14.3.2 Disclosure

The disclosure requirements to be adhered to when disclosing information on investment property reflected at fair value include:

- The criteria developed by the Municipality to distinguish investment property from own-occupied property and from property held for sale in the ordinary course of operations.
- The method of business units and significant assumptions applied in determining the fair value was supported by market evidence or was more heavily based on other factors (which the entity should disclose) because of the nature of the property and lack of comparable market data.
- The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact should be disclosed.
- The amounts included in the Statement of Financial Performance for:
 - Rental revenue from investment property.
 - Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental revenue during the period.
 - Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental revenue during the period.
- The existence and amounts of restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

14.4 Transfer of PPE

Transfers of Assets between services or Departments must be approved by both line managers, with the proviso that assets with a value in excess of R50, 000 in value can only be transferred with the approval of the City manager.

The applicable Transfer Form must be completed and forwarded to the AMU

Figure 6 below depicts a high level overview of the asset transfer process.

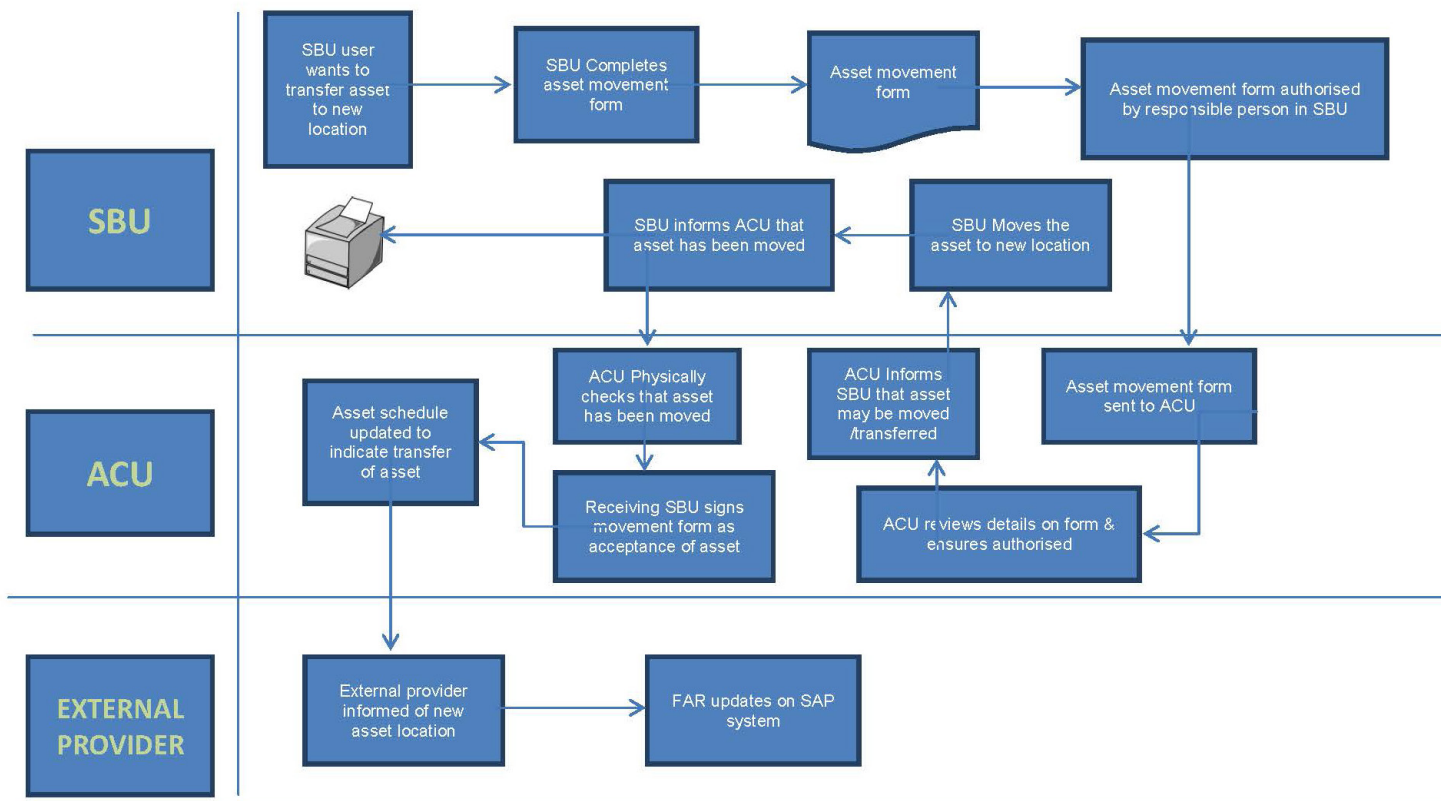


Figure 6 Asset Transfer Process

14.4.1 Procedures and Rules

- The Business Unit Heads must ensure that whenever an asset are being transferred, all asset transfer information is captured onto the Asset Disposal/ Transfer form (Refer to Annexure H), completed in full and forwarded to the Accountant: Asset Management.
- The CFO must ensure that a process is in place to capture and record asset transfer data.
- Staff of the municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.
- No person shall transfer any IT equipment without the knowledge and written consent of the IT Department.
- The Business Unit Heads must immediately report to the CFO of any damages caused to an asset and will be held responsible to investigate the cause or nature of such damage.
- Municipal staff required to remove equipment from the building, i.e. computer equipment, furniture, etc. for repair or any other reason need to obtain a permit from a delegate of the CFO. Failure to produce such a permit will result in the unauthorised removing of equipment.

14.5 Disposal of PPE

Disposal is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

Each Department must take the necessary steps to ensure that all their obsolete or damaged assets are dis-



posed of in the correct and approved manner.

All disposals must be done in compliance to the principles and prescriptions of Section 14 and 90 of the Municipal Finance Management Act and Municipal Asset Transfer Regulations.

14.5.1 Procedures and Rules

- Business Units must submit Asset Disposal/ Transfer form (Refer to Annexure H) for movable assets that have been identified as obsolete, lost or stolen to AMU for inspection and processing.
- Asset Disposal form must detail:
 - Description of asset to be disposed.
 - Make, model and serial number
 - Asset number.
 - Barcode
 - Current location.
 - Reason for disposal.
 - Relevant Business Unit
- The asset disposal form must be signed by the responsible official within the Business Unit as proof that the disposal of the asset has been authorised.
- The authorised asset disposal form must be forwarded to the AMU.
- For assets that are obsolete, the asset will be inspected and for assets that are damaged beyond repair have their images taken for record purposes,
- The asset barcodes are to be removed from assets to be disposed and the asset must be sent to the landfill site once the disposal form has been approved
- For assets that have been lost or stolen the Business Units must submit their disposal form accompanied by the Loss Claim form as well as an affidavit reflecting the Case Number
- Business Units will submit their Assets for Disposal form to the Disposal Committee for their recommendation
- Assets with a Disposal Value threshold of under R 500 000 is sent to the Accounting Officer for approval
- Assets with a Disposal Value in excess of R 500 000 must be sent to the Strategic Management Committee for their recommendation following which:
 - It is then sent to the Portfolio Committee for their recommendation
 - The report is then sent to Exco for final recommendation to Council
 - Should the request for disposal be rejected, then it is shelved
 - Based on the approval, the assets are either donated, auctioned or disposed of as e-waste and written-off in the case of a loss
- The accounting entries must be executed in SAP (ie. With regards to the actual disposal and the proceeds thereof).

- The FAR must be updated once the disposal process has been completed (these assets have to be removed from the premises within 2 working days).
- The AMU must maintain a listing of all assets awaiting disposal. The list must contain the following detail:
 - Asset description
 - Asset number
 - Serial number/registration number
 - Reason for disposal
 - Date received in storage
 - Department requesting the disposal
- The Disposals List must be forwarded to the Disposal Committee for approval.
- The Disposal Committee must perform the relevant procedures and site inspections as required by the SCM Policy. The Committee must also verify the validity of the reason for disposal, and may get technical opinions where required.
- The Disposal Committee must prepare a report and table a final report to EXCO with recommendations around the disposals.
- The SCM Department must dispose of the assets approved for disposal in terms of the requirements of the SCM Policy.

14.6 Land Disposals

14.6.1 Procedures and Rules

- All disposals of Land must be dealt with in accordance with Council authority. This is the responsibility of the City Manager's Department.
- b) When Land has been disposed of by the City Manager's Department, the AMU is informed of the disposal via a listing sent by the City Manager's Department.
- The listing must detail the following:
 - Description of land disposed
 - Title deed number
 - Selling price
 - Date of sale
 - Method of business unit of disposals



Figure 7 below depicts a high level overview of the asset disposal process.

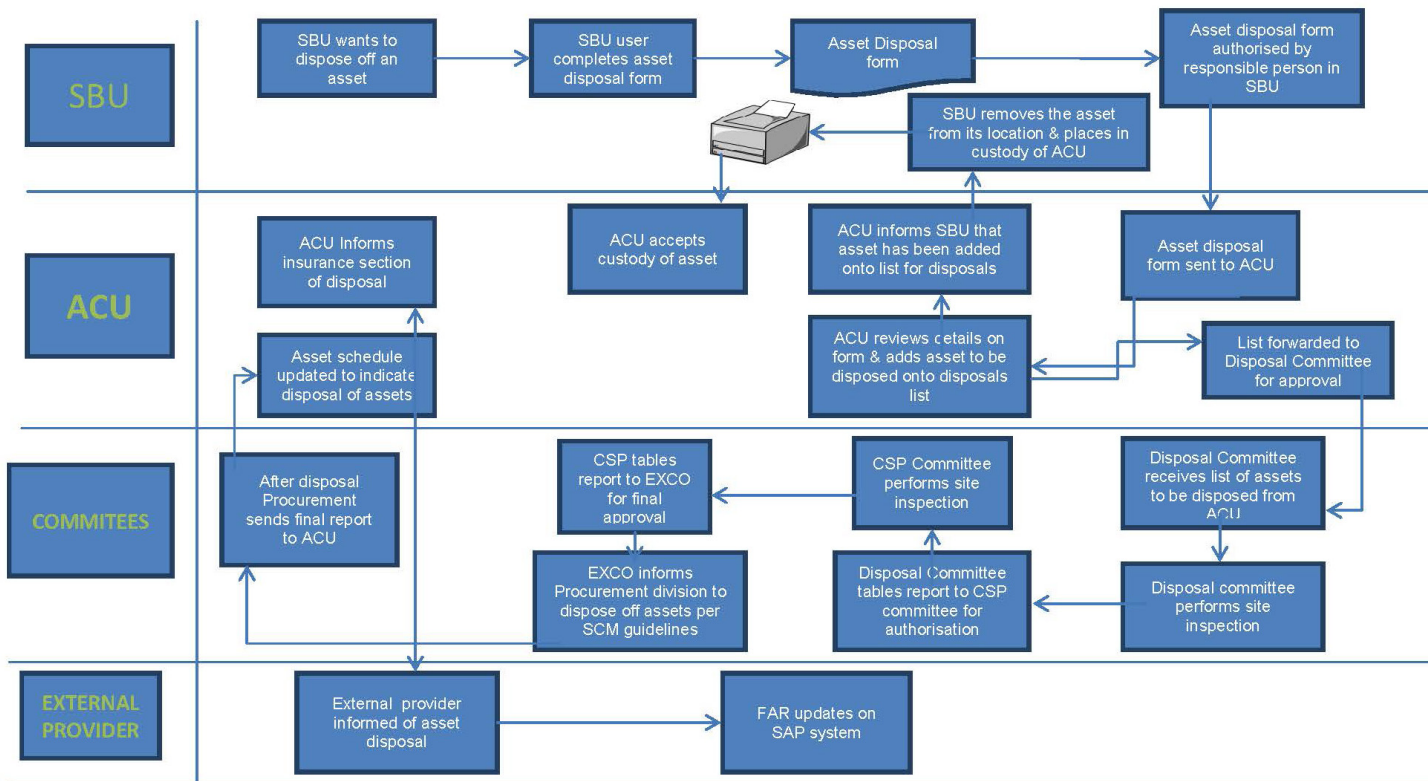


Figure 7 Overview of the Asset Disposal Process

14.7 Exchange of Assets

According to GRAP 17.33 an item of PPE may be acquired in exchange for a nonmonetary asset or assets, or a combination of monetary and non-monetary assets.

The cost of such an item of property, plant and equipment is measured at fair value unless:

- The exchange transaction lacks commercial substance, or
- The fair value of neither the asset received nor the asset given up is reliably measurable.

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

14.7.1 Procedures and Rules

- An item of PPE may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss is recognised in both cases.
- The CFO shall approve all asset exchanges in consultation with the relevant Business Unit Head.

14.8 Movement of Assets

14.8.1 Procedures and Rules

- Business Units must complete a Movement Transfer form to be submitted to the AMU.
- The asset will then be scanned as per its new location.
- If custodianship has changed the information has to be updated on SAP (Type 1 Form refers).
- The scanned information is then uploaded to SAP
- An updated inventory list from SAP must be printed and handed to the relevant Business Unit as for acknowledgement of being custodian of the asset and a copy of the acknowledgement must be filed for record purposes as confirmation of the move and or change in custodians.

14.8.2 Tracking of assets movements

- **HEAD OF BUSINESS UNIT** The Head of business unit must assign certain officials within the department to look after the assets and track their movements where possible.
- **HEAD OF BUSINESS UNIT** The Head of business unit should request employees to sign an acknowledgement of receipt of assets prior to issuing of assets to them.
- On a monthly basis, each department to do spot checks on its assets and then send a return to the Assets Management unit confirming the assets under the department's custody.
- Should a department identify any assets not belonging to them, they should notify the Assets Management unit if they cannot link it to a specific department.
- On the employees' resignation/ termination the list of assets issued to employees should be reviewed. The assets should be collected prior to the release of the employee and payment of the termination benefits (i.e. leave pay) and list be submitted to the Asset unit for filing purposes.

14.9 Updating the Asset Management System

14.9.1 Procedures and Rules

- Once the assets have been disposed of, the SCM Department must provide the AMU with a final report detailing the following:
 - Asset number
 - Method of business unit of disposal
 - Serial number / Registration number
 - Selling price
 - Date of Sale/disposal
 - Reason for disposal
- The details on this report must be used by the AMU to update the disposal forms in the Disposals List.
- The AMU must inform the Insurance Section in writing of assets that have been disposed so that these are removed from the Insurance register.



- The AMU must sign and date these forms as confirmation that all details are complete and accurate and that the Insurance section has been notified of the disposals.
- The asset controller must review the forms and sign and date the forms as proof of review.
- The AMU must use the information on these to update the Assets Management System.

14.10 Depreciation on disposal

When assets are disposed of for any reason the asset must first be depreciated up to the month of its disposal and then the accumulated depreciation must be cleared with the accumulated depreciation balance of the particular asset. If this asset was financed from a government grant the Government Grant Reserve balance regarding this asset must be cleared as well, and similarly if the value equates a value in the Revaluation Reserve.

14.11 Disposal Committee

A committee established in accordance with the provisions of Municipality's Supply Chain Management Policy. The Committee comprises of the following officials:

- Process Manager: Asset Management & Liabilities
- Manager: Fleet
- Manager Real Estates and Valuations
- Legal Advisor
- Process Manager Area Based Management
- Process Manager ICT

14.12 Writing-off of Assets

The write-off of assets is the process to permanently remove the assets from the asset register. Assets can be written-off after approval of the City Manager of a report indicating that:

- The useful life of the asset has expired,
- The asset has been destroyed,
- The asset is outdated,
- The asset has no further useful life,
- The asset does not exist anymore,
- The asset has been sold/donated and or disposed of
- Acceptable reasons have been furnished leading to the circumstances set out above.

14.12.1 Procedures and Rules

- An asset, even though fully depreciated, shall be written-off only on the recommendation of the Heads of Business Units controlling or using the asset concerned, and with the approval of the City Manager.

- In every instance where a not fully depreciated asset is written off with no proceeds for the asset being obtained, the CFO shall immediately debit to such department or vote the full carrying value of the asset concerned as impairment expenses.
- Assets that are replaced should be written-off and removed from the asset register.

14.13 Disclosure

The disclosure requirements adhered disclosing information on investment property reflected at fair value:

- The criteria developed by the Municipality to distinguish investment property from own-occupied property and from property held for sale in the ordinary course of operations,
- The method of business units and significant assumptions applied in determining the fair value was supported by market evidence or was more heavily based on other factors (which the entity should disclose) because of the nature of the property and lack of comparable market data,
- The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact should be disclosed,
- The amounts included in the Statement of Financial Performance for:
 - Rental revenue from investment property,
 - Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental revenue during the period, and
 - Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental revenue during the period;
- The existence and amounts of restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal,
- Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements,
- A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following:
 - Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalised subsequent expenditure,
 - Additions resulting from acquisitions through entity combinations,
 - Disposals,
 - Net gains or losses from fair value adjustments,
 - The net exchange differences arising on the translation of the financials statements of a foreign entity,
 - Transfers to and from inventories and owner-occupied property, and
 - Other movements.



15. UPDATING FIXED ASSET REGISTER

15.1 Unbundling of Components

The unbundling or componentization of the PPE assets is required to update the FAR as well as for effective asset maintenance and provision of services. The FAR will annually be updated for all assets and components. All new assets to be recorded on the Far would there for have to be unbundled into its constituent components and all components be recorded on the FAR under the parent asset.

The unbundling of parent assets into children components will be to a level that is sufficient for GRAP 17 compliance. Generally, the componentization of the PPE assets will be based on the component value, type of component (civil, electrical & mechanical) as well as anticipated lifespan of the component.

A list of generic components per asset type is listed in Annexure B. Additional/ special components would however also have to be considered when unbundling assets.

15.2 Asset Verification

15.2.1 Verification of Movable Assets

A physical inventory of all movable assets is to be taken annually by each the Asset Management Unit to verify assets recorded in the FAR. An annual physical verification of all movable assets must be completed in the first half of the financial year. Thereafter, within the second half of the same financial year, written confirmation must be submitted to the AMU that the inventory lists remain unchanged as per the inventory lists produced during the physical verification. Inventories must be completed prior to the financial reporting due date.

The designated officials within the Business Units must execute the functions listed below:

- Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- Complete the asset movement form when transfers (Refer to Annexure G) occur and forward the completed original form with all relevant signatures as the approval to Asset Management Unit.
- Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.
- AMU must be notified by the relevant Business Unit within 14 days of any of the following possible movements:
 - Donations.
 - Additions / Improvements.
 - Departmentally manufactured items.
 - Loss or damage.
 - Transfers.
 - Terminations.
 - Land Sales.

15.2.2 Verification of Fixed Assets

The AMU shall at least once during every financial year provide all Business Units with a comprehensive list of assets which is registered under their control.

The Heads of all Business Units will be responsible for verifying this list with the assets under their control and investigate any discrepancies arising out of the asset verification exercise. The Heads of all Business Units will be required to sign and date a declaration stating that the list of assets verified for his/her Business Unit is complete & accurate except for the discrepancies as reported to the AMU.

15.3 Review of Asset Conditions

The condition for all assets recorded on the FAR will be reviewed annually. Business Units will be responsible for the review and amendments of conditions for all assets under their control. Assets conditions will be reviewed using either Delphi Group sessions or through conditional assessments depending on the review cycle.

15.3.1 Delphi Group Sessions

In between conditional assessment review periods the Business Units will use Delphi Group sessions to review the conditions of assets under their control.

The Delphi Group sessions will consist of all relevant members of the business units with the necessary operational knowledge of the assets in question. The condition of each asset will be reviewed to identify any decrease or increase in the condition of the assets.

The table below details the condition index ranges to be used.

Grade	Description	Details	Condition Index Ranges	Indicative or Guidance RUL
1	Very good	Sound structure, well maintained. Only normal maintenance required.	92-100%	71-100% of EUL
2	Good	Serves needs but minor deterioration (<5%). Minor maintenance needed.	71-91%	46-70% of EUL
3	Fair	Marginal, clearly evident deterioration (10-20%) Significant maintenance needed	45-70%	26-45% of EUL
4	Poor	Significant deterioration. Significant renewal required.	21-44%	11-25% of EUL
5	Very Poor	Unsound, failed needs reconstruction / replacement (>50%)	0-20%	0-10% of EUL

The Business Units must submit all amendments to the asset conditions to the AMU along with the necessary proof of the Delphi Group review process (attendance registers or declarations of Delphi Group sessions conducted)

15.3.2 Conditional Assessments

Conditional assessments must be conducted once every three years.

Conditional assessments will consist of visual inspections using the same condition index rating as indicated for



the Delphi sessions. Conditional assessments must be conducted at component level.

15.4 Review of RUL

The RUL of assets must be reviewed annually, at financial year end, 30 June as per section 11.2.1.

16. MAINTENANCE OF ASSETS

16.1 Maintenance of Assets in the Asset Register

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its EUL, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance. For linear infrastructure assets, such as pipes and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.
- If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

The splitting of linear infrastructure has a data management implication, but it is the easiest method of business unit that maintains the data integrity over time. Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are individually identified in the asset register.

16.1.1 Procedures and Rules

- The Heads of Business Units are responsible for the control and utilisation of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.
- The Heads of Business Units shall ensure that the operating expenses are expended against the operating budget and not the capital budget.
- The Heads of Business Units shall report to the Council annually of the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance.
- The Heads of Business Units shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the infrastructure asset classes.
- The Heads of Business Units shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired.

