

CREDIT CONTROL AND DEBT COLLECTION POLICY

1. **SCOPE AND AREA OF APPLICATION**

This policy applies to all corporate, private residents and customers of the municipality throughout the area of the Nketoana Local Municipality (NLM).

2. **OBJECTIVE**

1.1 The Objective of this policy is to:

1.1.1 Enable the municipality to collect its revenue timely;

- Structure the municipality's administration, budgeting and planning processes to give priority to the basic needs of the its residents, and to promote the social and economic development of the community.

3. **PREAMBLE**

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

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that,

where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give

members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

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

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

4. **DEFINITIONS**

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

“Act” The Local Government Act: Systems Bill, 2000 (Act No 32 of 2000) as amended from time to time;

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

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

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

“CFO” Person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.

“Council” The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Nketoana Local Municipality established by Provincial Notice 184 of 2000, as amended, exercising its legislative and executive authority through its Municipal Council; or

(b) its successor in title; or

(c) a structure or person exercising a delegated power or carrying out an instruction, where any power in this Policy has been delegated or sub-delegated, or an instruction given, as contemplated in section 59 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); or

(d) a service provider fulfilling a responsibility under this Policy, assigned to it in terms of section 81(2) of the Local Government: Municipal Systems Act, or any other law, as the case may be;

“Credit Control” All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“customer” 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;

- “defaulter”* Any Person who owing the Council arrear monies in respect of rates and / or service charges;
- “engineer”* The person in charge of the civil and/or electrical component of Council;
- “equipment”* A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;
- “Implementing Authority”* Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Systems Act.
- “interest”* A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;
- “municipal account”* An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;
- “Municipality”* Means the Nketoana Local Municipality.
- “Municipal Manager”* The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“municipal services” Those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

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

“owner” –

- (a) The person in whom from time to time is vested the legal title to premises;
- (b) In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
- (c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;
- (d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;
- (e) In relation to-
 - i. A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or
 - ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional

title deed and includes the lawfully appointed agent of such a person;

- (f) Any legal person including but not limited to-
- i. A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;
 - ii. Any department of State;
 - iii. Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;
 - iv. Any Embassy or other foreign entity;

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

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

“Supervisory Authority” Means the Executive committee of the Municipality or its nominee, acting in terms of Section 99 of the Systems Act.

5. POLICY AND PRINCIPLES

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

Application forms will be used to, inter alia, categorize customers

according to credit risk and to determine relevant levels of services and deposits required.

1.13 Targets for performance in both customer service and debt collection will
be set and pursued and remedies implemented for non-performance.

6. DUTIES AND FUNCTIONS

6.1. Duties and Functions of Council

- 6.1.1 To approve a budget consistent with the needs of communities, ratepayers and residents.
- 6.1.2 To impose rates and taxes and to determine service charges, fees
and penalties to finance the budget.
- 6.1.3 To facilitate the generation of sufficient funds to give access to basic services for the poor.
- 6.1.4 To provide for a bad debt provision, in line with the payment record
of the community, ratepayers and residents, as reflected in the
financial statements of the municipality.
- 6.1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority
- 6.1.6 To approve a reporting framework for credit control and debt collection.
- 6.1.7 To consider and approve by-laws to give effect to the Council's policy.
- 6.1.8 To monitor the performance of the Mayor
(Supervising Authority) regarding credit control and
debt collection.

- 6.1.9 To revise the budget should Council's targets for credit control and debt collection not be met.
- 6.1.10 To take disciplinary and/or legal action against councillors, officials and agents who do not execute this policy and related by-laws.
- 6.1.11 To approve a list of attorneys and or agents that will act for Council in all legal matters relating to debt collection.
- 6.1.12 To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.
- 6.1.13 To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection. Alternatively to appoint a Service Provider, or debt collection agent.
- 6.1.14 To assist the Municipal Manager in the execution of his duties, if and when required.
- 6.1.15 To provide funds for the training of staff on matters relating to this policy.

6.2 DUTIES AND FUNCTIONS OF MAYOR

- 6.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of this policy and relevant by-laws.
- 6.2.2 To monitor the performance of the Municipal Manager in implementing this policy and related by-laws.
- 6.2.3 To report to Council.