16.2 Renewal of Assets

Asset Renewal is the restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial UL of the asset. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

16.2.1 Procedures and Rules

- If the service provided by the asset is still required at the end of its UL, the asset must be renewed. However, if the service is no longer required, the asset should not be renewed.
- Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.
- The CFO, in consultation with Heads of Business Units, must ensure that processes are in place to capture renewals data against specific assets and to capitalise it correctly.
- Heads of Business Units must ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget.
- Heads of Business Units must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

16.3 Replacement of Assets

Replacement of assets refers to the complete replacement of an asset that has reached the end of its UL so as to provide a similar or alternative agreed level of service.

16.3.1 Procedures and Rules

- The City Manager, in consultation with the CFO and other Heads of Departments shall formulate strategies and standards for the replacement of all operational PPE. Such strategies and standards shall be incorporated in a formal plan, which shall be submitted to the Council for approval. This plan shall cover the replacement of infrastructure and operational movable vehicles and equipment.
- The replacement strategy should take into consideration:
 - The nature of the asset,
 - The usage of the asset,
 - Priorities,
 - Available funding,
 - Operational and maintenance costs,
 - Operational skills,
 - Future expected developments,
 - Technology,
 - Outsourcing, and
 - Private sector partnerships.



- The CFO, in consultation with Heads of Business Units, must ensure that processes are in place to capture replacement data against specific assets and to capitalise it correctly.
- Heads of Business Units shall ensure that replacement expenditure are correctly budgeted for in the capital budget and expensed against this budget.

16.4 Maintenance Plans

Regular maintenance can prevent unplanned and expensive breakdowns. Maintenance plans must therefore be drawn up to ensure minimum maintenance standards and execution to achieve the optimum use of assets as planned.

Every Manager of a Department shall ensure that a maintenance plan in respect of infrastructural asset is prepared and submitted to the Council of the Municipality for approval.

If so directed by the City Manager, the maintenance plan shall be submitted to Council prior to any approval being granted for the acquisition or construction of new infrastructural assets.

The Managers of Departments controlling or using the infrastructure asset in question, shall budget for the executing of the approved plan and will annually report to Council, not later than 31 March, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance and/or budgetary constraints may have on the useful operating life of the asset concerned.

16.5 Deferred Maintenance Plans

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructural asset, the Manager: Finance shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Manager of a Department controlling or using such asset shall re-determine the useful operating life of the fixed asset in question, if necessary consultation with the Asset Management Unit, and the Asset Management Unit shall recalculate the annual depreciation expenses accordingly.

16.6 General Maintenance

Every Manager of a Department shall be directly responsible for ensuring that all assets that are in his/her care are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

17. ASSET RISK MANAGEMENT

17.1 Insurance

Departments are responsible for managing the risks associated with their activities.

This decision will depend on the amount of excess the Municipality are prepared to carry, the types of risks they insure against, taking due cognisance of the budgetary constraints of the Municipality.

Complete property, plant and equipment identification and valuations may prevent the Municipality from being over or under insured. Specific supportable insurable values are defined in the insurance policy in effect and should be reviewed regularly. In some instances, an in-house estimate of cost or insurable value may not be sufficient to substantiate the amount of a loss. Rather, an appraisal by an independent third party may be required.

17.2 Other Risk Reducing Method of business units

Departmental regulations or “operating policies” can also reduce risks. Departments should investigate their operations and set operating policies as to how personnel should operate and use property, plant and equipment to minimize risk. Examples are as follows:

- Only authorised personnel should be allowed in areas where expensive equipment is kept;
- Only authorised personnel should be allowed to operate plant or vehicles;
- The keys for office vehicles should be controlled in a central office during the day, and employees should sign when they take the keys;
- Ensure that drivers or operators have the necessary qualifications and licences;
- It should be part of service conditions that employees incur personal liability if they drive while under the influence of alcohol, drugs, medication, and so forth; or if they leave the vehicle unattended and unlocked;
- Physical access to buildings, or areas within buildings, should be restricted, especially after hours.

18. GENERAL PROCEDURES

18.1 Tagging

Tagging means to place a control number on a piece of equipment or property.

All movable assets and movable “Attractive assets” must be tagged.

The primary purpose of tagging is to maintain a positive identification of assets.

Tagging is important to:

- a) Provide an accurate method of business unit of identifying individual assets.
- b) Aid in the annual physical inventory.
- c) Control the location of all physical assets.
- d) Aid in maintenance of fixed assets.
- Fixed property and plant is not tagged; such as:



- a) Buildings (record legal description in asset record).
- b) Land (record legal description in asset record).
- c) Infrastructural assets.

Consistently place asset tags in the same location on each similar type asset. If possible, the tags shall be accessible for viewing. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will aid in taking inventory.

18.2 Physical Inventory of all Movable Assets

A physical inventory of movable assets is taken to verify assets recorded in the Asset register. Inventories are taken at least annually and shall be completed prior to the financial reporting due date.

The AMU will in liaison with other Business Units conduct a physical inventory of movable assets annually. They will require the co-operation of Departmental personnel in accomplishing the physical inventory task and will attempt to minimize the time demanded of them.

The designated officials in the different Departments within the Municipality must execute the functions listed below:

- Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Unit.
- Ensure that a completed asset disposal form is submitted when an asset item is disposed of
- after the necessary approval has been obtained.
- Asset Management Unit must be notified by the relevant Department within 14 days of any of the following possible movements:
 - Donations.
 - Additions / Improvements.
 - Departmentally manufactured items.
 - Loss or damage.
 - Transfers.
 - Terminations.
 - Land Sales.

18.3 Periodic stock take

- Random verification of assets within their departments should be carried out throughout the year by the Head of business units. HEAD OF BUSINESS UNIT.
- The Assets Management unit should conduct a physical verification of all assets as at the end of each financial year.

- All variances should be recorded and issued to the Manager: Asset Management.
- All relevant results of the verification process should be forward to the CFO and reported to Council.
- All assets that are identified as damaged, obsolete should be noted and recorded separately so that they can be included in the Disposal Schedule.

18.4 Acquisition

In making the decision to acquire an asset the following fundamental principles should be carefully considered:

- Proposals for new assets must be justified by a thorough evaluation of all service delivery options, and, as part of the budgetary process, be the subject of a comprehensive appraisal or investment evaluation.
- As part of the process of determining the Procurement Plan, the Manager: SCM must determine the asset acquisition plan which should define the type and timing of asset requirements, and set out the proposed method of business unit of acquisition and financing.
- Each department will forward a requisition form containing the specifications of assets that are required to the Procurement department.
- The purpose for which the fixed asset is required in keeping with the objectives of the Municipality and will provide significant, direct and tangible benefit to it.
- The Capital Budget must be informed by a detailed listing of all projects scheduled for the year, as well as well informed estimate of the minor acquisitions together with repairs and maintenance.
-
- The fixed asset has been budgeted for.
- The purchase is absolutely necessary as there is no alternative Municipal asset that could be upgraded or adapted.
- The fixed asset is appropriate to the task or requirement and is cost effective over the life of the asset.
- The fixed asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources.
- Space and other necessary facilities to accommodate the asset are in place.
- The CFO, in consultation with the management, must determine and classify the asset acquisition options for different asset groups i.e. to buy, to construct or to lease.
- An Asset Maintenance Plan must be developed for the various categories of assets. Such plan must be able to determine those assets that are reaching their useful lives, so that planning for the acquisition of replacement assets can commence (Replacement Strategy).
- The most suitable and appropriate type, brand, and model etc. has been selected.

18.5 Receiving

- On receipt of assets by the requesting department, asset management unit is informed to allocate an asset number and barcode to the asset.
- The copy of an invoice will be sent to the Accountant: Asset Management as evidence of verification and matched to the Purchase Order file.



- Once the asset has been received and barcoded, it is updated on the additions list of the asset register by the Accountant: Assets Management by using the asset master amendment form.
- Once the asset has been received and barcoded, it is updated on the additions list of the asset register by the Accountant: Assets Management by using the asset master amendment form.
- On a monthly basis, the inventory lists for all sections that received the assets is updated and given to the departmental head for control purposes.
- Regarding the Constructed Assets, when the final completion certificate has been issued, the asset is updated on the additions list of the asset register by the Accountant: Asset Management by using the assets master amendment form.

18.6 Asset Management Responsibilities

- Utilisation – All assets should be used for the purposes they were acquired.
- Asset performance should be regularly reviewed to identify under-utilised and under-performing assets. The reasons for this should be critically examined and appropriate action taken.
- Disciplinary action must be taken against individuals if there is misuse of Council's assets.

18.7 Additions / Improvements

Depending upon the type of addition or improvement to a specific asset, the responsible official in the Department must notify Asset Management Unit of the change in status. The asset master record will be amended on receipt of the required asset acquisition form from the responsible Department.

When capital expenditure is incurred for any enhancement / improvement of an asset, the Department shall complete the necessary asset acquisition form and forward it to the Asset Management Unit.

When any changes to vacant land or land and buildings are effected such as subdivision, transfer to another Department, extent or holders title, the current owner must complete the relevant asset movement/transfer form and forward it to the Asset Management Unit.

18.8 Termination of Employee's Service

At the termination of an employee's service, the applicable Department representative must complete the asset resignation form and forward the original to the Asset Management Unit. This form is a statement that the inventory and assets entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary. A copy of this form is forwarded to the HR Office concerned or its relevant Department for further investigation in the case of missing assets.

18.9 Safeguarding and protection of assets

- All assets must be kept in a safe and healthy environment, not subjecting them to any preventable hazards.
- Fire extinguishers must be clearly visible and should be serviced properly at all times.
- There must be sufficient or adequate insurance cover in place, which covers all the key assets of the municipality. The insurance status of the assets should be included in the fixed assets register.
- When an asset with an insurance cover is either damaged or is stolen, a report should be submitted to

the responsible HEAD OF BUSINESS UNIT within 48 hours.

The following documents must be submitted:

- A full report of the incident
 - Police case number (where applicable)
 - Quotations for the repair or replacement
- The CFO should decide, in consultation with the HEAD OF BUSINESS UNIT and/or MM if necessary, whether a claim to the insurance company will be submitted.
 - For movable assets, the security personnel must follow a clear & consistent process of monitoring the movement of assets in and out of the municipality, with sufficient records being kept.
 - Access to municipal offices should be restricted and burglar guards and alarm systems should be in place.
 - For motor vehicles, they must be installed with reliable tracking devices, which must be tested on a regular basis.
 - A hotline should be implemented in order to record complaints in relation to the abuse of assets.

18.10. Transfer of Assets

When a Department transfers an asset or inventory item within the Department, the asset movement form must be completed and forwarded to the Asset Management Unit. The copy of this form must be forwarded to the party receiving the asset or inventory item. When a Department transfers an asset or inventory item to another Department, the transferring Department must approve the transfer. After approval has been granted the asset movement form must be completed and forwarded to the Asset Management Unit. Prior to the transfer, the receiving HEAD OF BUSINESS UNIT should accept responsibility for the receipt of the asset. Prior to the transfer, the receiving HEAD OF BUSINESS UNIT should accept responsibility for the receipt of the asset. The Accountant: Assets Management must update the asset register with the transfer.

18.11 Reconciliation

- On a monthly basis, the Accountant: Assets Management must prepare a reconciliation between the fixed assets register and the general ledger in the financial system.
- On a monthly basis, the Accountant: Assets Management must prepare a reconciliation between the fixed assets register and the general ledger in the financial system.

18.12 Derecognition

When an asset has met the derecognition criteria as per the applicable GRAP standards, the Senior Accountant: Assets Management must ensure that the asset or group of assets are removed from the financial system and the fixed assets register.

18.13 Sale of Land and Buildings

All Departments must submit the properly completed asset disposal forms together with copies of all relevant approvals for the sale of land and buildings to the Asset Management Unit.



18.14 Issues not covered

The Accounting Standards Board recognises that the scope of GRAP is incomplete and that users will seek guidance in respect of those issues not considered. The attention of preparers is drawn to the following paragraph in the Standard of Generally Recognised Accounting Practice on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3):

“In the absence of a particular Standard of Generally Recognised Accounting Practice that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

- Relevant to the economic decision-making needs of users.
- Reliable in that the financial statements:
 - Represent faithfully the financial position, financial performance and cash flows of the entity.
 - Reflect the economic substance of transactions, other events and conditions, and not merely the legal form.
 - Are neutral, i.e. free from bias.
 - Are prudent.
 - Are complete in all material respects.

In making the judgement described in the paragraph above, management shall refer to and consider the applicability of the following sources in descending order:

a) The requirements and guidance in the Standards of Generally Recognised Accounting Practice, dealing with similar and related issues; and

b) The definitions, recognition criteria and measurement concepts for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. In making the judgement prescribed in the paragraph above, management may also consider the most recent pronouncements of other standard setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these are consistent with the requirements in the paragraph above. For example, pronouncements of, in descending order, the International Federation of Accountants – Public Sector Committee, the International Accounting Standards Board (including the Framework for the Preparation and Presentation of Financial Statements), the South African Accounting Practices Board and the South African Institute of Chartered Accountants’ Accounting Practices Committee.”



MSUNDUZI ANNUAL BUDGET

19. AMENDMENTS TO THE ASSET MANAGEMENT IMPLEMENTATION GUIDE

Document Version Control Table				
Version	Author	Date	Reviewed By	Date

Revision Control Table			
Section	Description	Revision	Date

2019/20 to 2021/22



ANNEXURE A – BEST PRACTICE GUIDELINES

Recognition of PPE

Definition of PPE



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (FMBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 1 asset are resources controlled by the entity as a result of past event and from which future economic benefits of Service potential are expected to flow to the entity.</p> <p>GRAP 17 defines PPE as follows: Property, plant and equipment are tangible assets that: Are held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and Are expected to be used during more than one reporting period.</p> <p>According to GRAP 17.07 (IPSAS 17.14) An item of property, plant and equipment shall be recognized as an asset when: It is probable that future economic benefits or service potential associated with the asset will flow to the entity, and The cost of fair value of the asset to the entity can be measured reliably.</p>	<p>Ensure that an asset is regarded as PPE when it meets the definition of assets and PPE as well as the recognition criteria stipulated in GRAP 17.</p> <p>Examples of property that meet the definition of property, plant and equipment and which should be accounted for in accordance with GRAP 17: Property that is owner-occupied, for example, a building that is occupied by the entity for administrative purposes or to supply goods and services: Property, i.e. housing, rented to employees, regardless of whether the rent is, market related or not; and Property held to provide a social service and which also generates cash inflows, for example, an entity rents out one of its properties (buildings) to other parties on an ad-hoc basis. The rental revenue is indicated to the purpose for which the property is held; therefore it is treated as property plant, and equipment and not investment property.</p> <p>Other examples of property that do not meet the definition of PPE, includes: RDP housing, which should be treated as Inventory (Where the entity acts as principle for contracting these houses) Where software is an integral part of the related hardware, i.e. the hardware cannot operate without the software, the software will be treated as property, plant and equipment together with the related hardware already recognized which will normally be computer equipment.</p> <p>Examples where biological assets are used for the supply of goods and services (and therefore may fall within the scope of GRAP 17) include: Trees in Municipal parks; Police horses and dogs Management of biological assets held for research experimental or public recreational purposes, for example zoos.</p> <p>Other items that can be captioned as property, plant and equipment include: Some major parts and stand-by equipment will qualify as property, plant and equipment, when an entity expects to use them during more than more period; Spare parts and servicing that can only be used in connection with a specific item of property, plant and equipment and are material; and Assets that were acquired for safety and environmental purpose which may not necessarily increase the economic benefit of the asset directly or the service potential, but may be necessary for the entity to derive economic benefits or service potential from other assets; and Leasehold improvements i.e. improvements made to lease assets can be capitalized if they meet the definition of property, plant and equipment. Refer to Annexure 9, the asset decision tree that can assist in determining how an asset should be classified.</p>	AP	Manager: Assets	Monthly



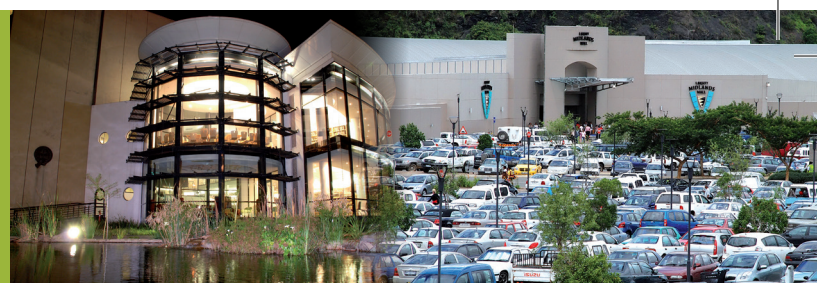
Acquisition of PPE Procedures The Capitalization Rules Pertaining to PPE

#	Financial Management Best Practice Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	According to GRAP 17, PPE are tangible assets held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one reporting period	Identify PPE purchased (expenditure that fits the definition of PPE above) identify throughout the month all invoices paid relating to PPE/ If PPE purchased is identified, allocate the expense to a capital asset account in the GL in order to capitalize the PPE (the expenditure is therefore not allocated to an expense vote).	AP	Manager: Assets	Monthly
2	Accounting for the acquisition of PPE	Purchases of assets should be debited and creditors should be credited in this regard with the cost price of the PPE. When payment is made for the PPE the payment should be allocated to the creditor raised i.e. credit bank account, debit accounts payable.	AP	Manager: Assets	Date of Purchase of PPE
3	Calculation of the cost of PPE	An item of property, plant and equipment which qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of PPE should comprise its purchase price, including import duties and non-re-fundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Ant trade discount and rebates should be deducted in arriving at the purchase price. According to GRAP 17.26 (IPSAS 17.30) the cost of an item of PPE also includes the estimated cost of dismantling and removing the asset and restoring the site, as far as provisions has been recognized for these costs. Where an asset is acquired at no cost, or a nominal cost, its cost is its fair value as the date of acquisition. The responsible official for asset capitalization should familiarize him-/ herself of all costs that need to be included in the initial cost price of PPE Scrutinize invoices to identify attribute costs that must be capitalized as part of cost of PPE, as defined above. The system should be set up in such a way that all relevant costs are always included in the cost price of the PPE	ACP	Manager: Assets	Date of purchase of PPE

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
4	Determination capitalization thresholds	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Capitalization threshold – Applicable to entities / municipalities with an internal policy concerning a threshold.</p> <p>It is important to note that assets should be capitalized in accordance with GRAP 17 when it meets the definition of property, plant and equipment, regardless of the cost price of an asset. Therefore, in accordance with GRAP 17, if an asset is expected to be used for more than one reporting period, it should be capitalized.</p> <p>The implication of having a capitalization threshold is that assets below the threshold are depreciated over years regardless of the assets useful life, a practice not in line with GRAP 17, entity could either have an internal policy concerning a threshold (option A) or depreciate all assets correctly accordingly to depreciation periods per asset classification (option B).</p> <p>If an entity does have a policy with a capitalization threshold below which assets are expended, this policy should be an internal policy of the entity and should not appear in the accounting policies to the financial statements, as this would constitute non-compliance with GRAP 17</p> <p>Option A – if an entity wishes to have an internal policy concerning a threshold for recognizing capital assets they may do so. This should however not be included as part of the disclosed accounting policy in the annual financial statements because it is not in line with GRAP 17. The assets below the threshold should then be listed and carried forward from year to year. The external auditors will measure the cumulative figure against materiality on annual basis. In other words, they will annually calculate the correct carrying value for these assets and if the omission thereof in the statement of Financial Position is material it would lead to a qualification</p> <p>Option B – The correction of assets previously expanded over one year should be treated as a prior period error and corrected retrospectively, as GRAP 17 had previously been incorrectly applied.</p> <p>Ensure that where a number of individual PPE items with a cost price per item of less than the capitalization threshold (inclusive of non-claimable VAT), purchased in bulk as a single order purchase, and a total purchase value exceeding capitalization threshold, these items are captured on the AR.</p> <p>If the item purchased are uniform in terms of their useful lives and application, ensure that they are capitalized as a single item on the AR. If the items differ in terms of their useful lives and application, ensure that they are capitalized as individual assets on the AR.</p> <p>Ensure that PPE items with a cost price per item of less than the capitalization threshold, inclusive on non-claimable VAT, are not capitalised, but are expensed on delivery. They are not shown on the AR, but are reflected on a list of items kept for control purposes (e.g. an "Asset Control List")</p>	ACP	Manager: Assets	Date of Purchase of PPE

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
5	<p>According to GRAP 17.28 (IPSAS 17.38) an item of PPE may be gifted or contributed to the entity, Land may be contributed to an entity by a developer to enable the development of parks, roads and paths. An asset may also be acquired at nil nominal consideration through sequestration. The cost of an item is its fair value as at the date acquired, contributed or gifted.</p>	<p>Issue a memo to all managers of departments within the entity at the end of the month, requesting them to inform the Manager: Budget Control of any items of PPE that have been donated to the entity. The Manager: Budget Control should determine the fair value of items of PPE donated to the entity. To ensure that all items of donated PPE are marked with a unique identification number as soon as they are delivered to the entity, provide the official responsible with relevant information relating to donated items of PPE.</p>	AP	Manager: Assets	Monthly
6	<p>According to GRAP 13.06 (IPSAS 13.06): A lease is an agreement whereby the lessor conveys to the lessee in return for a payment of series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.</p>	<p>Capitalization of PPE obtained by means of a finance lease Ensure the correct accounting treatment of assets obtained by means of finance leases in the financial statements of the lessees: Assets obtained by means of a finance lease should be capitalised. Annual depreciation on the leased asset should be expensed.</p>	AP	Manager: Assets	Date of purchase of PPE

Recording Purchases of PPE on the Asset Register

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Section 63 (2)© of the (South African) MFMA requires the accounting officer to take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register as may be prescribed.</p> <p>Section 51 (a) (1) of the PFMA requires accounting authorities a public entity to ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.</p>	<p>As the compilation of an Asset Register is a legislative requirement, management should ensure that it continuously contains, as a minimum, the details as set out in section 2.1.2 above.</p> <p>Ensure that all moveable items of PPE are marked (banded) with a unique identification number as soon as they are delivered to the municipality.</p> <p>For immovable items such as land and building, ensure that a unique identification number, linked to a property number or physical address, is allocated to the asset.</p>	ACP	Manager: Assets	Ongoing
2	<p>The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:</p> <ul style="list-style-type: none"> It is probable that future economic benefits or services potential associated with the item will flow to the entity and The cost of fair value of the item can be measured reliably. 	<p>Ensure that assets are capitalized and recorded in the AR, as soon as acquired. If the asset is constructed over a period of time, ensure it is recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalized as an asset.</p>	AP	Manager: Assets	Date on which PPE is acquired
3	<p>In addition to classification of assets into property, plant and equipment, there also needs to be further classifications in a public sector environment. The purpose of these classifications is to develop a benchmark accounting treatment to assist in the measurement of property, plant and equipment and to assist users to understand better the nature of the assets included as property, plant and equipment.</p>	<p>In addition, the information referred to above should be presented annually by</p> <ul style="list-style-type: none"> Class of property, plant and equipment. This information will be used to prepare the notes to the AFS on property, plant and equipment. Funding source. This will enable the accounting entries relating to the EFF, CRR, and Government Grant reserves Capitalisation Reserve as well as the Public Contributions and Donations Reserve to be easily prepared. Department or function. This will enable management to report on the Segmental Analysis of property, plant and equipment. 	AP	Manager: Assets	Year end





Procedures During the Useful Life of PPE Depreciation of Items of PPE

#	Financial Management Best Practise Requirements (MIBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Financial Management Best Practise Requirements (MIBRP)</p> <p>GRAP 17 defines depreciation as the systematic allocation of the depreciable Amount of an asset over its useful life.</p> <p>The useful life of an asset is the time between the asset being placed into service and the asset being replaced or renewed because it no longer provides a service. This is not a theoretical concept; it is based on experience with each type of asset. Depreciable amount is the cost of an asset (or other amount substituted for the cost in the financial statements) less its residual value.</p> <p>GRAP 17.59(IPSAS 17.69) states that the depreciable amount of an asset is determined after deducting the residual value of the asset, in practice, the residual value of an asset is often insignificant and therefore, it immaterial in the calculation of depreciable amount. When the benchmark treatment is adopted and the residual value is likely to be significant, the residual value is estimated at the date of acquisition and is not subsequently increased for changes in prices</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that each item of property plant and equipment is listed individually in the Asset register, and all assets, as per the AR, are depreciated separately (Please note that land is not depreciated)</p> <p>The following factors are considered in determining the useful life of an asset :</p> <p>Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.</p> <p>Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.</p> <p>Technical or commercial obsolescence arising from changes or improvements in production or change in the market demand of the product or service output of the asset.</p> <p>Legal or similar limits on the use of the asset, such as the expiry dates of related leases.</p>	AP	Manager: Assets	Date of GRAP implementation thereafter ongoing

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>Financial Management Best Practise Requirements (MBRP)</p> <p>GRAP 17 states that the residual value is the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. In practice, the residual value of an asset is often insignificant and, therefore, is immaterial in the calculation of the depreciable amount.</p> <p>Residual values should be considered when an asset's depreciable amount is calculated.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that the residual value of an asset is taken into account when determining the depreciable amount of the asset. The depreciable amount implies that if an asset has a cost price of R100 000 and an estimated residual value of R30 000 the depreciable amount is R70 000. The following points need to be taken into account when developing a method of business unitology for the calculation of residual values – especially motor vehicles:</p> <p>In theory, the residual value should be estimated for each asset individually on an asset per asset basis and should be reviewed at least at each financial year-end.</p> <p>Vehicles should be classified into categories according to the type of vehicles, make model and engine capacity. These categories will definitely have an effect on the residual value.</p> <p>Residual values will need to be reviewed annually for each vehicle, taking the condition of the vehicle and the future market conditions into account. Any change in residual value will have to be accounted for as a change in estimate and dealt with prospectively in future.</p> <p>It is probably not pragmatic or practicable to review residual values for each asset annually on an individual basis. Therefore as a minimum, indicators will have to be developed and applied to all assets (on a class by class basis) to highlight those assets for which residual needs to be reassessed.</p>	AP	Senior Manager: Assets & Liabilities	Date which GRAP is implemented
3	<p>According to GRAP 17.61 (IPSAS 17.71) depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management</p>	<p>Be aware that assets need to be depreciated from the date the asset is available for use (and not from the date that the asset is put in to use) and that depreciation ceases at the earlier of the date the asset is classified as held for sale or the asset is recognized.</p> <p>Depreciation therefore does not cease when the asset becomes idle or is retired from active use unless it is fully depreciated.</p> <p>Ensure that the Senior Manager: Assets & Liabilities is made aware of the date on which assets are available for use.</p>	AP	Senior Manager: Assets & Liabilities	Date at which assets are put into use
4	<p>Depreciation on assets bought during the month</p>	<p>Ensure that the AR parameters are set up in such a way that broken periods, which can be calculated on a days or months basis are taken into account when calculating depreciation. For example, if an asset is brought into use on 26th April , then depreciation for the financial year will be apportioned based on the number of days between 26 April and 30 June (4 days/365 days) or 2 months /12months, which is the number of months between 26 April and 30 June.</p>	AP	Manager: Assets	Date at which GRAP is implemented and thereafter ongoing

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
5	Calculating depreciation charge	<p>Ensure that the actual depreciation charge for the financial year is calculated using the AR as a basis and that it takes into account the following:</p> <ul style="list-style-type: none"> Full depreciation on assets that are controlled by the entity for the entire year. Pro-rata depreciation on assets that are sold or purchased during the financial year. Accelerated /decelerated depreciation on assets where their useful lives are reviewed during the financial year and they are written off quicker or slower than originally anticipated. <p>Refer to example 4 for an illustration of depreciation on an asset with significant parts.</p>	AP	Manager: Assets	Year end
6	Recording depreciation and accumulated depreciation in the GL The accumulated depreciation account is a statement of financial position item (an asset provision). This account balance reflects the depreciation charge that has been expensed or capitalized since the assets was available for use. The balance on the accumulated depreciation account can never exceed the cost or valuation of the specific item to which it relates.	<p>Ensure that a depreciation GL account is created.</p> <p>Ensure that, for each category of PPE, corresponding accumulated depreciation accounts are created.</p>	AP	Manager: Assets	Date at which GRAP is implemented and thereafter ongoing

Procedure to Be Performed At the End of Each Reporting Date

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>GRAP 17 requires certain procedures to be performed on an annual basis.</p>	<p>A entity must at the end of each reporting date (for municipalities 30 June): Review the useful life of an item of PPE (GRAP 17.56): Review the depreciation method of business unit applied to PPE (GRAP 17.67): Assess whether there is any indication that an asset may be impaired – if so , the entity should determine the asset's recoverable amount; Review the residual values of an item of PPE.</p>	AP	Manager: Assets	Year end

MSUNDUZI ANNUAL BUDGET



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>GRAP 17.56 (IPSAS 17.67) states that useful life of an item of property, plant and equipment shall be reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted.</p>	<p>Issue a memorandum to all departments' managers at year end, requesting them to ensure that the remaining useful life of all items of PPE is reviewed at 30 June to identify items with a shorter remaining useful life than the one reflected on the AR. The manager responsible for assets management should be notified of items of PPE with remaining useful lives shorter than those reflected on the AR at the year end.</p> <p>To determine whether a change in the useful life of an asset occurred, an assessment of the condition of each asset, based on predetermined assessment criteria should be performed. An example of this basic-condition assessment criteria on p27-28 of Annexure B in (South African)(South African) MFMA – Local Government Capital Asset Management Guideline, 2008 (National Treasury).</p> <p>One of the objectives of the condition assessment, performed during the asset verification, is to determine if a movable asset which will achieve its estimated useful life. Where the assessment indicates that the remaining useful life will most likely not be achieved, a decision Has to be taken on the type of intervention to be adopted (e.g. change in useful life, impairment or disposal).</p> <p>Estimated useful lives (EUL) are determined at initial recognition of assets and, as part of the verification process, remaining useful lives (RUL) are estimated.</p> <p>There may be assets in the AR that are in still use but which will have been fully depreciated previously by the entity as the assets' outlived their original EUL.</p> <p>RUL life is a key factor in determining the fair value for individual assets. Estimating the age (acquisition date) as well as setting the remaining period over which an asset will be depreciated.</p> <p>Evidence which may suggest that the expected life should be changed, will include:</p> <ul style="list-style-type: none"> Internal Sources Basic condition assessment indicates significant change in expected useful life. The rating scale in the table at the end of this session could be used in the annual reviewing of useful lives, based on condition assessment. Significant increase in utilization ; Asset performance significantly less than expected; Increase or excessive level of maintenance; Plans to replace that asset included in CAPEX; Service delivery not at acceptable levels due to complaints received; and Evidence or reports of physical damage <p>External Sources</p> <ul style="list-style-type: none"> Changes in demographics; Legislative changes that will make the asset obsolete; changes in the original industry or manufacturer life estimates; expectations that new technological advances will lead to early obsolescence ; economic obsolescence due to the new more cost – effective alternatives; and changes to industry standards. <p>Another objective of the condition assessment is to assess assets for indications of impairment on an annual basis (refer to the section below on the impairment of assets).</p>	AP	Manager: Assets	Year End



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3	According to GRAP 17 , the residual value is the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. In practice the residual value of an asset is often insignificant and, therefore, is more immaterial in the calculation of the depreciable amount.	The residual value of an asset must be reviewed annually at year end and if expectations differ from previous estimates, the change are accounted for as changes in accounting estimates in terms of GRAP 3. Motor vehicles are a good example of municipal assets whose residual values should be considered and reviewed annually to ensure that annual carrying amounts equals the recoverable amounts	AP	Manager. Assets	Year end
4	Updating useful lives and residual values	Amend the useful lives and residual values in the asset register for items identified as a result of the previous procedure and ensure that the depreciation charge for these items is adjusted for future periods.			
5	Accounting for change in estimate	Obtain sufficient details of the above-mentioned change in accounting estimate from the official responsible for asset management to disclose the nature of the change in estimate, the amounts involved and the effect the future periods (if practicable to do so and if the amounts involved are material). Ensure that this information is disclosed as a non-adjusting post balance sheet event in a note to the AFS; this information needs to be disclosed as a change in estimates in the next year's AFS if the amounts involved are material. Refer to example 3 for an example of a re-estimation of useful an residual values			



Impairment of Assets – Cash Vs Non –Cash Generating Assets

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Impairment on assets is treated according to;</p> <p>Non cash generating assets – GRAP 21</p> <p>Cash generating assets – GRAP 26</p> <p>GRAP 21 defines non cash generating assets as assets other than cash generating assets, in turn it defines cash generating assets as those that are held to generate a commercial return GRAP 21.10(IPSAS 21.16) expands further on what is meant by a commercial return by stating that an asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity. Holding as asset to generate a “commercial return” indicates that an entity intends to generate positive cash inflows from the asset (or of the unit of which the asset is part) and earn a return that reflects the risk involved in holding the asset.</p>	<p>Determine whether the relevant asset that have indications of impairment, should be classified as either cash generating or non- cash generating.</p> <p>Assets are classified as cash-generating if the entity intends to generate positive cash inflows from asset and earn a commercial return that reflects the risk involved in holding the asset. In other words, in addition to the mere intention to hold assets to generate cash flows the intentions should also be generate market related cash flows from that asset. To the extent that the cash flows are not market related, those cash flows are not representative of the risk involved in holding the asset.</p> <p>Management may hold assets with the intention to generate a commercial return, even if it does not achieve the objective during a certain period. These assets can still be classified as cash generating assets; in this case the substance over form should be determined.</p> <p>In some situations, it may not be clear what the main objective of holding an asset is (i.e. whether it is to generate a commercial or not) in such a situation, it is then necessary to evaluate the significance of the cash flow generated from utilizing the asset.</p> <p>Refer to example 5 that illustrates the difference between cash generating and non-cash assets.</p>	AP	Senior Manager: Assets & Liabilities	Year End

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>According to GRAP 21.18-19 (IPSAS 21.26 & 26A) and GRAP 26.19-20 (IPSAS 26.21-22) an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, an entity should consider, as a minimum, the following indications:</p> <ul style="list-style-type: none"> External sources of information Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, market legal or government policy environment in which the entity operates. Specific to non-cash generating assets Cessation, or near cessation, of the demand or need for services provided by the asset. Specific to cash-generating assets Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating An asset's value in use and materially decrease the asset's recoverable amount. An assets market value has declined significantly during the reporting period, more than would have been expected as a result of the passage of time or normal use. Internal sources of information Evidence is available of physical damage to or obsolescence of an asset. Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which as asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date. Evidence is available from internal reporting that indicates that service performance of an asset is, or will be, significantly worse than expected. Reviews of Significantly decreased remaining useful life; Significantly decreased residual value; Significantly decreased replacement cost. Specific to non-cash-generating assets A decision to halt the construction of the asset before it is complete or in a usable condition. 	<p>To account for impairment losses, at year end issue a memorandum to all departments requesting them to identify assets that: Are in a state of permanent damage at year end (no impairment losses will be recognized in respect as assets damaged that will be repaired after year end); Are technologically obsolete at the yearend (this can be facilitated by supplying departments with a AR printout pertaining to major assets showing the remaining useful lives of assets – the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life; The following are some typical situations where impairment has occurred: An entity owns a building that it rents to external parties, and there is a significant decline in market rentals. New environmental legislation is passed that restricts the use of certain landfill sites New technical evidence shows that a certain type of underground pipe has significantly shorter than expected. High rainfall has damaged certain roads and their associated infrastructure. New wireless technology has been developed that will make certain wire-based computer networks obsolete.</p>	AP	Manager: Assets	Year end

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3	<p>Method of business unitology to be followed to calculate and recognize impairment losses.</p> <p>As stated above the calculation of an impairment loss is done if the recoverable service amount of a non-cash generating asset is less than its carrying amount. Also, as stated above, the Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use. The purpose of this section is to provide guidance to entities on the actual calculation of recoverable service amount and therefore impairment losses.</p> <p>Fair value less costs to sell</p> <p>GRAP 21 paragraph 35-39 (PSAS 21 paragraphs 40-43) and GRAP 26 Paragraph 36-40 (PSAS 26 paragraphs 38-42) provides the following relevant information on how to calculate fair value less costs to sell.</p> <p>Information on how to calculate fair value less costs to sell.</p> <p>The best evidence of an asset's fair valueless costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.</p> <p>If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the assets market price less the costs of disposal. The appropriate market price is usually the current bid price. When current bid price are unavailable, the price of the most recent transaction may provide a basis from which to estimate fair value less costs to sell, provided that there has not been a significant change in economic circumstances between the transaction date and the date at which the estimate is made.</p> <p>GRAP 21.38 (PSAS 21.43) states that the costs of disposal other than those that have been recognized as liabilities are deducted in determining fair value less costs to sell. Examples of such costs are legal costs, stamp duty and similar transaction taxes, costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale. However, termination benefits (as defined in the standard of GRAP on Employee Benefits) and costs associated with reducing or reorganizing an operation following the disposal of an asset are not direct incremental costs to dispose of the asset.</p>	<p>The impairment loss per asset needs to be calculated and accounted for as an expense in the statement of financial performance.</p> <p>Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.</p>	AP	Senior Manager: Assets & Liabilities	Year End

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
4	<p>Value in use – Non Cash Generating Assets GRAP 21 Paragraph 40 (IPSAS 21.44) – Value in use can be determined by using any one of the following approaches:</p> <p>The Depreciated replacement costs approach 41.43 (IPSAS 21. 45-47)</p> <p>Restoration costs approach .44 (IPSAS 21.48)</p> <p>Service units approach 45 (IPSAS 21.49)</p> <p>For each material impairment loss the approach used to calculate value in use, if it forms the recoverable service amount. Must be disclosed.</p> <p>Depreciated Replacement Cost Approach</p> <p>Under this approach, the present value of the remaining service potential of an asset is determined as the depreciation replacement cost of an asset is the cost to replace the asset's gross service potential. The cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement costs of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such costs , to reflect the already consumed or expired service potential of the asset</p>	<p>The depreciation replacement cost (DRC) of an asset is essentially the current costs that will have to be incurred to replace the asset, depreciation over the assets current age.</p> <p>Determine what the replacement cost (RC) of the impaired asset (or if only a major component of an asset been impaired, the replacement value thereof) currently.</p> <p>Determine what the economic useful life (EUL) of the asset impaired is, as well as the remaining useful life (RUL).</p> <p>Determine the depreciated replacement cost as follows:- DRC=RCXRUL/EUL</p>	AP	Senior Manager: Assets & Liabilities	Year end
5	<p>Restoration cost approach</p> <p>Under the restoration cost approach the recoverable service amount of the asset is the depreciated replacement cost (as discussed above), less the cost required to repair the damaged asset</p>	<p>Use the same steps as followed for the depreciated replacement cost.</p> <p>Determine the cost to repair/restore the damaged asset.</p> <p>Recoverable service amount of the asset is the depreciated replacement cost (as discussed above), less the cost required to repair the damaged asset.</p>	AP	Senior Manager: Assets & Liabilities	Year End
6	<p>Service units approach</p> <p>The service units approach is used when there is a decline in the output level, or a reduction in the extent of use of an asset. Under the service units approach, the present value of the remaining service potential of the asset is determined by reducing the current costs to take into account the decline in the service potential of the asset. The current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated restoration or replacement costs of the asset before impairment whichever is lower.</p>	<p>Determine the service units potential of the origin assets , as expressed in units</p> <p>Determine the portion of the asset that has been lost as expressed in terms of units</p> <p>Reduce the replacement service unit potential with the portion of units that have been lost.</p>	AP	Senior Manager: Assets & Liabilities	Year End

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
7	<p>Value in use- cash Generating Assets GRAP 26 paragraph 41 (PSAS 26.43). Value in use of cash -generating asset is determined as the present value of the estimated future cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.</p> <p>GRAP 26.42 (PSAS 26.43) Estimating the value in use of an asset involves the following steps: Estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and Applying the appropriate discount rate future cash flows.</p>	<p>The following guidance should be used in determining the future cash flows and the discount rate: Estimates of future cash flows should reflect assumptions that are consistent with the way the discount rate is determined. If this is not done, it could result in double -counting or ignoring the effect of some assumptions. The cash inflow from financing activities (such as repayments of a loan to finance an asset) is excluded from estimates of future cash flows. Because the time value of money is considered by discounting the estimated future cash flows should exclude inflows and outflows from financial activities Income tax payments and receipts, where applicable, should be excluded from estimates of future cash flows. Because an entity is required to use a pre-tax discount rate, the future cash flows should also be determined on a pre-tax basis. Estimates of future cash flows and the discount rate reflect consistent assumptions about price increases attributable to general inflation. Therefore, if the discount rate includes the effect of price increases attributable to general inflation, future cash flows also include the effect-estimated in nominal terms (i.e. nominal value). If the discount rate excludes the effect of price increases attributable to general inflation, future cash flows also excludes the effect -estimated in real terms (i.e. nominal value less effect of inflation) (but include future specific price increases or decreases). The following are included in the estimated future cash inflows: Projection for the day to day servicing of the asset; and Future overheads that can be attributed directly, or allocated on a reasonable and consistent basis to the use of the asset. The following are not included in the estimates of future cash flows: Cash inflows from assets generating cash inflows that are largely independent of the cash inflows from the asset subject to impairment testing (for example, receivables); Cash outflows that relate to obligations that have been recognized as liabilities (for example, payables, provisions or pensions). Refer to example 14 for an example of impairment of a cash generating assets.</p>	AP	Senior Manager: Assets & Liabilities	Year end

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
8	<p>Impairments where an entity uses the cost or revaluation basis</p> <p>An impairment loss is recognized immediately in surplus or deficit, except where an asset is carried at a relevant amount in accordance with another standard of GRAP (for exam GRAP 17-Property, Plant and Equipment, GRAP 31, Intangible Assets or GRAP 103 – Heritage Assets). Such as impairment loss is treated as a revaluation decrease – i.e. is recognized in the revaluation reserve to the extent of a revaluation surplus available (except in the case of a reversal of a previous impairment loss recognized in surplus or deficit, in which case only the excess will be recognized in the revaluation reserve).</p>	<p>Determiner which model is used by the entity for the specific class of asset impaired.</p> <p>Where the cost model is used, an impairment loss is recognized immediately in surplus or deficit.</p> <p>Where the revaluation model is used, the impairment loss is treated as a revaluation decrease - i.e. is recognized in the revaluation reserve to the extent of a revaluation surplus available (except in the case of a reversal of a previous impairment loss recognized in surplus or deficit, in which case only the excess will be recognized in the revaluation reserve).</p>	AP	Senior Manager: Assets & Liabilities	Year end
9	<p>GRAP 21.56 (IPSAS 21.59) and GRAP 26.98 (IPSAS 26.99) states that an entity assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.</p>	<p>Determine if there are indications that an individual asset impaired is no longer impaired, the reversal of the impairment loss is recognized in surplus or deficit, unless the asset is carried at revalued amount in accordance with another standard of GRAP (for example GRAP 17 – Property, plant and equipment, GRAP 31 – Intangible Assets or GRAP 103 – heritage Assets). Such a reversal of an impairment loss should be treated as a revaluation increase – i.e. is recognized in the revaluation reserve (unless it is first recognized in surplus or deficit to reserve a previous impairment loss recognized in surplus or deficit, in which case, only an excess will be recognized in the revaluation reserve).</p> <p>Where the carrying amount of an asset increased due to the reversal of an impairment loss, the increased carrying amount should not exceed what the carrying amount of the asset would have been if no impairment loss had been recognized in prior periods.</p>			