6.3 *DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER*

- 6.3.1 To implement good customer care management systems.
- 6.3.2 To implement council's credit control and debt collection policy.
- 6.3.3 To install and maintain an appropriate accounting system.
- 6.3.4 To bill customers.
- 6.3.5 To demand payment on due dates.
- 6.3.6 To raise penalties for defaults.
- 6.3.7 To appropriate payments received.
- 6.3.8 To collect outstanding debt.
- 6.3.9 To provide different payment methods.
- 6.3.10 To determine credit control and debt collection measures.
- 6.3.11 To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 6.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emonulment attachment orders etc.).
- 6.3.13 To set performance targets for staff.
- 6.3.14 To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- 6.3.15 To delegate certain functions to heads of departments.
- 6.3.14 To determine control procedures.
- 6.3.15 To monitor contracts with service providers in connection with credit control and debt collection
- 6.3.16 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- 6.3.17 To report to the Mayor.

6.4 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

- 6.4.1 To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 6.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- 6.4.3 To observe the mechanisms and processes of the municipality in exercising their rights.
- 6.4.4 To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- 6.4.5 To comply with the by-laws and other legislation of the municipality.
- 6.4.6 To refrain from tampering with municipal services and property.

6.5 DUTIES AND FUNCTIONS OF WARD COUNCILLORS

- 6.5.1 To hold regular ward meetings with residents in order to encourage payment and address challenges relating to this policy.
- 6.5.2 To adhere to and convey this policy to residents and ratepayers.
- 6.5.3 To adhere to the Code of Conduct for Councillors.
- 6.5.3.1 Ward Committees will act in terms of roles and functions as approved by Council.

7. APPLICATION FOR SERVICES

7.1 Consumers who require a service must enter into a written service agreement with the municipality.

7.2 The process must occur ten (10) days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.

7.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.

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

8. CUSTOMER SERVICE AGREEMENTS

8.1 Customer service agreements are those agreements that will from time to time be entered into between the customer and the Municipality for the supply of municipal services.

8.2 The contents of the agreement includes this policy as well as:

An undertaking by customers:

- That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees;
- That any alleged non-receipt of an account does not stop the collection process;

An undertaking by Council:

- That it will deliver accounts to customers.
- That it will inform customers that they are required to request statements in the event that they do not receive an account.

9. DEPOSITS AND GUARANTEES

9.1 The deposits are payable when new customers sign-on and when existing customers move to a new supply address. Guarantees are only permitted for businesses and only under circumstances as determined by Council from time to time.

9.2 Customers must pay a deposit equal to an amount as determined by Council from time to time.

9.3 The Municipality may increase or decrease deposits and guarantees to suit the particular circumstances.

10. ACCOUNTS AND BILLING

10.1 Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the Municipality.

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

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

10.4 The Municipality will undertake to have the accounts delivered to all consumers. However non-receipt of an account does not prevent interest charges, penalties 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 account, before the due date.

10.5 Accounts must be paid on the due date as indicated on the account. Interest on arrears will accrue after due date if the account remains unpaid irrespective of the reason for non-payment.

10.6 Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of Business.

10.7 Consumers will be notified of their unpaid accounts prior to the commencement of the debt collection process.

10.8 Non-payment of the account will result in debt collection action in terms of this section 18 of this policy.

11. METERING OF CONSUMABLE SERVICES

11.1 The municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the municipality.

11.2 Customers who default (fail to pay by a due date) may be required by the municipality to convert to another metering system.

11.3 Prepayment metering is the preferred installation for all new domestic and where applicable, business accounts.

11.4 Meters (credit) will be read monthly. Should circumstances prevent reading the Municipality is entitled to reasonably estimate a reading that is comparable to past consumption.

11.5 A Customer is responsible to ensure access to metering equipment at a time that is agreeable by the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.

11.6 Voluntary readings:

- These will be permitted provided the municipality obtains any final reading should the customer move to another supply address.
- Customers 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.
- The Municipality is entitled to make suitable adjustments to the readings should the debtor fail to ensure that a final reading is obtained.
- An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
- The customer may elect to supply voluntary readings subject to compliance with the rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.

11.7 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

12. VALUATION OF PROPERTIES

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

13. CUSTOMER ASSISTANCE PROGRAMMES

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

- 13.1 Water leak rebates;
- 13.2 Rates rebates;
- 13.3 Arrangements for settlement;
- 13.4 Payment of rates by installments;
- 13.5 Indigent assistance scheme.
- 13.6 Free basic services
- 13.7 Incentive Debt Repayment Scheme

13.1 WATER LEAK REBATE

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

- That the leak be repaired within 48 hours of detection.
- That a certificate from a registered plumber or, in the event that the leak was repaired by someone other than a registered plumber, a sworn affidavit must reach the Municipality within ten (10) days of the leak having been repaired.
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Rebates on rates may be granted by Council in terms of Council's rating policy.

13.3 ARRANGEMENTS FOR SETTLEMENT

13.3.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts.