2019/20 to 2021/22



#	Financial Management Best Practice Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
10	GRAP 26 defines a cash-generating unit as the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from the other assets or groups of assets.	Certain cash-generating units may contain non-cash generating assets. Where such an asset is impaired, a proportion of the carrying amount of that non-cash generating asset should be allocated to the carrying amount of the cash-generating unit prior to estimation of recoverable amount of the cash generating unit. Even if part or all of the output produced by an asset or a group of assets is used by other units of the entity (for example, products at an intermediate stage of a production process), this asset or group of assets forms a separate cash-generating unit if the entity could sell the output on an active market.			
11	Insurance compensation on impaired assets	Compensation received or receivable from third parties for damages caused to the entity's assets that lead to impairment losses should be identified and recorded in a statement of financial performance of the entity when it becomes receivable. It should be noted that the compensation received should not be set off against the insurance expenditure account. The claims officer needs to identify and notify the responsible official of all agreements reached with third parties, where compensation from third parties will be received as compensation for items of ASSETS that were impaired. The responsible official must record these amounts as revenue in the financial year that they become receivable.	FCP	Manager: Assets	Date on which insurance compensation is received or become receivable.
12	MFMA 102 (2) stipulates that the board of directors of the municipal entity must promptly report to the South African Police Service any irregular expenditure that may constitute a criminal offence; and Other losses suffered by the municipal entity which resulted from suspected criminal conduct.	Communicate via a memorandum to managers of the various departments within the municipality that they are to ensure that any incident of loss, theft or destruction of any PPE item is promptly reported in writing to the official responsible for asset management and also to the SAPS	ACP	Manager: Assets	Year end

Revaluation of Items of PPE

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Financial Management Best Practise Requirements (MBRP)</p> <p>GRAP 17 (IPSAS 17) does not require entities to revalue items of property, plant and equipment, it does, however, permit entities to revalue assets if they wish to do so. In other words, voluntary revaluation of land and buildings, and other assets for which there is an active market, is permitted.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>A decision should be reached and accepted by council whether to revalue any class of PPE. Ensure that accounting policy is drafted and accepted to revalue certain classes of PPE. Ensure that all PPE items within a specific class of PPE are revealed annually. Revaluation of PPE can only be used subsequent to initial recognition (recording in books of account). The revaluation reserve will be retained until the relevant property, plant and equipment is disposed of. Revaluations should be made with sufficient regularity to ensure that the carrying amount of the item of property, plant and equipment does not differ materially from the fair value at the reporting date. The frequency of revaluation depends on the changes in the fair value of the assets being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. For an asset that shows insignificant changes in fair value, it may be necessary to revalue the asset only 3 to 5 years. Assets that experience significant and volatile changes in fair value require annual revaluation. This is an accounting policy choice. When one item of property, plant and equipment in a class is revalued, then the entire class should be revalued. Also note that the movement in the revalued amount is recognized in net assets – under the revaluation surplus (with certain exceptions) and not in surplus and deficit.</p>	AP	Senior Manager: Assets & Liabilities	Date at which GRAP is implemented.

MSUNDUZI ANNUAL BUDGET

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	GRAP 17.34 (IPSAS 17.44)	<p>A revaluation will be based on the fair values of an item of PPE, and can be determined by applying one of three methods of business units:</p> <ul style="list-style-type: none"> Market values Market values of assets with similar circumstances and locations Reproduction cost/replacement cost <p>The fair value of many assets can be determined by reference to quoted prices in an active and liquid market;</p> <p>Where market values are not available, estimates can be made with reference to the market value of assets with similar characteristics, in similar circumstances and location or with reference to recent arm's length transactions concluded for similar assets; or</p> <p>If an asset is of a specialized nature, and market-based fair value is not available, an entity may need to estimate the fair value using either the reproduction cost or replacement cost. To determine the depreciated replacement cost of an asset, reference can be made to the cost of components used to produce the asset or to the indexed price for similar assets based on a price of the previous period.</p> <p>The depreciated replacement cost of an asset is the current reproduction or replacement cost of the asset, less accumulated depreciation, to reflect the already consumed or expired service potential of the asset.</p> <p>The replacement cost is the cost to replace the service potential of an asset.</p> <p>The reproduction cost is the cost of creating an exact replica of the asset.</p>	ACP	Senior Manager: Assets & Liabilities	Year End
2	GRAP 17.35 (IPSAS 17.45) stipulates that an appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification.	Determine the basis of revaluation of PPE items and consider using a specialist accredited valuator to revalue the PPE items annually.			



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3	<p>Accounting for revaluations GRAP 17.40 states that when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: Restated proportionately with the change in gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method of business unit is often used when an asset is revalued by means of applying an index to its depreciated replacement costs. Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method of business unit is often used for buildings.</p>	<p>Revalue the PPE items affected in the accounting records as follows: Determine the difference between the revalued amount and the carrying of the PPE item; One of the following two options can be followed for the treatment of accumulated depreciation; Restatement: Restate both the gross carrying amount and the accumulated depreciation, so that the new carrying amount equals the revalued amount. This method of business unit is often used when an asset (mostly plant or equipment) is revalued by means of applying an index to its depreciated replacement cost; or Elimination: The accumulated depreciation is eliminated against the gross amount of the asset and the net amount is restated to the revalued amount. The method of business unit is often used for property (buildings). The amount of the adjustment on the accumulated depreciation is part of the increase or decrease in the carrying amount as discussed below. Under the revaluation model, the difference between the revealed amount and the carrying amount is recognized in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognized in the revaluation surplus, or a reversal of a decrease previously recognized in surplus or deficit, it will be recognized in surplus or deficit. Ensure that the adjustment is reflected in the AFS.</p>	AP	Senior Manager: Assets & Liabilities	Year End
4	<p>Adjusting depreciation after revaluations</p>	<p>Adjust the depreciation charge for revalued items by taking the increased carrying amounts of PPE in terms into consideration.</p>	AP	Senior Manager: Assets & Liabilities	Year end



Other Yearly Procedures

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>For reporting and audit purposes, an AR should reflect all PPE of the entity and the PPE reported should be assets that actually exist and are controlled by the entity. Consequently certain procedures should be performed on a yearly basis</p>	<p>At each end the following procedures should be performed (each procedure is discussed in more detail further on in the document):</p> <ul style="list-style-type: none"> Physical verification of assets. Condition assessment of assets. Analysis of all current year expenditure (additions) to identify expenditures relating to assets and linking of the expenditure to the physical relevant asset. Review of asset disposals during the period under review. Evaluate verification results and implement steps to ensure correctness of the asset register. Complete review and reconciliation of the municipal property portfolio inclusive of housing stock and investment properties. Review of intangible assets to ensure completeness and correct classification in the Asset Register (AR). Review of work in progress (Assets under construction). Review and update of capital lease register and correction in Asset Register where needed. Updating of the asset Register to the electronic system of choice. AR and AFS restatement procedures. Preparation of the PPE note to the A FS inclusive of preparation of the relevant appendices. 			Year end
2	<p>Physical verification of assets for reporting and audit purposes, an AR should reflect all PPE of the entity; and the PPE reported should be assets that actually exist and are controlled by the entity.</p>	<p>The AR should be the end result of the physical verification of assets. All assets listed in the AR should contain a clear cryptic description of the asset as well as a unique identifiable asset number.</p> <p>Bar coding could be used for all moveable assets and even building while property (erf) numbers, for example, could be used for identification of land.</p> <p>A certificate should be issued by the team involved in establishing the AR to the extent that all assets contained on the AR have been physically verified.</p> <p>The ideal is that a physical verification is performed at year-end (30 June). Alternatively a physical verification can be done on 31 March, with the movements in carrying value of PPE (such as addition, disposals and depreciation) between 31 March and 30 June being well documented.</p>	ACP	Manager: Assets	Year end



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Financial Management Best Practise Requirements (MBRP)</p> <p>Section 63 (2)(c) of the (South African) MFMA stipulates that all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register as may be prescribed.</p>	<p>The AR should be the end result of the physical verification of assets. All assets listed in the AR should contain a clear cryptic description of the asset as well as a unique identifiable asset number.</p> <p>Bar coding could be used for all moveable assets and even buildings, while property (erf) numbers, for example, could be used for identification of land.</p> <p>A certificate should be issued by the team involved in establishing the AR to the extent that all assets contained on the AR have been physically verified.</p> <p>The ideal is that a physical verification is performed at year end (30 June)</p> <p>Alternatively a physical verification can be done on 31 March with the movements in carrying value of PPE (such as additions, disposals and depreciation) between 31 March and 30 June being well documented.</p> <p>The compilation of an Asset Register is a legislative requirement. Management should ensure that it contains, as a minimum, the following:</p> <p>Acquisitions dates of all items of property, plant and equipment.</p> <p>Clear descriptions of individual items of property, plant and equipment.</p> <p>Expected useful lives of individual items of PPE or depreciation rates determined in accordance with the principles set out in GRAP 17</p> <p>Historical cost of fair value of individual items of property, plant and equipment or the fair value of assets received as donations.</p> <p>The locations of the asset.</p> <p>Department or Service that use or controls the item of PPE.</p> <p>Identification reference, i.e. an unique asset number for physical verification and asset management purposes (bar code)</p> <p>Accumulated depreciation attributable to individual items of PPE.</p> <p>Impairment losses attributable to individual items of PPE.</p> <p>Carrying value of the asset</p> <p>Funding sources of individual items of PPE</p> <p>Where land and building are revalued, the revalued amount attributable to individual items of land and buildings as well as the date and basis of such valuations.</p> <p>Residual values</p> <p>Whether the assets is pledged as security for any external loan or other obligation.</p>	ACP	Manager: Assets	Implementation of GRAP and Year end of each year thereafter

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>For reporting and audit purposes and AR should reflect certain annual requirements.</p> <p>GRAP 17.56 states that the residual value and the useful life of an asset should be reviewed at least at each reporting date, while GRAP 17.67 requires the depreciation method of business unit applied to an asset to be reviewed at each reporting date</p>	<p>To facilitate the preparation of GRAP compliant AFS, ensure that the AR is able to provide the following information on an annual basis:</p> <p>A summary of all acquisitions of property, plant and equipment.</p> <p>Transaction Date Description Amount Supplier/contractor Reference (invoice/contractor/payment/order no)</p> <p>A summary of all disposals or write-offs of PPE during the year.</p> <p>Transaction Date Description Amount</p> <p>The disposals or write-offs amount should include both cost and accumulated depreciation.</p> <p>The aggregate depreciation expense for the year</p> <p>Initially estimated useful life and reassessed useful life of each asset at reporting date.</p> <p>Any impairment losses incurred during the year.</p> <p>The opening and closing balances of PPE at costs.</p> <p>The opening and closing balances of accumulated depreciation.</p> <p>Movements in the relevant portion of PPE.</p>		Manager: Assets	Year end
3	<p>In addition to classifications of assets into property, plant and equipment, there also needs to be further classifications in a public sector environment. The purpose of these classifications is to develop a benchmark accounting treatment to assist in the measurement of property, plant and equipment and to assist users to understand better the nature of the assets included as PPE</p>	<p>In addition, the information referred to above should be presented annually by:</p> <p>Class (and sub-classes if applicable) of PPE. This information will be used to prepare the notes to the AFS on PPE</p> <p>Funding source. This will enable the accounting entries relating to the EFC, CRR, Government Grant Reserve, Capitalization Reserve as well as the public Contributions and donations reserve to be easily prepared.</p> <p>Department or function. This will enable management to report on the Segmental Analysis of property, plant and equipment.</p>	AP	Manager: Assets	Year end



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
4	<p>Disclosure in the AFS is required per class of PPE, and according to GRAP 17.42, a class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations. Examples of separate classes are land, operational buildings, motor vehicles, furniture and fixtures, office equipment, etc.</p> <p>GRAP 17 does not define the following classes, but certain classes of PPE, as defined in GAMAP 17 and IPSAS 17, will be applicable in the municipal environment.</p> <p>Infrastructure assets are assets that are part of a network of similar assets. Examples of infrastructure assets are roads water reticulation schemes, sewerage purification and train mains. Community assets are any assets that contribute to the community's well-being. Examples are parks, libraries and fire-stations.</p> <p>Other assets are assets utilized in operations. Examples are plant and equipment, motor vehicles and furniture and fitting.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Categorize PPE into classes of assets, as explained in GRAP 17. These categories are important from a disclosure perspective.</p>	AP	Manager: Assets	Year end

Reconciliations Between GL and AR

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Reconciliation is a key control procedure which should be performed to ensure correctness of asset transactions and balances in the GL on a monthly basis and of reporting purposes at year-end.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>A monthly reconciliation of PPE in its different classifications between the GL and the AR should be performed on the following and deviation found during this reconciliation process should be cleared:</p> <ul style="list-style-type: none"> Asset at cost price Accumulated depreciation and depreciation Accumulated impairment and impairment 	AP	Manager: Assets	Monthly

Physical Control Over Items of PPE

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Financial Management</p> <p>SECTION 63 1(a) of (South African) MFMA States that the accounting officer of a municipality is responsible for the management, including the safeguarding and maintenance of the assets of the municipality.</p> <p>Section 63 of the (South African) MFMA states that the municipality must maintain a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.</p> <p>Section 51 (1)(a) (i) of the PFMA requires accounting authorities a public entity to ensure that that publicity entity has and maintains effective and transparent systems of financial and risk management and internal control;</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that the existence of assets is verified periodically by physical inspection of the PPE, items should be identified from AR and their existence confirmed through physical inspection. During the physical inspection of PPE, ensure that :</p> <p>The PPE exists.</p> <p>The PPE is not damaged (if it is damaged it should be evaluated if an impairment of the asset is necessary).</p> <p>The PPE has been serviced (properly maintained) at the correct intervals.</p> <p>The details of the inspection are recorded on the AR</p> <p>Record should be kept on spreadsheets of all PPE inspected throughout the course of the year and also to identify PPE not inspected during the year.</p> <p>Any amendments to the AR and supporting documentation/authorization and journal should be kept for audit purposes.</p> <p>The completeness of the AR should be confirmed by identifying PPE registered in the name of the municipality and then confirming that the assets are recorded on the AR. These processes should be done at least once a year for all municipality PPE items, as close as possible to the end of each financial year, and the result report shall be submitted to the official responsible for asset management or delegated official.</p> <p>A report on the results of the annual PPE physical verification should be prepared for consideration by the SENIOR MANAGER: ASSETS & LIABILITIES and the accounting records should be updated with the results of the verification i.e. assets should be impaired or written -off if the results of the verification indicate that this is necessary.</p>	ACP	Manager: Assets	Year end or as close to year end as possible (At least once a year)
2	<p>Section 78 1 (e) of the South African) MFMA states that each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary.</p>	<p>A clause should be included in the duty sheet of officials that they are responsible do the management, including the safeguarding, of the assets and the management of liabilities within the official's area of responsibility.</p>	ACP	Senior Manager: Assets & Liabilities	Date at which GRAP is implemented.



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 17.14 (IPSAS 17.24), subsequent expenditure relating to an item of property, plant and equipment that has already been recognized shall be added to the carrying amount of the asset when it is probable that future economic benefits or service potential over the total life of the assets in excess of the most recent assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure shall be recognized as an expense in the period in which it is incurred.</p> <p>According to GRAP 17.5 (IPSAS 17.25) subsequent expenditure on property, plant and equipment is only recognized as an asset when the expenditure improves the condition of the asset, measured over its total life, beyond its most recent assessed standard of performance.</p>	<p>Finance should be aware of the criteria to be used to differentiate between capital expenditure and current operating expenditure (repairs and maintenance). Only costs incurred to improve an asset i.e. improvements, or to replace a part of an asset, can be capitalized if they meet the recognition criteria. If there is uncertainty as to whether the costs incurred relating to an asset should be expensed or capitalized, the following can be considered, and if the answer is yes to one or more, the cost should be capitalized:</p> <ul style="list-style-type: none"> Does the cost incurred satisfy the recognition criteria? Will the cost enhance the service provision of the asset beyond its original expectations? Will the cost increase the performance of the asset beyond its original performance? Will the cost increase the useful life of the asset beyond its original life? Is the cost incurred not primarily for labour, consumables or small parts? Is the cost incurred to increase the size of the asset or change its shape? Is the cost incurred to replace a significant part of the asset? <p>All invoices need to be scrutinized throughout the year to identify and allocate maintenance expenditure to operating expenditure and to identify and properly allocate capital expenditure. These expenses should be reconciled to the bank statements and then journalized to the expenses categories.</p>	AP	Manager: Assets	Date at which subsequent expenditure is incurred.



Transfers of Items of PPE

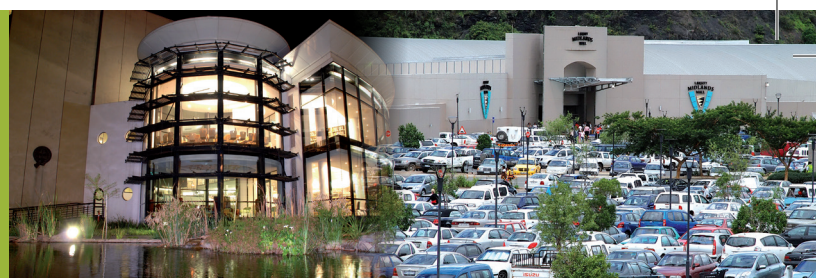
#	Financial Management Best Practise Requirements (VBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	Transfers (out) of PPE to other entities	<p>The official for asset management should be notified when assets are going to be transferred from this entity to another entity. A list must be drawn up of the assets to be transferred indicating the description, acquisition date, remaining useful life, cost price, accumulated depreciation as well as book value of the assets. Write these out of the AR of the entity. The listing of the assets must be provided to the Senior Manager: Assets & Liabilities once the transfer is approved so that the transfer can be recorded on the accounting records of the entity.</p>	AP/ACP	Manager responsible for asset	Date on which PPE items are transferred
2	Transfers (in) of PPE into the entity	<p>In scenario where the entity is receiving PPE items, the entity should insist on a listing of assets that supplies a description, acquisition date, remaining useful life, costs price, accumulated depreciation and book value to be supplied by the transferring department. On receipt of the asset, record the assets in the AR of the entity record these assets in the accounting records of the entity.</p>			
3	Transfers of PPE	<p>The transferring entity as well as the receiving entity must sign the PPE transferred listings on receipt of the PPE after the actual PPE received is compared to the listing to confirm its accuracy.</p>	ACP	Manager: Assets	Date of PPE item receipt / transfer
4	Transfers within an entity , where a change in use arises	<p>Refer to the chapter on Investment property, where the transfer between classes of assets (such as inventory, investment property, PPE etc.) is discussed.</p>			

Procedures at the End Of The Useful Life of the PPE



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>An item of property, plant and equipment shall be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.</p>	<p>Notify the official responsible for asset management immediately when assets are disposed of or when no future economic benefits are expected from the use or disposal of an asset. Inform the SENIOR MANAGER: ASSETS & LIABILITIES when PPE has been identified that will have no future benefits. Derecognize these assets in entity's AR and AFS. The cost price of the asset should be credited and accumulated depreciation debited to derecognize the asset in the AFS of the entity.</p>	AP	Manager: Assets	Date of disposal of PPE item
2	<p>GRAP 17.77 (IPSAS 17.83) states that gains or losses arising from the retirement or disposal of an item of property, plant and equipment shall be determined as the difference between estimated net disposal proceeds and the carrying amount of the assets. For the purposes of display in the financial statements, the gain or loss shall be included in the statement of financial performance as an item of revenue or expense, as appropriate.</p>	<p>On the sale of assets, perform the following: The official responsible for asset management and the SENIOR MANAGER: ASSETS & LIABILITIES should be notified of the detail of the PPE sold as well as the proceeds on asset sale; The cost price of the mentioned asset as well as its accumulated depreciation up to the disposal should be written out of the accounting records of the entity and a gain or loss on the sale of the asset should be calculated and recorded in the applicable GL account (the calculation of the gain or loss on the sale of assets will be calculated by using a formula, as indicated below).</p>	AP	Manager: Assets	Date of disposal of PPE item



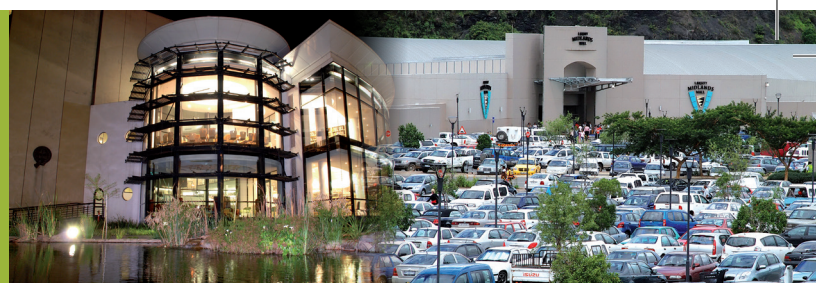
#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3.	<p>Section 90 of the (South African) MFMA – Disposal of capital assets.</p> <p>a) Municipal entity may not transfer ownership as a result of sale or other transaction or otherwise dispose of a capital asset needed to provide the minimum level of basic municipal services.</p> <p>b) A municipal entity may transfer ownership or otherwise dispose of a capital asset other than an asset contemplated in subsection (a) above but only after the council, in a meeting open to the public –</p> <p>Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic services</p> <p>Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.</p> <p>c) Any transfer of ownership of a capital asset must be fair, equitable, transparent and competitive and consistent with the supply chain management policy which the municipal entity have and maintained in terms of section 111.</p>	<p>Ensure compliance with section 90 of the (South African) MFMA</p>	LCP	Senior Manager: Assets & Liabilities	At year end

Identification of Investment Property

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>GRAP 16.05 (IPSAS 16.07) defines investment property as property (land or building – or part of a building – or both) held (by owner or by the lease under finance lease) to earn rentals or for capitals appreciation or both, rather than for:</p> <ul style="list-style-type: none"> Use in the production or supply of goods or services or for administrative purposes; or Sale in the ordinary course of operations. 	<p>Review the complete GRAP compliant AR of the entity and identify property, that fits the definition of investment property, by doing the following:</p> <ul style="list-style-type: none"> Identify and reclassify as investment property (IP) all land and buildings reflected on the updated AR meeting the definition of investment property as per GRAP 16 (IPSAS 16.). Some of the indicators include: Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations. Land held for a currently undetermined future use; A building owned by the reporting entity (or held by the reporting entity under finance lease) and leased out under one or more operating leases on commercial basis; and A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties. A property owned by entity and leased out at a below market rental. Property that is being constructed or developed for future use investment property. <p>The decision tree at the end of this section should assist in determining whether an asset qualifies for recognition as investment property. To ensure consistency, management should develop criteria for identification of IP</p>	AP	Manager Assets	Date of Implementation of GRAP



2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>According to GRAP 16.06 (IPSAS 16.08) a property interest that is held by lessee under an operating lease may be classified and accounted for as investment property if, and only if the property would otherwise meet the definition of an investment property and the lessee uses the fair value model to measure the investment property.</p> <p>This classification alternative is available on a property- by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model.</p>	<p>A property interest held by a lease under an operating lease may be classified and accounted as investment property provided: The property would meet the definition of an investment property. The lease uses the fair value model for the asset recognition. Where a property interest held under operating lease is classified as investment property, the item accounted for at fair value is the interest and not the underlying property. The owner (lessor) of the property will still recognise the property leased to the holder of the property interest (lessee) as investment property in its own financial statements and measure the physical property using the fair value or cost model. The lessee will account for the interest in the property (not the property itself) at fair value.</p> <p>This classification alternative is available on a property- by property basis, which implies that an entity may choose to classify and account for a particular property interest held under an operating lease as investment property but may choose not to account and classify other property interests held under operating leases as investment property.</p> <p>Once this classification alternative is selected for one such property interest held under an operating lease all property classified as investment property (including properties owned by the entity as well as leased properties where the investment property selection is made) shall be accounted for using the fair value model.</p>	AP	Manager Assets	Year end

Measurement of Investment Property Subsequent to Initial Recognition



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 16.36 (IPSAS 16.42), an entity shall choose either the fair value model or the cost model and shall apply that policy to all its investment property. An exception is when a property interest held by a lessee under an operating lease is classified as an investment property. In such a case the fair value model shall be applied GRAP 16.47 (IPSAS 16.49).</p>	<p>Decide on which accounting model, cost or fair value, the entity will apply to investment property after initial recognition. The above-mentioned chosen model becomes an accounting policy for the entity, thus council has to formally accept this model as such. After initial recognition, reflect the investment property in the AFS of the entity at fair value or at cost less accumulated depreciation, based on the accounting policy elected above. An entity that chooses the cost model, measures all the investment property using the cost model in GRAP 17 on property, plant and equipment. Investment property is therefore valued at cost less accumulated depreciation and impairment losses. The appropriateness of the cost model for subsequent measurement of investment property is doubted by the author, as the cost model for IP may not result in fair presentation (it is highly unlikely that IP will depreciate in value, nor should its value be impaired under normal circumstances- entities are encouraged to rather apply the value model as opposed to the cost model.</p>	AP	Manager Assets	Date when Subsequent Expenses are incurred.
2	<p>Subsequent expenditure is capitalised in the accordance with GRAP 17, when applying the cost model.</p>	<p>Ensure that subsequent expenditure relating to an investment property that has already been recognised is only added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of performance of the existing investment property, will flow to the entity.</p>			
3		<p>All other subsequent expenditure should be recognised as an expense in the period in which it is incurred.</p>			
4	<p>According to GRAP 16.44 (IPSAS 16.47), the fair value of investment property shall reflect market conditions at the reporting date. Arm's length transaction according to GRAP 16.50 (IPSAS 16.53) is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently.</p>	<p>If the entity elects the fair value model, ensure that all of its investment property is measured at its fair value at each reporting date (fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction) A gain or loss arising from a change in the fair value of investment property should be included in net surplus/deficit for the period in which it arises.</p>	AP	Senior Manager: Assets & Liabilities	Year End

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
5	<p>A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and lessees uses the fair value model.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>A property interest held by a lessee under an operating lease The initial cost of a property interest held under an operating lease and classified as investment property shall be accounted for, as prescribed for finance lease (from a lessee's perspective) under the statement of leases. The asset borne from the property interest shall be recognised at the lower of the fair value of the property interest and the present value of the minimum lease payments. An equivalent amount shall be recognised as a lease liability with minimum lease payments. Apportioned on subsequent measurement to the lease liability between finance charges and capital reduction of the lease liability. After initial recognition, the property interest held by the lessee under an operating lease and classified as investment property shall be measured using the fair value model only.</p>	AP	Senior Manager: Assets & Liabilities	Year End
6	<p>This standard requires all entities to determine the fair value of investment property, for the purpose of either measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model) (GRAP 16.38 (IPSAS 16.42)</p> <p>An entity is encouraged but not required to determine the fair value of investment property on basis of valuation by independent valour who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.</p>	<p>Disclose the fair value of all investment properties, irrespective of the measurement model (fair value or cost) used An entity may use its own valour to determine fair value of investment property- it doesn't need to be an independent valuer who holds a recognised and relevant professional qualification.</p>		Senior Manager: Assets & Liabilities	

Compiling and Maintaining an Investment Property Register



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Section 63 (2) of the (South African Legislation) MFMA stipulates: The accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register as may be prescribed.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that an investment property register is prepared and that the assets listed under this category actually meet the definition of investment. Applying the criteria (referred to in section 2.3.2) developed by management for identification of IP complete or downloads a complete list and details of investment properties as at 31 March /30 June. Alternatively, the list and details of investment properties could be updated during the year (e.g. monthly/quarterly and only finalised at 31 March / 30 June. To ensure the availability of information for reporting and disclosure purposes, the following information should be contained in the IP register and updated on a continuous basis as changes occur during the financial period.</p>	Fcp	Senior Manager: Assets & Liabilities	Year End



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2		<p>General asset information</p> <ul style="list-style-type: none"> Asset number Formal property (cadastral) description Location (e.g. 16 km south of Worcester bordering the N1 highway) Zoning of the property (as per relevant town planning legislation) Type of asset (describe the function of the asset for example commercial accommodation, vacant land, residential accommodation etc.) Descriptions of asset Extent of building /structure (recorded in m2) Building name and address (or erf number if vacant land) Ownership Ownership (state- owned or leased) If owned, details of little deed, title conditions/ restrictions If leased, cost of acquisition & current valuation of asset (if available) If leased, details of lease (term, rental, escalation, responsibility for maintenance) Encumbrances Leases over the asset (both short and long term) Name of lessee Contact details Nature of lease Term of lease Expiry date of lease Special conditions of lease Rental (income per month/ annum)and escalation rate and date of escalation Reference to lease agreement, property and debtor management systems Other rights over the asset in favour of another organ of state or private entity (e.g. right of way, power line/ pipe line servitude, usufruct, etc.) Land restitution claims lodged against the asset (in terms of the restitution of land rights Act, 1994). Management responsibility Cost centre Operating expenditure (e.g. municipal rates & service charges / maintenance/ management cost) Type and contact details of all relevant guaranties, warranties and maintenance contracts. Rights of the entity over assets Is the right contained in the title deed? If so, provide number and holder of title deed. If no, in terms of what documents (Other than the title deed) does the entity hold this right? (e.g. Agreement of sale / donation, official correspondence, etc. To facilitate the preparation of GRAP compliant AFS, ensure that the IP register is able to provide the following information on annual basis: <ul style="list-style-type: none"> A summary of all acquisitions of IP's A summary of all disposals of IP's during the year. The disposals should include cost (inclusive of disposal dates, amount received for disposal of the asset and accumulated depreciation, profit or loss on the disposal) (cost model) The aggregate depreciation expense for the year (cost model) Any impairment losses incurred during the year (cost model) The opening and closing balances of accumulated depreciation (cost model) The opening and closing balances of assets (cost model) Movements in the fair value of assets (fair value model) Direct operating expenses (including repairs and maintenance) arising from investment property. 			

Guidelines In Connection With Transfers Between Investment Property And Owner Occupied Property And Inventories

751



MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 16.65 (IPSAS 16.66) transfers to or from investment property shall only be made when there is change in use evidenced by:</p> <ul style="list-style-type: none"> Commencement of owner- occupation, for a transfer from investment property to owner- occupied property; Commencement of development with a view to sale, for transfer from investment property to inventories; End of owner-occupation for transfer from owner- occupied property to investment property; Commencement of an operating lease (on commercial basis) to another party, for a transfer from inventories to investment property; 	<p>Ensure that transfers to and from investment property are only made when there is change in use.</p>	AP	Manager Assets	Date of transfer
2		<p>For transfers from investment property carried at fair value to owner – occupied property or inventories, in future apply the FSOPM on PPE.</p> <p>The property's cost for subsequent accounting under GRAP 17 (IPSAS 17) on PPE or GRAP 12 on inventories should be its fair value at the date of change in use.</p>	AP	Manager Assets	Date of transfer
3		<p>For owner- occupied property which becomes an investment property that will be carried at fair value, an entity should apply the FSOPM on PPE up to the date of change in use.</p> <p>At this date, treat any difference between the carrying amount of the property and its fair value in same way as a revaluation under GRAP 17 (IPSAS 17) on PPE by crediting a non-distributable reserve.</p>	AP	Manager Assets	Date of transfer
4		<p>For a transfer from inventories to investment property that will be carried at fair value, recognise any difference between the fair value of the property at that date and its previous carrying amount in its net surplus/ deficit for the period.</p>	AP	Manager Assets	Date of transfer



Guidelines In Connection With Disposals Of Investment Property

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1.	<p>The (South African) MFMA section 14 (1) to (2) stipulates: A municipality may not transfer ownership as a result of sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services. A municipality may transfer ownership or otherwise dispose of a capital asset other than the one contemplated above, but only after the municipal council, in a meeting to the public has considered the fair market value of the asset and economic and community value to be received in exchange for the asset.</p>	<p>Council should (or if the power is delegated to the accounting officer of the entity, then this officer should): Investigate and prove that there are reasonable grounds for disposal of investment property, as the asset is not needed any more to provide the minimum level of basic municipal services ; and Consider the fair value of the asset and the economic and community value to be received in exchange for such asset.</p>	LCP	Senior Manager: Assets & Liabilities	Before Proposed disposal of investment property.
2	<p>The (South African) MFMA section 14 (5) stipulates that any transfer of ownership of a capital asset is fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality has adopted.</p>	<p>Council should ensure that the transfer of ownership of an investment property complies with section 14 (5) of the MFMA.</p>	AP	Manager Assets & Liabilities	Date of disposal of investment property
3	<p>According to GRAP 16.76 (IPSAS 16.77) an investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.</p>	<p>Eliminate a specific investment property from the statement of financial position on disposal thereof or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.</p>	AP	Manager Assets	Date of disposal of investment property
4		<p>Determine gains or losses arising from the retirement or disposal of investment property as the difference between the net disposal proceeds and the carrying amount of the asset. Present the gain or loss in the statement of financial performance as an item of revenue or expense.</p>	AP	Manager Assets	Date of disposal of investment property and year End

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 31.21 (IPSAS 31.26) the recognition of an item as an intangible asset requires an entity to demonstrate that the item meets :</p> <p>The definition of an intangible asset; and the recognition criteria</p> <p>According to GRAP 31.23 (IPSAS 31.28) an intangible asset shall be recognised if, and only if :</p> <p>It is probable that the expected economic benefits that are attributable to the asset will flow to the entity; and</p> <p>The cost can be measured reliably.</p> <p>Internally generated goodwill shall not be recognised as an asset.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that an asset is only classified as an intangible asset when it : does not have a physical form is identifiable; has future economic benefits that are controlled by the entity is possible to reliably measure the cost Identifiable :An asset meets the identifiable criterion in the definition of intangible assets when it : Is separable: Is capable of being separated or divided from the entity and sold transferred; rented either individually or together with a related contract, asset or liability. Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity. Control: An entity controls an asset if the entity has the power to obtain future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits .The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law. Future economic benefits: The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity .For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues. The entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the useful life of the asset. Examples of items which may meet the of an intangible asset in the municipal environment are : A licence fee for operating a tip site where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. The cost incurred to obtain mining rights, where a municipality has mining operations. Servitudes over land Computer software Website costs</p>	AP	Senior Manager: Assets & Liabilities	Date of recognition of the intangible asset.

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2.		<p>Assets with tangible and intangible elements. The definition of an intangible asset may result in confusion as to what asset or part of the asset is intangible and what part of the asset is tangible and should be treated in accordance with GRAP 17 (Property, plant and equipment). Such instances require professional judgement and an assessment should be made of which element is more significant, the physical (tangible) or non-physical (intangible) element. For example, computer software should also be capitalised as an intangible asset except if the software packages forms and integral part of the computer (for example Windows). These operating systems should be capitalised as Property, plant and equipment since the most significant element would be considered to be the tangible machine and the operating system is considered integral to the machine. Software packages for example MS Office qualify as an intangible asset and are usually bought separately from the computer hardware (stand-alone software). The majority of municipal accounting systems are not sold separately to municipalities but includes and forms an integral part of computer hardware systems installed at the municipality. If the cost of the system can be broken down between hardware and software (itemised) then it should be classified separately as PPE and intangible assets. If the system can't be itemised between its tangible and intangible elements then the municipality should classify the whole system as Property, plant and equipment since an intangible asset cannot have a physical form.</p>			

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3.	<p>According to GRAP 31.27(IPSAS 31.31) An intangible asset shall be measured initially at cost in accordance with paragraphs .28 to .39. Where an intangible asset is acquired through a non-exchange transaction its initial cost at the date of acquisition, shall be measured at its fair value as at that date.</p> <p>GRAP 31.30 PSAS 31.34 states that the cost of an intangible asset comprises its purchase, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.</p>	<p>Initial measurement of intangible assets</p> <p>Intangible assets should be measured initially at its cost price.</p> <p>Cost should be capitalised only where they are incurred in bringing the assets to a location and condition that enables it to be used as intended by management.</p> <p>Examples of directly attributable costs are :</p> <p>Costs of employee benefits (as defined in the Standard of GRAP on Employees Benefits) arising directly from bringing the asset to its working condition</p> <p>Professional fees for legal services.</p> <p>Costs incurred to test whether the asset is functioning properly;</p> <p>Professional fees arising directly from bringing the asset to its working condition; and</p> <p>Costs of testing whether the asset is functioning properly</p> <p>Examples of expenditures that are not part of the cost of an intangible asset are :</p> <p>Costs of introducing a new product or service (including costs of advertising and promotional activities)</p> <p>Costs of conducting operations in a new location or with a new class of customer (including costs of staff training)</p> <p>Administration and other overhead costs.</p>	AP	Senior Manager: Assets & Liabilities	Date of recognition of the intangible asset.
4.	<p>According to IGRAP 16, A website arising from development should be recognised as an intangible asset if, and only if, an entity is able to satisfy the requirement to demonstrate how its website will generate probable future economic benefits or service potential, for example, the web site is used for increased service delivery when used by taxpayers to submit tax returns electronically.</p> <p>When an entity is not able to demonstrate how a web site developed to comply with a statute or to be used primarily in providing information to the public at large on the generation of future economic benefits or service potential, all expenditure on developing such a web site should be recognised as an expense when incurred.</p>	<p>Recognition of a Website as an intangible asset.</p> <p>One criteria that needs to be demonstrated by an entity with the recognition of a website as an intangible asset is how the website will generate probable future economic benefits.</p> <p>Future economic benefits flowing from an intangible asset, as stated in GRAP 16 may include revenue from the sale of products or services, cost savings, or benefits resulting from the use of the asset by the entity.</p> <p>Therefore future economic benefits from a website may be assessed when the website is capable of generating revenues. A website developed solely or primarily for advertising and promoting an entity's own products or services is not recognised as an intangible asset because the entity cannot demonstrate the future economic benefits that will flow to the entity.</p> <p>All expenditure on developing a website solely or primarily for promoting and advertising is recognised as "advertising expenses when incurred.</p>	AP	Senior Manager: Assets & Liabilities	Date of recognition of the intangible asset.



Recording Intangible Assets In The Asset Register

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Section 63(2)(c) of the South African (MIFMA) stipulates:</p> <p>The accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register.</p>	<p>Compile /update the Intangible Asset register and ensure that it reflects the following information :</p> <ul style="list-style-type: none"> • A clear description of each intangible asset • Acquisition date of each item • The location of the asset • The department or service that controls or uses the intangible asset • An unique asset identification number • The original cost of the intangible asset • Accumulated amortisation to date • The amortisation charge for the current financial year. • The carrying value of the asset • The method of business unit and rate of amortisation • Impairment losses incurred during the financial year (and the reversal of such losses ,where applicable) • The source of funding • The date on which the asset was disposed. • The disposal price • The date on which the asset is retired from use if not disposed of. 	FCP	Manager: As-sets	Date when GRAP is implemented and there-after at year end
2:		<p>Ensure that intangible assets are capitalised, that is, recorded in the Intangible Asset Register as soon as acquired. If the intangible asset is internally generated over a period of time, ensure that developments costs are recorded as work-in-progress until it is available for use, where after it shall be capitalised as an intangible asset.</p>	AP	Manager: As-sets	Date on which IA is acquired

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
3.		<p>Ensure that the Intangible Asset Register is able to present information on intangible assets on an annual basis by:</p> <ul style="list-style-type: none"> Funding Source .For the preparation of the accounting entries of deferred income, the CRR, Government Grant Reserve, Capitalisation Reserve as well as the Public Contributions and Donations Reserve (if applicable). Department or function .For the preparation of the Segmental Information in the Financial Statements. 	AP	Senior Manager: Assets & Liabilities	Year end

Accounting Treatment Of Intangible Assets

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1.	<p>GRAP 31.70(IPSAS 31.71) states that an entity shall choose either the cost model or the revaluation model as its accounting policy .If an intangible asset is accounted for using the revaluation model, all other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets</p>	<p>Ensure that an intangible asset is carried at its carrying amount, after initial recognition, which is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated amortisation and accumulated impairment losses thereon.</p> <p>Entities are allowed to carry intangible assets at their fair value, if an active market exists for the intangible asset. It will be uncommon for the entity to control intangible assets from which an active market exists and therefore the entity carries intangible assets at carrying amount as defined above.</p>	AP	Senior Manager: Assets & Liabilities	Date on which IA is acquired
2		<p>Subsequent Expenditure Ensure that the subsequent expenditure incurred after the purchase or completion of an intangible asset are expensed when incurred unless it is probable that the expenditure would enable the asset to generate future economic benefits in excess of the originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.</p>	AP	Senior Manager: Assets & Liabilities	At year end

2019/20 to 2021/22



AMORTISATION

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Financial Management Best Practise Requirements (MBRP)</p> <p>GRAP 31.95 (IPSAS 31.96) states that the amortisation shall begin when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date the asset is classified as held for sale GRAP 100 and the date the asset is derecognised.</p> <p>The amortisation method of business unit used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method of business unit shall be used.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Amortisation</p> <p>1) The Municipality should amortise its intangible assets over their useful lives.</p> <p>Amortisation begins when the asset is available for use. (i.e. not from when the entity actually starts to use the asset.</p> <p>Amortisation shall cease on the date on which the asset no longer generates an inflow of economic benefits see example 1.</p> <p>2) A variety of amortisation method of business units can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These method of business units include :</p> <p>Straight line method of business unit</p> <p>The diminishing balance method of business unit</p> <p>Unit of production method of business unit</p>	AP	Senior Manager: Assets & Liabilities	At year end

MSUNDUZI ANNUAL BUDGET

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
2	<p>Financial Management Best Practise Requirements (MBRP)</p> <p>GRAP 31.95 (IPSAS 31.96) states that the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life.</p> <p>The amortisation method of business unit shall reflect in which the assets future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method of business unit shall be used.</p> <p>According to GRAP 31.98 (IPSAS 31.99) the residual value of an intangible asset with a finite useful life shall be assumed to be zero unless :</p> <p>There is a commitment by a third party to purchase the asset at the end of its useful life or:</p> <p>There is an active market for the asset, where its residual value can be determined by reference to that market and it is probable that such a market will exist at the end of the asset's useful life.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that the intangible assets are amortised according to the straight line method of business unit over their expected useful lives and the amortisation expenses is reflected in Statement of Financial Performance when incurred.</p> <p>An entity must at each reporting date assess whether there is an indication that an intangible asset with a finite useful life is impaired .If so the asset must be tested for impairment in terms of IAS 36.</p>	AP	Senior Manager: Assets & Liabilities	At year end
3.	<p>If there is no foreseeable limit to the period over which the intangible asset will generate net cash flow, the asset is regarded as having an indefinite useful life .An annual review should be conducted to ensure that events and circumstances still continue to support an indefinite useful life assessment of these assets. Should an indefinite useful life assesses not be appropriate, based on the annual review, this would be accounted for as a change in accounting estimate in term of GRAP 3.</p> <p>The change of the useful life of an asset from indefinite to finite could be an indication of impairment.</p>	<p>Intangible assets with an indefinite useful life are not amortised, but is tested for impairment.</p> <p>The term indefinite does not mean 'infinite', an indefinite useful life means that there is no foreseeable limit over which the asset is expected to generate net cash inflows for the municipality.</p> <p>Intangible assets, for example servitudes on land with an indefinite useful life, should be tested for impairment in terms of GRAP 21 and 26.</p> <p>Annually by comparing the carrying amounts with the recoverable amounts.</p> <p>Whenever there is an indication of impairment.</p>	AP	Senior Manager: Assets & Liabilities	At year end

2019/20 to 2021/22



#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
4	<p>According to GRAP 31.88 (IPSAS 31.93) many factors should be considered in determining the useful life of intangible assets which include <i>inter alia</i> the following :</p> <ul style="list-style-type: none"> The expected usage of the asset by the entity. Typical product life cycles of similar assets that are used in the similar way. Technical, technological, commercial or other types of obsolescence. The stability of the industry in which the asset operates and changes in market demand for the products from the asset. Expected actions by competitors or potential competitors. The level of maintenance expenditure required to obtain the expected future economic benefits from the assets. Period of control over the asset and legal or similar limits on the use of the asset, such as expiry dates of related leases. Whether the useful life of the asset is dependent on the useful life of other assets in the municipality. 	<p>An entity should disclose in its financial statements for an intangible asset assessed as having an indefinite useful life, the reasons for supporting the assessment of an indefinite useful life. In giving these reasons the entity should consider the list of factors in GRAP 31 (IPSAS31) paragraph 93.</p>	AP	Senior Manager: Assets & Liabilities	At year end

Review Of Useful Life And Residual Value Of Intangible Assets

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 31.102 (IPSAS 31.103) the amortisation period for an intangible asset with a finite useful life should be reviewed at least at each financial year end.</p> <p>If the expected useful life of the asset is different from the previous estimates, the amortisation period should be changed accordingly. Such changes shall be accounted for as changes in accounting estimates.</p>	<p>Financial Standard Operating Procedure (FSOP)</p> <p>Ensure that the entity review the amortisation period for an intangible asset with a finite useful life at least at each financial year end. At the end of each financial year the following should be reviewed in respect of intangible assets with finite useful lives:</p> <ul style="list-style-type: none"> Amortisation period Amortisation method of business unit Residual values and Recoverable amount (for impairment) <p>Refer to FSOPM on accounting for changes in accounting policies, changes in accounting estimates and errors, for the accounting treatment of changes in accounting estimates.</p>	AP	Senior Manager: Assets & Liabilities	At year end

Retirements And Disposals

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>According to GRAP 31.110 (IPSAS 31.111), an intangible asset shall be derecognised :</p> <ul style="list-style-type: none"> On disposal ;or When no future economic benefits /service potential are expected from its use or disposal 	<p>Financial Standard Operating Procedure (FSOP)</p> <p>De-recognition of intangible assets.</p> <p>Derecognise an intangible asset on disposal or when no future economic benefits are expected from its use or disposal. It is highly unlikely that an entity will dispose of its intangible assets, and it is therefore amortised until it no longer generates any economic benefits for the entity, and then derecognised.</p> <p>Generally, the intangible assets for the entity will be amortised to a carrying amount of R0 after which they are derecognised and no gain or loss on de recognition/retirement is reflected.</p>	AP	Senior Manager: Assets & Liabilities	Date of de-recognition



The Distinction Between Research And Development Activities

#	Financial Management Best Practise Requirements (MBRP)	Financial Standard Operating Procedure (FSOP)	FSOP Type	Responsible Official	FSOP Date
1	<p>Research –is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding (GRAP 31.11; IPSAS 31.16).</p> <p>Development - is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials ,devices ,products ,processes ,systems or services prior to the commencement of commercial production or use (GRAP 31.11;IPSAS 31.16).</p>	<p>Research and development and other closely related activities. Clear distinction needs to be made between research and development activities and other closely related activities.</p>	AP	Senior Manager: Assets & Liabilities	Date when GRAP is implemented

ANNEXURE B – EXPECTED USEFUL LIVES

System	Community Assets	Component Grouping	EUL Range
Asset Type	Buildings		
Component	Electrical Fittings	Electrical	15-25
Component	Elevator	Mechanical	30
Component	Foundation	Civil	30-50
Component	Generator	Electrical	10
Component	HVAC	Mechanical	15
Component	Internal Furnishes & Fittings	Civil	15-20
Component	Roof	Civil	20-40
Component	Structural Fabric	Civil	40-50
Asset Type	Fence		
Component	Fence	Civil	15-30
Component	Gate	Civil	15-20
Asset Type	Grandstand		
Component	Structural Fabric	Civil	20-30
Asset Type	Grass/Sports Field/Tennis Court/Ball Court/Playground		
Component	Sports Furniture	Equipment	7
Component	Surface	Civil	10-30
Asset Type	High mast Light		
Component	Distribution Box	Electrical	5-7
Component	Foundation	Civil	40
Component	Luminaires	Electrical	10
Component	Mast	Civil	40
Asset Type	Lighting		
Component	Papi Light	Electrical	20
Asset Type	Miscellaneous/Minor structures		
Component	Structural Fabric	Civil	60
Asset Type	Monument/ Statue		
Component	Monument/Statue	Civil	20



2019/20 to 2021/22



System	Community Assets	Component Grouping	EUL Range
Asset Type	Open Spaces		
Component	Open Space	Civil	100
Asset Type	Paved Area		
Component	Drainage	Civil	15
Component	Kerbs & Edging	Civil	20
Component	Surface	Civil	20
Asset Type	Tank		
Component	Structural Fabric	Civil	20-50
Asset Type	Retaining Wall		
Component	Structural Fabric	Civil	60
Asset Type	Shelter		
Component	Structural Fabric	Civil	10
Asset Type	Swimming Pool		
Component	Structural Fabric	Civil	40

System	Electricity	Component Grouping	UL Range
Asset Type	Buildings		
Component	Switch Gear	Electrical	30
Component	Electrical Fittings	Electrical	25
Component	Foundation	Civil	50
Component	Ground Transformer	Electrical	40
Component	Internal Furnishes & Fittings	Civil	20
Component	Roof	Civil	20-40
Component	Structural Fabric	Civil	40
Component	Power Transformer	Electrical	40
Asset Type	Fence		
Component	Fence	Civil	15-30
Component	Gate	Civil	15-20
Asset Type	Paved Area		



MSUNDUZI ANNUAL BUDGET

System	Electricity	Component Grouping	UL Range
Component	Switch Gear	Electrical	30
Component	Mechanical Breaker	Electrical	25-30
Component	Auxiliary Transformer	Electrical	40
Component	Current Transformer 01	Electrical	40
Component	Drainage	Civil	15
Component	Gas Breaker	Electrical	20
Component	Ground Transformer	Electrical	40
Component	Power Transformer	Electrical	40
Component	Kerbs & Edging	Civil	20
Component	Mechanical Isolator	Electrical	20-25
Component	Oil Breaker	Electrical	20
Component	Supporting Steel Structure	Civil	20
Component	Surface	Civil	7-20
Component	Transformer	Electrical	40
Component	Vacuum Breaker	Electrical	40
Component	Voltage Transformer	Electrical	40
Asset Type	Retaining Wall		
Component	Structural Fabric	Civil	60

System	Sanitation	Component Grouping	EUL Range
Asset Type	Fence		
Component	Fence	Civil	15-30
Component	Gate	Civil	15-20
Asset Type	Paved Area		
Component	Surface	Civil	20
Asset Type	Pumpstation - Sanitation		
Component	Foundation	Civil	50
Component	Inlet_Channel	Civil	60
Component	Internal Finishes and Fittings	Civil	40

2019/20 to 2021/22



System	Sanitation	Component Grouping	EUL Range
Component	Electrical Motor Control Centre	Electrical	10
Component	Pipes Delivery	Civil	50
Component	Pipes Suction	Civil	50
Component	Pump sets	Mechanical	10
Component	Roof	Civil	20-40
Component	Structural Fabric	Civil	40
Component	Telemetry	Electrical	7-10
Asset Type	Gravity Pipes	Civil	15-40
Asset Type	Pressure Pipes	Civil	10-50
Facility Type	Waste Water Treatment Works		
Asset Type	Bioreactor	Civil	30
Asset Type	Clarifier	Civil	55
Component	Clarifier scraper	Mechanical	15
Component	Flowmeter-sewage	Mechanical	15
Component	Gearbox	Mechanical	15
Component	Gormann Rupp Pump	Mechanical	10
Asset Type	Inlet works	Civil	25-30
Component	Motor	Electrical	20
Component	Pipes	Civil	20
Asset Type	Pond	Civil	55
Component	pond lining	Civil	50-55
Component	Pump	Mechanical	10
Component	Rotating arm	Mechanical	15
Component	Submersible Pump	Mechanical	10
Asset Type	Sump	Civil	20
Component	Surface Aerator	Mechanical	40
Component	WWTW-Electrical works	Electrical	40



MSUNDUZI ANNUAL BUDGET

System	Water	Component Grouping	EUL Range
Asset Type	Buildings		
Component	Electrical Fittings	Electrical	15-25
Component	Foundation	Civil	50
Component	Internal Furnishes & Fittings	Civil	15-20
Component	Roof	Civil	20-40
Component	Structural Fabric	Civil	20-40
Asset Type	Chambers		
Component	Gate Valve	Mechanical	35
Component	Non-Return Valve	Mechanical	35
Component	Pipe Inlet	Civil	50
Component	Pipe Outlet	Civil	50
Component	Structural Fabric	Civil	20-40
Asset Type	Fence		
Component	Fence	Civil	15-30
Component	Gate	Civil	15-20
Asset Type	Pumpstation - Water		
Component	Foundation	Civil	50
Component	Internal Finishes and Fittings	Civil	40
Component	Electrical Motor Control Centre	Electrical	10
Component	Pipes Delivery	Civil	50
Component	Pipes Suction	Civil	50
Component	Pump sets	Mechanical	10
Component	Roof	Civil	20-40
Component	Structural Fabric	Civil	40
Component	Telemetry	Electrical	7-10
Asset Type	Reservoir		
Component	Structural Fabric	Civil	30-40
Component	Steel Ladder	Civil	15
Component	Telemetry	Electrical	7-10
Asset Type	Gravity Pipes		
Component	Gravity Pipes	Civil	15-40

2019/20 to 2021/22



Asset Type	Pressure Pipes	Civil	10-50
System	Solid Waste	Component Grouping	EUL Range
Asset Type	Buildings		
Component	Electrical Fittings	Electrical	15-20
Component	Foundation	Civil	50
Component	Internal Furnishes & Fittings	Civil	20
Component	Roof	Civil	20
Component	Structural Fabric	Civil	40
Asset Type	Fence		
Component	Fence	Civil	15-30
Component	Gate	Civil	15-20
Asset Type	Paved Area		
Component	Surface	Civil	20
Asset Type	Retaining Wall		
Component	Structural Fabric	Civil	60
Asset Type	Shelter		
Component	Structural Fabric	Civil	10
Asset Type	Waste Containment Cell		
Component	Cover Fabric	Civil	55
System	Roads	Component Grouping	EUL Range
Asset Type	Paved Roads		
Component	Surface	Civil	8-20
Component	Pavement	Civil	20
Component	Formation	Civil	50
Component	Kerbs	Civil	20
Component	Sidewalks	Civil	20
Asset Type	Gravel Roads		
Component	Surface	Civil	10
Component	Wearing Course	Civil	5



MSUNDUZI ANNUAL BUDGET

Asset Type	Street Lighting	Electrical	30
Asset Type	Overhead Gantry	Civil	20
Asset Type	Structures	Civil	50-60



ANNEXURE C – IMPAIRMENT QUESTIONS AND VALUES

The sections below contain queries, relevant to the various asset types, that can be used to determine whether any impairment has occurred.

Roads Infrastructure:

- Has the need to re-surface or re-seal road or pavement surfaces increased?
- Have roads been re-surfaced or re-sealed on a more frequent basis than originally planned? (i.e. is there a higher occurrence of pot holes?)
- Have any of the roads been replaced by detours?
- Has there been any damage to any of the road or pavement surfaces?
- Have road signs and/or street names been increasingly vandalised?
- Are any of the roads (or portions thereof) used extensively by heavy load bearing trucks?

Electricity Infrastructure:

- Has there been an increase in distribution losses overall or in any part of the electricity distribution network?
- Have any elements/portions of the electricity network been damaged? Has the damage impeded the performance thereof?
- Has there been an increase in the frequency with which repairs of the electricity distribution network have had to be undertaken?
- Has there been an increase in the frequency with which the substations and mini-substations had to be repaired as a result of increased loads for example?
- Has there been an increase in the frequency with which the electricity cables needed replacing?
- Has there been an increase in the extent to which wooden electricity poles needed to be replaced due to rotting?
- Has there been an increase in the regularity of power failures in any of the areas serviced by the municipality?
- Have there been changes in technology that have rendered certain parts of the electricity distribution network obsolete?
- Has the manufacturing of certain parts (spare parts etc.) of the substations/mini-substations ceased necessitating an earlier than expected upgrade of these stations?
- Have changes in technology rendered new replacement parts incompatible with the existing equipment again necessitating earlier than expected equipment replacement?
- Have changes in technology resulted in improved equipment that will improve the performance of the electricity distribution network and which will hasten the replacement of existing equipment?
- Has any of the equipment been unable to continue working for the same periods of time that it previously used to?
- Have any portions of the electricity distribution network been taken out of use?

Water & Sewer Reticulation:

- Has there been an increase in distribution losses overall or in any part of the Water distributions?
- Have any elements/portions of the water network been damaged? Has the damage impeded the performance thereof?
- Has there been an increase in the frequency with which repairs of the water & sewerage pipes have had to be undertaken?
- Has there been an increase in the frequency with which the reservoirs and pump stations had to be repaired as a result of increased demand for example?
- Has there been an increase in the frequency with which the water & sewerage pipes needed to be replaced?
- Has there been an increase in the regularity of meter leakages in any of the areas serviced by the municipality?
- Have there been changes in technology that have rendered certain parts of the water distribution network obsolete?
- Has any of the equipment been unable to continue working for the same periods of time than it previously used to?
- Have any portions of the water & sewerage distribution network been

Buildings and Community Assets:

- Has there been for any roof leakages?
- Has there been a pipe leakage affecting building?
- Have there been any minor or minor cracks on buildings?
- Has there been any breakdown for air conditioning, lifts, fencing etc.?
- Has there been any break-ins happened to buildings and community assets?

Vehicles:

- Has there been an increase in the break-down of motor vehicles?
- Has the frequency to replace certain part of vehicle increased?
- Has the mileage increased than expected during certain period of time?
- Is physical appearance of vehicle damaged?
- Has vehicle caused accident?
- Has the vehicle halted from its operation?
- Is the vehicle being serviced regularly?

Other Movable Assets:



- Is physical appearance damaged?
- Is the asset halted from its operation?
- Is expected economic benefit or service performance worse than expected?
- Did remaining useful life of asset decrease significantly than expected?
- Is change in technology contributed to substitute an asset?
- Is price change in the market contributed to substitute an asset?
- Is residual value of asset reduced significantly than expected?
- Is decision taken to early dispose an asset?
- If fair value/ replacement cost of asset reduced significantly?

Intangible Assets:

- Did the software package upgraded due to change in technology?

For all classes of assets, the impairment values are measured using the following parameters from National Treasury Guideline:

Movable Assets

Condition status	Impairment % applied	Economic benefit / service potential % applied	General description of status rating	Ratings
GOOD (100 – 61 %)	0%	100%	The movable PPE has no apparent defects. Appearance is as new. No intervention needed	1
FAIR (60 – 41%)	40%	60%	The movable PPE exhibits superficial wear and tear, with minor defects and minor signs of deterioration. Minor expenditure on maintenance needed.	2
POOR (40 – 21%)	60%	40%	The movable PPE are in average condition and require substantial maintenance work.	3



MSUNDUZI ANNUAL BUDGET

<p>SCRAP (20 – 1%)</p>	<p>100%</p>	<p>0%</p>	<p>The movable PPE have deteriorated badly, With serious badly problem. General Condition is poor with significant Defects. High maintenance cost and movable May need to be rehabilitation. Cost vs benefits Should be considered. Asset is unfit for Normal use. Extremely high maintenance costs Will be incurred. Replacement is better Option (costs vs benefit).</p>	<p>4</p>
-----------------------------------	-------------	-----------	--	----------



Immovable Assets

Condition status	Impairment % applied	Economic benefit / service potential % expected	General description of status ratings	Ratings
EXCELLENT (100 – 81%)	0%	100%	Immovable asset has no apparent defects. Appearance is as new. Fractional cost on maintenance relating to value required to keep specialised asset in existing condition.	C5
GOOD (80 – 61%)	20%	80%	The immovable asset exhibits superficial wear and tear, with minor defects and minor signs of deterioration. Minor expenditure on maintenance needed.	C4
FAIR (60 – 41%)	40%	60%	Immovable asset is in average condition. Deteriorated surface finishes required attention, and backlog of maintenance work exists. Condition of building causes inconvenience to users. Medium maintenance costs in relation to value of building required to upgrade immovable asset.	C3
POOR (40 – 21%)	60%	40%	Immovable asset is deteriorated badly, with serious, visible structural problems. General condition is poor. With eroded protective surfaces and a significant number of major defects. High risk to health & safety. High maintenance costs in relation to value of immovable asset as immovable asset need to be refurbished and upgraded.	C2
VERY POOR (20 – 1%)	100%	20%	Age, lack of maintenance and structural defects make immovable asset unfit for occupation. Very High risk to health and safety and generally unsuitable relation to value of immovable asset implied, as total collapse is imminent. Not worth upgrading.	C1

ANNEXURE D – CAPITAL WORKS PROJECT FORM
THE MSUNDUZI MUNICIPALITY
CAPITAL WORKS PROJECT

775



MSUNDUZI ANNUAL BUDGET

CAPITAL PROJECT DETAIL/ DESCRIPTION	

BUSINESS UNIT	DEPARTMENT

CONTRACT NUMBER	VOTE

SUPPLIER

PROJECT START DATE	PROJECT FINISH DATE

PROJECT COST	MAINTENANCE PLAN COST	MAINTENANCE VOTE

PROJECT MANAGER:	GM/PROCESS MANAGER:
NAME:	NAME:
SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL



ASSET NUMBER/PROJECT NUMBER

DATE RECEIVED	DATE RECORDED IN FAR

ASSET CONTROL:
NAME:
SIGNATURE:

**ANNEXURE E – PURCHASE OF ASSET FORM
MSUNDUZI MUNICIPALITY
ASSET CONTROL FORM
PURCHASE OF ASSET FORM**

STRATEGIC BUSINESS UNIT	DEPARTMENT

NEW ASSET	REPLACING OLD ASSET	NEW STAFF MEMBER	REDUNDANT/OBSOLETE	DAMAGED	STOLEN

MOVEMENT FORM COMPLETED	DISPOSAL FORM COMPLETED	INSURANCE SCHEDULE COMPLETED

REQUISITION NO	ORDER NO	INVOICE NO	INVOICE DATE	VOTE/JOB NO.

DATE	SUPPLIER	LOCATION/ROOM NO.

ASSET DESCRIPTION	PURCHASE PRICE	ASSET NO.



REQUESTED BY:	AUTHORISED BY (DELEGATED AUTHORITY)
NAME:	NAME:
SIGNATURE:	SIGNATURE:
CONTACT No.	CONTACT No.

ASSET CONTROLLER:
NAME:
SIGNATURE:
CONTACT NO.:

ASSET CONTROL

DATE RECEIVED	DATE RECORDED IN THE ASSET REGISTER	NAME	SIGNATURE

ANNEXURE F – REQUEST FOR ALL RISK INSURANCE COVER FOR NEW ASSETS PURCHASED

REQUEST FOR ALL RISKS INSURANCE COVER FOR NEW ASSETS PURCHASED

Please provide all risks insurance cover for the following item:

BUSINESS UNIT : _____

DESCRIPTION : _____

2019/20 to 2021/22



MAKE	:	_____
MODEL	:	_____
SERIAL No.	:	_____
ASSET No.	:	_____
CELL No.	:	_____
PURCHASE DATE	:	_____
PURCHASE PRICE	:	_____
USER	:	_____
INSURANCE VOTE	:	_____
PURCHASE VOTE	:	_____
(COST CENTRE)	:	_____
RISK	:	_____
(HIGH, MED, LOW)	:	_____



MSUNDUZI ANNUAL BUDGET

Please delete the following item:

DESCRIPTION : _____
SERIAL No. : _____
DELETION DATE : _____

Signed _____

For: S E M



ANNEXURE G – ASSET MOVEMENT AND TRANSFER FORM

MSUNDUZI MUNICIPALITY ASSET CONTROL FORM MOVEMENT/TRANSFER FORM

STRATEGIC BUSINESS UNIT		DEPARTMENT	

ASSET NUM-BER	ASSET DESCRIPTION	FROM DEPT(CODE) AND ROOM NO.	TO DEPT(CODE) AND ROOM NO.	REASON FOR TRANSFER	DATE OF TRANSFER

REQUESTED BY: (DEPT TRANSFERRED FROM)	AUTHORISED BY: (DELEGATED AUTHORITY)	RECEIVED BY:
NAME :	NAME :	NAME :
SIGNATURE:	SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL

DATE RECEIVED	DATE RECORDED IN ASSET REGISTER	NAME	SIGNATURE

ANNEXURE H – ASSET DISPOSAL/ TRANSFER FORM

MSUNDUZI MUNICIPALITY

ASSET CONTROL FORM DISPOSAL/RETIREMENT FORM

STRATEGIC BUSINESS UNIT	DEPARTMENT

ASSET NUMBER	ASSET DESCRIPTION	PRESENT LOCATION/ ROOM NO	REASON FOR DISPOSAL/ RETIREMENT	DATE

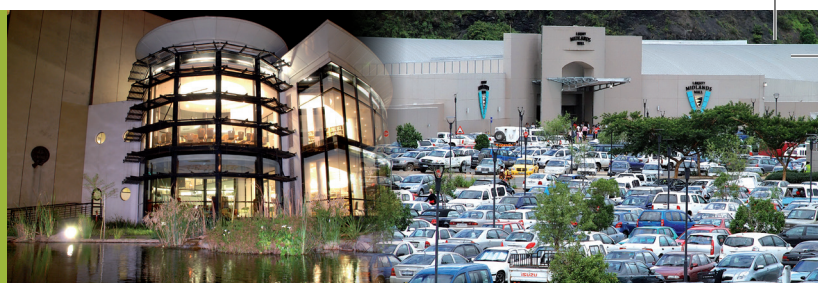
REQUESTED BY:	AUTHORISED BY: (DELEGATED AUTHORITY)	BROUGHT TO STORAGE BY:
NAME :	NAME :	NAME :
SIGNATURE:	SIGNATURE:	SIGNATURE:
CONTACT NUMBER:	CONTACT NUMBER:	CONTACT NUMBER:

ASSET CONTROL

DATE RECEIVED	NAME	SIGNATURE	DATE RECORDED IN FAR

METHOD OF BUSINESS UNIT OF DISPOSAL	DATE IN STORAGE	DATE OF SALE	BOOK VALUE	SELLING PRICE





ANNEXURE I – ASSET RETIREMENT DISPOSAL CHECKLIST THE MSUNDUZI MUNICIPALITY

ASSET RETIREMENT AND DISPOSALS CHECKLIST FOR BUSINESS UNITS

STRATEGIC BUSINESS UNIT	DEPARTMENT

Business Units that intend to dispose of Vehicle, Plant, Equipment and other Assets must ensure the following:

1. Date of the next Auction Sale to be obtained from the Asset Control Unit.
Date of Auction: _____
2. If the Licence expires before the Auction date,
 - Renew Licence ,or
 - De- register vehicle at the Licensing Office.

Ensure the following are removed from vehicles/plant

 - radios, • tachos, • revolving lights, • all other accessories
 - All vehicle/plant to be examined for possible • tyres • spares exchange.
3. Release in respect of any Insurance Claim cancelling all Insurance on vehicles/plant to be auctioned.
4. All Retirement /disposal forms to be sent to the Asset Control Unit who will verify:
 - If the vehicle licence, Certificate of Registration , Clearance Certificate and Notice of Change of Ownership ,and
 - If the vehicle is de-registered, copy of the M.V.R.I.A must accompany the Asset Form.

Checked by:	Authorised By
Name :	Name:
Signature:	Signature:
Contact Number:	Contact Number:

Asset Control



MSUNDUZI ANNUAL BUDGET

Date Received:
Checklist Confirmation:
Name:
Signature:



Preamble

Msunduzi Municipality Supply Chain Management Policy is divided into two policies, one focuses on Goods and Services and the other on Infrastructure Procurement and Delivery Management

The SCM Policy for Goods and Services which is **PART 1** of this document is issued in terms of Section 111 of the Municipal Finance Management Act of 2003 and Municipal Supply Chain Management Regulations. The approach to procurement documentation is significantly different between general goods and services and infrastructure delivery. Documents for general goods and services, are based on the National Treasury General Conditions of Contract (GCC) which focuses on the rights and obligations of the parties in a generic manner and also deals with aspects of the bidding processes.

The SCM Policy for Infrastructure Procurement and Delivery Management which is **PART 2** is issued in terms of Section 168 of the Municipal Finance Management Act of 2003 in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations as a Treasury guideline determining a standard for municipal supply chain management policies. MFMA Circular No 77: Model SCM Policy for Infrastructure Procurement and Delivery Management provides guidance to municipalities on the establishment of a suitable supply chain management system for infrastructure delivery which is better able to deliver value for money, while minimizing the scope for corruption.



MSUNDUZI ANNUAL BUDGET

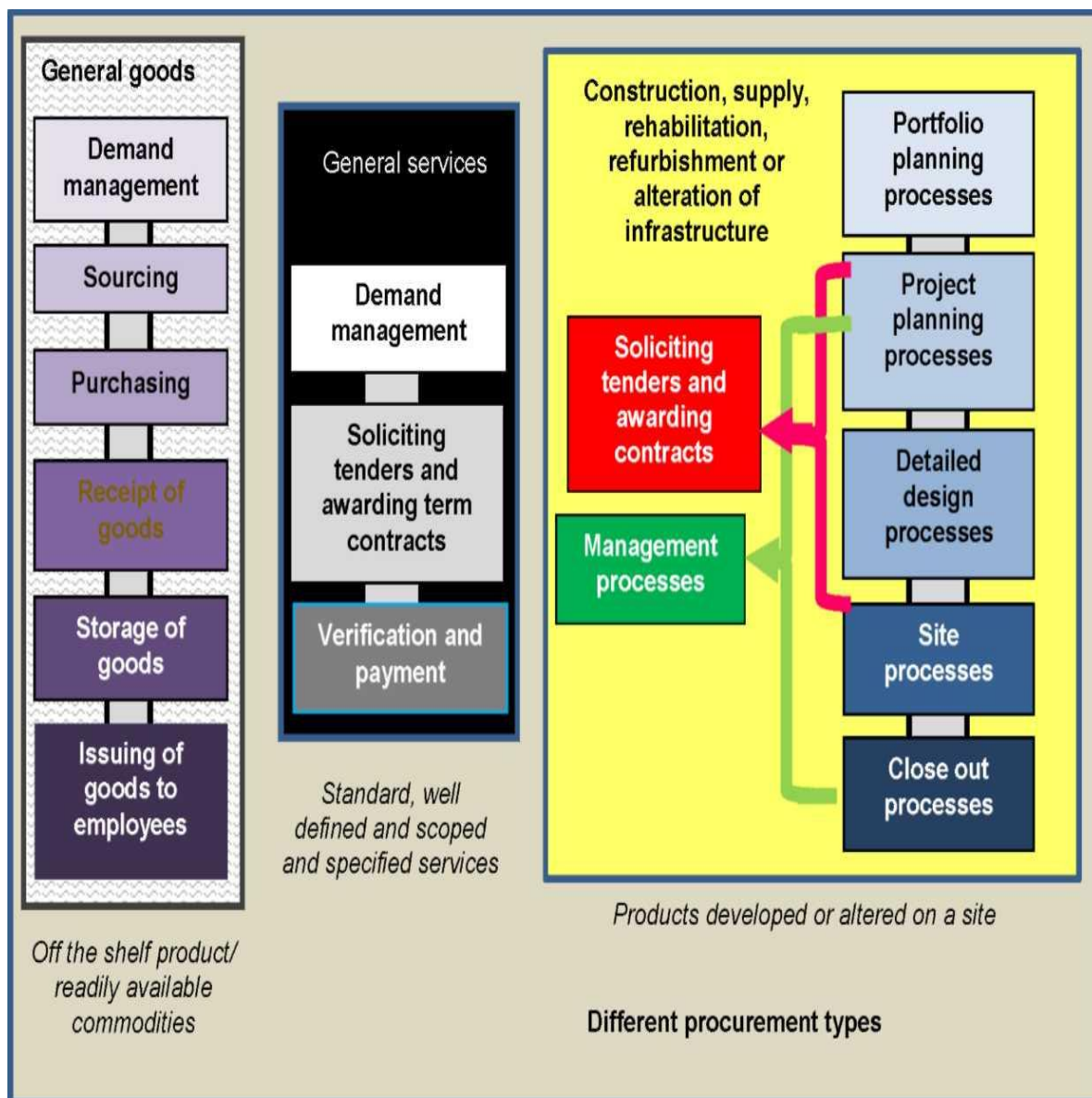
INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY

SCM Policy: Part 2



Preface

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.



In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of



MSUNDUZI ANNUAL BUDGET

public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is the process which creates, manages and fulfils contracts. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating bid offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof. Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain.

Infrastructure is defined as "immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets" *while infrastructure delivery is defined as "the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure."* Accordingly, infrastructure delivery management contextualizes the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for Msunduzi Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.



Table of Contents

1.	SCOPE	7
2.	TERMS, DEFINITIONS AND ABBREVIATIONS	7
2.1.	Terms and Definitions	7
2.2.	Abbreviations and Acronyms.....	9
3.	GENERAL REQUIREMENTS	10
3.1.	Delegations	10
3.2.	Implementation of the procedure manual for Infrastructure Procurement & Delivery Management	11
3.3.	Supervision of the Infrastructure Delivery Management Unit	12
3.4.	Objections and Complaints	12
4.	CONTROL FRAMEWORK FOR INFRASTRUCTURE DELIVERY MANAGEMENT	12
4.1.	Assignment of responsibilities for approving or accepting end of stage deliverables	12
4.2.	Gateway Reviews	13
5.	CONTROL FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT	14
6.	INFRASTRUCTURE DELIVERY MANAGEMENT REQUIREMENTS	17
6.1.	Institutional Arrangements.....	17
6.1.1.	Committee System for Procurement	17
6.1.2.	Actions of an authorised person relating to the award of a contract or an order	21
6.1.3.	Conduct of those engaged in infrastructure delivery.....	22
6.1.4.	Measures to prevent abuse of the infrastructure delivery system	26
6.1.5.	Awards to persons in the service of the state	26
6.1.6.	Collusive Bidding	27
6.1.7.	Placing of Contractors under Restrictions.....	27
6.1.8.	Complaints	28
6.2.	Acquisition Management.....	28
6.2.1.	Unsolicited Proposal	28
6.2.2.	Tax and Rates Compliance.....	29
6.2.3.	Municipal Rates and Taxes.....	30
6.2.4.	Declarations of Interest.....	31
6.2.5.	Invitations to submit expressions of interest or bid offers.....	31
6.2.6.	Publication of submissions received and the award of contracts	31
6.2.7.	Disposal Committee.....	32
6.3.	Reporting of infrastructure delivery management information	32
7.	INFRASTRUCTURE PROCUREMENT	32



MSUNDUZI ANNUAL BUDGET

7.1.	Usage of Procurement Procedures	32
7.2.	Procurement Documents	34
7.3.	Developmental Procurement Policy	36
7.4.	Payment of Contractors	36
7.5.	Approval to utilise specific procurement procedures	37
7.6.	Receipt and Safeguarding of Submissions	37
7.7.	Opening of Submissions	37
7.8.	Use of another organ of state's framework agreement.....	38
7.9.	Insurances.....	38
7.10.	Sureties	40
7.11.	Written reasons for actions taken	40
7.12.	Request for access to information	41
8.	RISK MANAGEMENT	41



1. SCOPE

This policy establishes the Msunduzi Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Msunduzi Municipality which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) public private partnerships.

2. TERMS, DEFINITIONS AND ABBREVIATIONS

2.1. Terms and Definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

<u>Term</u>	<u>Definition</u>
Agent	person or organization that is not an employee of Msunduzi Municipality that acts on the Municipality's behalf in the application of this document
Authorised person	the Municipal Manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order
Conflict of interest	any situation in which: <ol style="list-style-type: none">a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, orc) incompatibility or contradictory interests exist between an employee and the organization which employs that employee
Contract manager:	person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view



MSUNDUZI ANNUAL BUDGET

<u>Term</u>	<u>Definition</u>
Family member:	a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption
Framework agreement:	an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged
Gate:	a control point at the end of a process where a decision is required before proceeding to the next process or activity
Gateway review:	an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based gratification: an inducement to perform an improper act
Infrastructure delivery:	the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
Infrastructure procurement:	the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
Maintenance:	the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function
Operation:	combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use
Order:	an instruction to provide goods, services or any combination thereof under a framework agreement
Organ of state:	an organ of state as defined in section 239 of the Constitution of the Republic of South Africa
Procurement document:	documentation used to initiate or conclude (or both) a contract or the issuing of an order



<u>Term</u>	<u>Definition</u>
Principal:	a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)
Standard:	the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury
Working day:	any day of a week on which is not a Sunday, Saturday or public holiday

2.2. Abbreviations and Acronyms

For the purposes of this document, the following abbreviations apply:

<u>Abbreviation</u>	<u>Acronym</u>
BAC	Bid Adjudication Committee
B-BBBEE	Broad Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
CIDB	Construction Industry Development Board
CFO	Chief Financial Officer
DMM	Deputy Municipal Manager Infrastructure
FG	Framework Agreement Gate
FSS	Financial Service Support Manager
KZN	KwaZulu-Natal
MFMA	Municipal Finance Management Act
MM	Municipal Manager

<u>Abbreviation</u>	<u>Acronym</u>
PG	Procurement Gate
SARS	South African Revenue Services
SCM	Supply Chain Management
VAT	Value Added Tax

3. GENERAL REQUIREMENTS

3.1. Delegations

3.1.1. The council of Msunduzi Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and
- d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2. No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of Msunduzi Municipality

3.1.3. The Municipal Manager shall for oversight purpose

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of the Msunduzi Municipality to the council of the Msunduzi Municipality.
- b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council who must then submit the report to the Municipal Manager of Msunduzi Municipality for submission to the council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the mayor; and
- d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.



3.2. Implementation of the procedure manual for Infrastructure Procurement and Delivery Management

3.2.1. Infrastructure procurement and delivery management shall be undertaken in accordance with all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

Table 1: End-of-stage deliverables

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
0	Project initiation	End User accepts the initiation report
1	Infrastructure planning	Infrastructure Process Manager approves the infrastructure plan
2	Strategic resourcing	Demand and Acquisition Manager approves the delivery and / or procurement strategy
3	Pre-feasibility	Infrastructure Process Manager accepts the pre-feasibility report
	Preparation and briefing	Infrastructure Process Manager accepts the strategic brief
4	Feasibility	Infrastructure Process Manager accepts the feasibility report
5	Concept and viability	Infrastructure Process Manager accepts the concept report
6	Design development	Infrastructure Process Manager accepts the design development report
7	Design documentation	6A Production information Infrastructure Process Manager accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information The contract manager accepts the manufacture, fabrication and construction information
8	Works	The contract owner/project manager certifies completion of the works or the delivery of goods and associated services
9	Handover	The owner or end user accepts liability for the works
10	Package completion	The contract owner or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract Infrastructure Process Manager accepts the close out report



MSUNDUZI ANNUAL BUDGET

3.2.2. Pre-feasibility and feasibility reports are required as end-of-stage deliverables for stages 3 and 4, respectively, where one or more of the following applies:

- a) the major capital project is required for:
 - a major public enterprise where the total project capital expenditure exceeds R1,5 billion; or
- b) the project is not:
 - a building project with or without related site works; or
 - a process-based, somewhat repetitive or relatively standardised project where the risk of failing to achieve time, cost and quality objectives is relatively low;

3.3. Supervision of the Infrastructure Delivery Management Unit

The Infrastructure Delivery Management Unit shall be directly supervised by the Deputy Municipal Manager Infrastructure (DMM) as a delegated person in terms of section 82 of the Municipal Finance Management Act (MFMA).

3.4. Objections and Complaints

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action. Objection and complaints will be managed in accordance to section 50A of the SCM Policy for goods and services.

4. CONTROL FRAMEWORK FOR INFRASTRUCTURE DELIVERY MANAGEMENT

4.1. Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 2.

Table 2: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
0	Project initiation	End User accepts the initiation report
1	Infrastructure planning	Infrastructure Process Manager approves the infrastructure plan
2	Strategic resourcing	Demand and Acquisition Manager approves the delivery and / or procurement strategy
3	Pre-feasibility	Infrastructure Process Manager accepts the pre-feasibility report
	Preparation and briefing	Infrastructure Process Manager accepts the strategic brief
4	Feasibility	Infrastructure Process Manager accepts the feasibility report



Stage		Person assigned the responsibility for approving or accepting end of stage deliverables
No	Name	
	Concept and viability	Infrastructure Process Manager accepts the concept report
5	Design development	Infrastructure Process Manager accepts the design development report
6	Design documentation	6A Production information Infrastructure Process Manager accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
		6B Manufacture, fabrication and construction information The contract manager accepts the manufacture, fabrication and construction information
7	Works	The contract owner/project manager certifies completion of the works or the delivery of goods and associated services
8	Handover	The owner or end user accepts liability for the works
9	Package completion	The contract owner or supervising agent certifies the defects certificate in accordance with the provisions of the contract
		The contract manager certifies final completion in accordance with the provisions of the contract Infrastructure Process Manager accepts the close out report.

4.2. Gateway Reviews

4.2.1. Gateway reviews for major capital projects above a threshold

4.2.1.1. The Municipal Manager shall appoint a gateway review team to accordance with the provisions of clause 4.1.13.1.2 of the procedure manual to undertake gateway reviews for major capital projects.

- a) A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. Such a team shall be led by a person who has at least six years postgraduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural

Profession Act. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

- b) All major capital projects having an estimated capital expenditure equal to or above the threshold established in Table 3 shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The review shall be initiated by the organ of state which intends implementing the project. The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

Table 3: Gateway review threshold

Organ of the State	Estimated cost inclusive of VAT
Msunduzi Municipality	R50 million

5. CONTROL FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT

- 5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 4.

Table 4: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

No	Activity	Gate	Sub-Activity (see Table 3 of the procedure manual)	Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Project manager/ End user
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that bid offers can be solicited	Demand and Acquisition manager
3	Solicit bid offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement documentation committee/ Bid Specification committee



No	Activity	Gate	Sub-Activity (see Table 3 of the procedure manual)	Key action	Person assigned responsibility to perform key action
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Financial Services Support Manager
4	Evaluate bid offers	4.2 PG5	Obtain authorisation to proceed with next phase of bid process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the bid process	Bid Evaluation Committee
		4.7 PG6	Confirm recommendations contained in the bid evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Tender Committee (BAC)
5	Award contract	5.3 PG7	Award contract	Formally accept the bid offer in writing and issue the contractor with a signed copy of the contract	MM
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Contract Monitor
6	Administer contracts and confirm	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Contract manager
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Contract Manager
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	Tender Committee (BAC)

MSUNDUZI ANNUAL BUDGET

No	Activity	Gate	Sub-Activity (see Table 3 of the procedure manual)	Key action	Person assigned responsibility to perform key action
	compliance with requirements	6.7 PG8 D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively	Approve amount of time and cost overruns above a the threshold	Tender Committee (BAC)
		6.8 PG8 E	Obtain approval to cancel or terminate a contract	Approve amount	Contract Manager
		6.9 PG8 F	Obtain approval to amend a contract	Approve proposed amendment to contract	Tender Committee (BAC)

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) SCM Manager shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 5.



Table 5: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity	Key action	Person assigned responsibility to perform key action
1 FG1	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work	Contract Monitor
3 FG2	Obtain approval for procurement documents	Contract Manager
4 FG3	Confirm that budgets are in place	FSS Manager
6 FG4	Authorise the issuing of the order	Delegated Authority

6. INFRASTRUCTURE DELIVERY MANAGEMENT REQUIREMENTS

6.1. Institutional Arrangements

6.1.1. Committee System for Procurement

6.1.1.1. General

6.1.1.1.1. A committee system comprising the documentation committee also known as bid specification committee, evaluation committee and tender committee (BAC) also known as bid adjudication committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2. The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3. The persons appointed in writing as technical advisors and subject matter experts may attend any committee meeting.



MSUNDUZI ANNUAL BUDGET

6.1.1.1.4. No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee (BAC).

6.1.1.1.5. Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6. Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2. Procurement Documentation Committee (BSC)

6.1.1.2.1. The Municipal Manager shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the procedure manual; Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:
 - a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
 - professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
 - a professional quantity surveyor in terms of the Quantity Surveying Professions Act.
- b) the members of the procurement documentation committee.



6.1.1.2.2. The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Msunduzi Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3. No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may bid for any work associated with the bid which is considered by these committees.

6.1.1.3. **Evaluation Committee (BEC)**

6.1.1.3.1. The Municipal Manager shall appoint in writing:

- a) the members of the evaluation committee to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the procedure manual, respectively;
- b) The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:
 - a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;
 - a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
 - a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
 - a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or
 - a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

6.1.1.3.2. The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Msunduzi Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3. The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the procedure manual and as a minimum verify the following in respect of the recommended bidder:



MSUNDUZI ANNUAL BUDGET

- a) the capability and capacity of a bidder to perform the contract;
- b) the bidder's tax and municipal rates and taxes compliance status;
- c) confirm that the bidder's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the bidder is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4. No bid submitted by a member of, or technical adviser or subject matter expert who participates in the work of the procurement documentation committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5. The chairperson of the evaluation committee shall promptly notify the Chief Financial Officer (CFO) of any respondent or bidder who is disqualified for having engaged in fraudulent or corrupt practices during the bid process.

6.1.1.4. **Tender Committee (BAC)**

6.1.1.4.1. The Msunduzi Municipality will utilize the current bid adjudication committee for both goods and services and infrastructure procurement deliver management unit.

6.1.1.4.2. No member of the evaluation committee may serve on the tender committee (BAC). A member of an evaluation committee may, however, participate in the deliberations of a tender committee (BAC) as a technical advisor or a subject matter expert.

6.1.1.4.3. The tender committee (BAC) shall:

- a) consider the report and recommendations of the evaluation committee and:
 - verify that the procurement process which was followed complies with the provisions of this document;
 - confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - confirm the validity and reasonableness of reasons provided for the elimination of bidders; and
 - consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a bid, with or without conditions, together with reasons for such recommendation.



- 6.1.1.4.4. The tender committee (BAC) shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the MM on the course of action which should be taken.
- 6.1.1.4.5. The tender committee (BAC) shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager
- 6.1.1.4.6. The tender committee (BAC) shall report to the Municipal Manager any recommendation made to award a contract to a bidder other than the bidder recommended by the evaluation committee, giving reasons for making such a recommendation.
- 6.1.1.4.7. The tender committee (BAC) shall not make a recommendation for an award of a contract or order if the recommended bidder or framework contractor has:
- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
 - b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.
- 6.1.1.4.8. The tender committee may on justifiable grounds and after following due process, disregard the submission of any bidder if that bidder or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the KZN provincial treasury shall be informed where such bidders are disregarded.
- 6.1.2. **Actions of an authorised person relating to the award of a contract or an order**
- 6.1.2.1. **Award of a contract**
- 6.1.2.2. The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee (BAC), or in the case of the awards for contracts below the quotation threshold, the recommendation of the SCM manager, and either:
- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
 - b) decide not to proceed or to start afresh with the process.
- 6.1.2.3. The authorised person shall immediately notify the Municipal Manager if a bid other than the recommended bid is awarded, save where the recommendation is changed to rectify an irregularity.



MSUNDUZI ANNUAL BUDGET

Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and KZN provincial treasury of the reasons for deviating from such recommendation.

6.1.2.4. Issuing of an order

The authorised person shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the BAC or the SCM Manager as relevant, and either:

- a) authorise the issuing of an order in accordance with the provisions below of clause 4.2.5 of the procedure manual; or
 - confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
 - consider the recommendations of the adjudication where competition amongst framework contracts takes place or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either
 - confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared the report.
- b) decide not to proceed or to start afresh with the process.

6.1.3. Conduct of those engaged in infrastructure delivery

6.1.3.1. General Requirements

6.1.3.1.1. All personnel and agents of Msunduzi Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2. All personnel and agents engaged in Msunduzi Municipality's infrastructure delivery management system shall:



- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) be fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist Msunduzi Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) An employee or agent may not amend or tamper with any submission, bid or contract in any manner whatsoever.
- m) not make false or misleading entries in reports or accounting systems; and
- n) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.2. Conflicts of Interest

- 6.1.3.2.1. The employees and agents of Msunduzi Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:



MSUNDUZI ANNUAL BUDGET

- a) disclose in writing to the employee of the Msunduzi Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of Msunduzi Municipality proprietary information.

6.1.3.2.2. The employees and agents of Msunduzi Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3. Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Msunduzi Municipality's interest to do so, submit a bid for work associated with such documents provided that:

- a) Msunduzi Municipality states in the bid data that such an agent is a potential bidder;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the bid, is equally made available to all potential bidders upon request, if not already included in the scope of work; and
- c) the procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3. Evaluation of submissions received from respondents and bidders

6.1.3.3.1. The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or bids shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and bidders in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Msunduzi Municipality,

6.1.3.3.2. The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Msunduzi Municipality and a bidder or respondent shall be disclosed and recorded in the bid evaluation report.



6.1.3.3.3. Msunduzi Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4. **Non-disclosure Agreements**

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Msunduzi Municipality's confidential information and interests.

6.1.3.5. **Gratifications, Hospitality and Gifts**

6.1.3.5.1. The employees and agents of Msunduzi Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2. The employees and agents of Msunduzi Municipality as well as their family members of associates shall not receive any of the following from any bidder, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from bidders or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a bid.

6.1.3.5.3. The employees and agents of Msunduzi Municipality shall not purchase any items at artificially low prices from any bidder, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4. All employees and agents of Msunduzi Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc;
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and gifts in kind other than those listed in a) to d) which have an intrinsic value greater than **R350** unless they have declared them to the *Municipal Manager*



MSUNDUZI ANNUAL BUDGET

6.1.3.5.5. Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or bids that could be perceived as undue and improper influence of such processes.

6.1.3.5.6. Employees and agents of Msunduzi Municipality shall without delay report to CFO or appropriately delegated authority any incidences of a respondent, bidder or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6. **Reporting of Breaches**

Employees and agents of Msunduzi Municipality shall promptly report to the Municipal Manager or appropriately delegated authority any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4. **Measures to prevent abuse of the infrastructure delivery system**

The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and KZN Provincial Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;
- d) cancel a contract if:
- e) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
- f) an employee or other role player committed any corrupt or fraudulent act during the bid process or during the execution of that contract.

6.1.5. **Awards to persons in the service of the state**

6.1.5.1. Any submissions made by a respondent or bidder who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;



- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) a member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

6.1.5.2. The notes to the annual financial statements of the Msunduzi Municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 above or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6. **Collusive Bidding**

Any submissions made by a respondent or bidder who fails to declare in the Compulsory Declaration that the bidding entity:

- a) is not associated, linked or involved with any other bidding entity submitting bid offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential bidding entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a bid or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a bid shall be rejected.

6.1.7. **Placing of Contractors under Restrictions**

6.1.7.1. If any bidder which has submitted a bid offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such bid or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his bid, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Msunduzi Municipality; or



MSUNDUZI ANNUAL BUDGET

- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of Msunduzi Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

A contract manager shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with the Msunduzi Municipality

- 6.1.7.2. The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 above and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a bid offer to Msunduzi Municipality for a specified period of time.

- 6.1.7.3. The SCM Information Centre shall:

- a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Msunduzi Municipality who are engaged in procurement processes; and
- b) notify the National Treasury and KZN provincial treasury and, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8. **Complaints**

- 6.1.8.1. All complaints regarding the Msunduzi Municipality's infrastructure delivery management system shall be addressed to the Municipal Manager. Such complaints shall be in writing.

- 6.1.8.2. The SCM Unit shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

6.2. **Acquisition Management**

6.2.1. **Unsolicited Proposal**

- 6.2.1.1. The Msunduzi Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;



- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
 - c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable
 - d) benefit for Msunduzi Municipality;
 - e) the offer is in writing and clearly sets out the proposed cost;
 - f) the person who made the offer is the sole provider of the goods or service; and
 - g) the Municipal Manager finds the reasons for not going through a normal bid processes to be sound.
- 6.2.1.2. The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee (BAC) if:
- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the Msunduzi Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;
 - b) the Msunduzi Municipality has obtained comments and recommendations on the offer from the National Treasury and KZN provincial treasury;
 - c) the tender committee (BAC) meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and KZN provincial treasury; and
 - d) the provisions of 6.2.1.3 are complied with.
- 6.2.1.3. The Municipal Manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the KZN provincial treasury and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.
- 6.2.2. **Tax and Rates Compliance**
- 6.2.2.1. SARS tax clearance
- 6.2.2.1.1. No contract may be awarded or an order issued where the value of such transaction exceeds R 30 000, unless a bidder or contractor is in possession of an original valid Tax Clearance Certificate issued by SARS provided that the bidder is not domiciled in the Republic of South Africa and the SARS has confirmed that such a bidder is not required to prove their tax compliance status.
- 6.2.2.1.2. In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1. above.



MSUNDUZI ANNUAL BUDGET

6.2.2.1.3. No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Msunduzi Municipality shall upon detecting that a bidder or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.4. Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 above the following shall apply, unless a person who is not tax compliant indicates to contract officer/ buyer that it intends challenging its tax compliance status with SARS,

- a) a contract may be awarded to a non-compliant bidder if such a bidder is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;
- c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.1.4.1. The Msunduzi Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e above.

6.2.3. **Municipal Rates and Taxes**

No contract may be awarded to a bidder who, of the principals of that bidder, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.



6.2.4. **Declarations of Interest**

Bids and respondents making submissions in response to an invitation to submit a bid or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Msunduzi Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.5. **Invitations to submit expressions of interest or bid offers**

6.2.5.1. All invitations to submit bids where the estimated value of the contract exceeds R200 000 including VAT, except where a confined bid process is followed, and expressions of interest shall be advertised on the Msunduzi Municipality's website and on the National Treasury eTender Publication Portal. Advertisements shall be placed by the Acquisition Manager

6.2.5.2. Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 above be advertised on the CIDB website. Advertisements shall be placed by the Acquisition Manager.

6.2.5.3. Where deemed appropriate by the procurement documentation committee an invitation to bid and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by Acquisition Manager.

6.2.5.4. Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Municipal Manager or the appropriately delegated authority.

6.2.5.5. Invitations to submit expressions of interest or bid offers shall be issued not less than 10 working days before the closing date for bids and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

6.2.6. **Publication of submissions received and the award of contracts**

6.2.6.1. The Acquisition Manager shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to bid where the estimated value of the contract exceeds R200 000 including VAT on the municipality's or municipal entity's website, the names of all bidders that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.6.2. The Acquisition Manager shall publish within 7 working days of the award of a contract the following on the Msunduzi Municipality 's website

- a) the contract number;

- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful bidders and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.6.3. The Acquisition Manager shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful bids. Submissions shall be made by Contract officer/ monitoring officer.

6.2.6.4. The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be made by placed by the Acquisition Manager

6.2.7. **Disposal Committee**

6.2.7.1. The Municipal Manager shall appoint on a disposal by disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.7.2. A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.

6.2.7.3. The disposal committee shall make recommendations to Audit Committee who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, and decide not to proceed or to start afresh with the process.

6.3. **Reporting of infrastructure delivery management information**

The CFO shall submit any reports required in terms of the standard to the National Treasury or KZN provincial treasury

7. **INFRASTRUCTURE PROCUREMENT**

7.1. **Usage of Procurement Procedures**

The Msunduzi Municipality shall not apply the following procedure:

- a) Shopping Procedure



The Msunduzi Municipality shall apply the following procedures listed in Table 6 below;

Table 6: List of procurement procedures applicable to Msunduzi Municipality

	Procurement procedure
1	Nominated procedure
2	Open procedure
3	Qualified procedure
4	Quotation procedure
5	Proposal procedure using two envelope system
6	Restrictive Competitive negotiations
7	Open competitive negotiations
8	Negotiated procedure

7.1.1. Provisional Sums and Prime Cost or Sub-Contract Allowance

7.1.1.1. Where monetary allowances in excess of R200 000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:

- a) An **open competitive bidding process** in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the **selected sub-contractor/supplier** is chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub-contractor/supplier can meet the requirements of the sub-contract/supply agreement, and assumes the risk for the performance of the sub-contractor/supplier. The contractor may, on reasonable grounds, elect not to employ a particular sub-contractor/supplier

- b) A **two-stage selection process**, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume

the risk for the performance of the **selected sub-contractor/supplier** identified through this process.

- c) A **nominated process**, whereby the City instructs the contractor to appoint a particular (typically specialist) sub-contractor/supplier. In this process the sub-contractor/supplier is a **nominated sub-contractor/supplier**, and the risk is transferred from the contractor to the City. The use of this process must therefore be motivated to, and approved by, the Head: Supply Chain Management prior to its implementation

7.1.1.2. A preference points as described in this policy must be applied in respect of the processes described in clauses above. When monetary allowances of less than R200 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for the approval of the Responsible Agent

7.2. Procurement Documents

7.2.1. The forms of contract that may be used are as follows:



Table 7: Approved forms of contract related to the delivery and maintenance of infrastructure

Form of Contract	Code	Intended Usage
General Conditions of Contract		
Construction Industry Development Board (CIDB)		
CIDB Standard Professional Service Contract	SPSC	Professional services
CIDB General Conditions of Purchase	-	An order form type of contract for low-value goods without any incidental work or services on or before a specified date being required.
CIDB Contract for the Supply and Delivery of Goods		Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal testing, installation and commissioning on delivery.
CIDB General Conditions of Service	-	An order form type of contract where low-value services on or before a specified date are required.
International Federation of Consulting Engineers (FIDIC)		
FIDIC Short Form of Contract	Green Book	Building or engineering works of relatively small capital value, or for relatively simple or repetitive work, or for work of short duration. Use for design by employer- or contractor-designed Works.
FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer	Red Book	Building or engineering works designed by the employer. (The works may include some elements of contractor-designed works.)
FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor	Yellow Book	The provision of electrical or mechanical plant and the design and construction of building or engineering works.
FIDIC Conditions of Contract for EPC Turnkey Projects	Silver Book	The provision on a design and construct (turnkey) basis of a process or power plant, of a factory or similar facility, or an infrastructure project or other type of development.
FIDIC Conditions of Contract for Design, Build and Operate Projects	Gold Book	"Green field" building or engineering works which are delivered in terms of a traditional design, build and operate sequence with a 20-year operation period. (The contractor has no responsibility for the financing of the project/package or its ultimate commercial success.)
South African Institution of Civil Engineering (SAICE)		
SAICE General Conditions of Contract for Construction Works	GCC	Engineering and construction, including any level of design responsibility.
Joint Building Contracts Committee (JBCC)		
JBCC Principal Building Agreement	PBA	Buildings and related site works designed by the employer.
JBCC Minor Works Agreement	MWA	Buildings and related site works of simple content designed by the employer.
Institution of Civil Engineers (ICE)		
NEC3 Engineering and Construction Contract	ECC	Engineering and construction including any level of design responsibility.
NEC3 Engineering and Construction Short Contract	ECSC	Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor.
NEC3 Professional Services Contract	PSC	Professional services, such as engineering, design or consultancy advice.
NEC3 Professional Services Short Contract	PSCC	Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant.
NEC3 Term Service Contract	TSC	Manage and provide a service over a period of time.
NEC3 Term Service Short Contract	TSSC	Manage and provide a service over a period of time, or provide a service which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor.
NEC3 Supply Contract	SC	Local and international procurement of high-value goods and related services, including design.
NEC3 Supply Short Contract	SSC	Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management

- 7.2.2. The Msunduzi Municipality's preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by procurement documentation committee prior to being issued for bid purposes.
- 7.2.3. Disputes arising from the performance of a contract shall be finally settled in a South African court of law.
- 7.2.4. State additional requirements, if any e.g. use of standard access specifications, health and safety specifications etc.
- 7.2.5. The Municipal Declaration and returnable documents contained in the standard shall be included in all bids for:
- a) consultancy services; and
 - b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.

7.3. Developmental Procurement Policy

- 7.3.1. In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.
- 7.3.2. Unbundling must however be considered in the context of:
- a) economies of scale being lost;
 - b) abortive work becoming necessary;
 - c) additional demands (not only financial) being placed on the municipality's resources; and
 - d) the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.
- 7.3.3. Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.
- 7.3.3.1. It is important to note that while it is the municipality's policy to procure construction works in the smallest practicable quantities, the practice of parcelling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.
- 7.3.4. Msunduzi Municipality encourages the participation of subcontracting of 25% of high value infrastructure projects starting from R5 million to local emerging contractors

7.4. Payment of Contractors

The Msunduzi Municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.



7.5. Approval to utilise specific procurement procedures

7.5.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

Table 8: Procurement Thresholds

Procedure	Conditions which need to be satisfied in	Threshold R (incl. vat)
Negotiated	The services, goods or works have a value not exceeding a threshold	R75 000
	A professional service contract has a value not exceeding a threshold	R200 000
Nomination Procedure	Any procurement not exceeding a threshold	R1 500 000
Quotation Procedure	Any procurement where the estimated value does not exceed a threshold	R200 000

- a) SCM Manager shall authorise the use of the negotiated procedure above the thresholds provided in table 8 above
- b) SCM Unit Manager shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is SCM Manager.

7.6. Receipt and Safeguarding of Submissions

7.6.1 A dedicated and clearly marked bid box shall be made available to receive all submissions made.

7.6.2 The bid box shall be fitted with two locks and the keys kept separately by two contract officers. Such personnel shall be present when the box is opened on the stipulated closing date for submissions. The bid box is located in the Foyer, Ground Floor, City hall, 169 Chief Albert Luthuli (Commercial) Road, Pietermaritzburg, 3201 not later than 12h00.

7.7. Opening of Submissions

7.7.1 Submissions shall be opened by an opening panel comprising two people nominated by SCM Manager who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.



MSUNDUZI ANNUAL BUDGET

- 7.7.2 The opening panel shall open the bid box at the stipulated closing time and:
- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
 - b) return submissions unopened and suitably annotated where:
 - i) submissions are received late, unless otherwise permitted in terms of the submission data;
 - ii) submissions were submitted by a method other than the stated method,
 - iii) submissions were withdrawn in accordance with the procedures contained in SANS 108453; and.
 - iv) only one bid submission is received and it is decided not to open it and to call for fresh bid submissions;
 - record in the register submissions that were returned unopened;
 - open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the bidder or respondent and, if relevant, the total of prices including VAT where this is possible;
 - record in the register the name of any submissions that is returned with the reasons for doing so;
 - record the names of the bidder's representatives that attend the public opening;
 - sign the entries into the register; and
 - stamp each returnable document in each bid submission.
- 7.7.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped.
- 7.7.4 Respondents and bidders whose submissions are to be returned shall be afforded the opportunity to collect their submissions.
- 7.7.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.8. Use of another organ of state's framework agreement

The Msunduzi Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive bid process and there are demonstrable benefits for doing so. The Municipal Manager or delegated authority shall make the necessary application to that organ of state to do so.

7.9. Insurances

- 7.9.1 Contractors shall be required to take out all insurances required in terms of the contract. Alternatively the insurance shall be principal or employer (Msunduzi Municipality) controlled.
- 7.9.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a



person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 9 below, unless otherwise directed by End-user in consultation with SCM.

7.9.3 Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 9: Minimum Insurance Cover

Type of Insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	Geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million other R3,0 million
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million

7.9.4 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 9 for any one event unless otherwise directed by the infrastructure process manager

7.9.5 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.9.6 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in



Table 9 in respect of each claim, without limit to the number of claims, unless otherwise directed by the infrastructure process manager in relation to the nature of the service they provide

7.9.7 Msunduzi Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.9.8 Where payment is to be made in multiple currencies, either the contractor or Msunduzi Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract

7.10. Sureties

7.10.1 Projects sureties must be determined according to affordability and risk for different categories of contracts as follows:

Table 10: Affordability and Risk Measurement

Project Type	JBCC	GCC	Project Value
Micro	0%	0%	Not Exceeding R60 000
Small	0%	0%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000

7.10.2 The minimum for retention monies held from a contractor during the construction period must be determined according to affordability and risk for different categories of contracts as follows:

Table 11: Retention Monies

Project Type	JBCC	GCC	Project Value
Micro	2.5%	2.5%	Not Exceeding R60 000
Small	3.5%	3.5%	Not Exceeding R100 000
Medium	5%	5%	Not Exceeding R500 000
Major	JBCC	GCC	Exceeding R500 000

7.11. Written reasons for actions taken

7.11.1 Written reasons for actions taken shall be provided by a contract manager

7.11.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

- a) SANS 10845-3, *Construction procurement - Part 3: Standard conditions of bid*, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or



- b) SANS 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest; as to why a bidder was not considered for the award of a contract or not awarded a contract.

7.11.3 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between bidders.

7.12. Request for access to information

7.12.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the Msunduzi Municipality's Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of Msunduzi Municipality

7.12.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

8. RISK MANAGEMENT

8.1. The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

- a) the Chief Risk Officer must;
- assess the nature and extent of the risks associated with the municipality's operation
 - decide the degree of tolerance or an acceptable level of loss or degree of failure
 - decide how to manage or minimize the risks identified
 - monitor, report and from time to time reassess the level and implication of the risk exposure
 - maintain a risk register that identifies and assesses all known risks and the action taken to manage those risks
- b) the risk register must be regularly updated and the outcome reported to the Audit Committee

8.2. Risk management must include –

- a) the identification of risks on a case-by-case basis;
- b) the allocation of risks to the party best suited to manage such risks;
- c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks;



MSUNDUZI ANNUAL BUDGET

- e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
- f) the Senior Managers: Finance must effect all insurance cover and maintain a record of all policy details for noted financial risks
- g) Managers are responsible for implementing the risk management policy, including financial risks within their business units