13.3.2 The terms applicable for the settlement are as follows:

- That the consumer pay the current account monthly.
- That the household debtor earning below R4 500 per month arrangement should not exceed 36 months.
- That the household debtor earning above R4 500 per month arrangement should not exceed 30 months.
- That the business debtor arrangement should not exceed 24 months.
- That the debtor should not skip payment without the authorization of the municipality.

13.4 PAYMENT OF RATES BY INSTALLMENTS

13.4.1 Owners may pay the property rates annually or in equal monthly instalments over a period of 12 months.

13.4.2 Interest shall accrue on all monthly paid rates accounts if they are not paid by the due date as indicated on the account.

13.4.3 Regular monthly installment payments must be maintained. Failure to maintain monthly installment payment for three (3) consecutive months shall result in the cancellation of the facility and all future installments become payable. Indigent accounts will remain on monthly installment.

13.5 INDIGENT ASSISTANCE SCHEME

An account holder may apply to the Municipality, in the prescribed manner, to be declared indigent provided that the following conditions are applied:

- That the gross household income must not exceed the poverty threshold value as determined by the Indigent Policy from time to time.
- That the Municipality may inspect the property occupied by the applicant and in respect of which municipal services are rendered to assess the merits of the application.

13.6 FREE BASIC SERVICES

Council will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time.

13.7 INCENTIVE DEBT REPAYMENT SCHEME

The municipality has accumulated debt over the years and this have resulted into cumbersome debt that majority of our debtors will be unable to pay.

The council hereby authorize the Municipal Manager to negotiate with the consumers who wants to pay for the services but have unbearable debt to pay. The following should be the criteria to be used by the municipality to provide discount to debtors willing to pay.

The incentive will only be applicable to households debtors.

The incentive applies to debt accumulated prior to 1st July 2007.

Incentives Structure:

Household Earnings	Discount	Deposit
R1 101 – R2 500	60%	10%
R2 501 – R5 000	50%	10%
R5 001 – R7 500	40%	10%
R7 501 and above	30%	10%

14. COMMUNICATION

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

- 14.2 Councillors must from time to time, address ward committees on the contents of the policy and any amendments thereto.

15. PAYMENT FACILITIES AND METHODS

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

- 15.2 The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition the consumer must take into account the transfer time of the particular agent.

- 15.3 A range of payment methods are available and may be extended as required subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.

- 15.4 The Chief Financial Officer shall allocate payments according to pre-determined priorities.

16. ENQUIRIES AND APPEALS

- 16.1 Any resident or consumer who may feel aggrieved concerning his/her account may address a grievance / appeal to the Municipal Manager or Chief Financial Officer or visit any Customer Care Office provided by the municipality.

- 16.2 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date pending finalisation of the enquiry. Failure to make a payment will result in debt collection action been instituted against the customer.

- 16.3 Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within 10 days.
- 16.4 If a customer has received a response and is still not convinced that the account is not correct, the customer may approach the relevant Ward Councillor to assist with the enquiry.

17. **TENDERS FOR BUSINESS**

The Supply Chain Management Policy and Tender Conditions of the Municipalities will include the following:

- 17.1 When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality, a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
- 17.2 No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period.
- 17.3 A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

18. **DEBT COLLECTION**

The Chief financial Officer is subject to the application of an Indigent policy, authorised to institute these mechanisms without exception and with the intention of proceeding until the debt is collected.

The following mechanisms are to be used to collect:

- 18.1 Disconnection / restriction of metered services for all overdue rates and service charges.
- 18.2 Barring from buying prepayment services by debtors who are in arrears with rates and service charges.
- 18.3 Allocating a portion of any payment for prepayment services to arrear debt.
- 18.4 Insisting on prepayment supplies be installed at the cost of the debtor.
- 18.5 Emonulment attachment orders on debtors' salaries.
- 18.6 Withholding of rates clearance certificates under certain conditions.
- 18.7 Legal process, including the attachment and sale of goods or immovable property.
- 18.8 Withholding payments of grants-in-aid.
- 18.9 Withholding payment on contracts
- 18.10 Any other method authorised by Council from time to time.

19. **THEFT AND FRAUD**

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

19.2 The Council may approve specific penalties and distinguish between cases of vandalism and theft.

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

20. **REPORTING AND PERFORMANCE MANAGEMENT**

20.1 The Chief Financial Officer shall report monthly to the Municipal

Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

20.1.1 Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

20.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

20.3 The Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

21. INCOME COLLECTION TARGET

The long-term target is a debtor turnover ratio of 45 days, that is, debtors are expected to pay for services on average in a month and a half.

22. APPLICATION OF THE POLICY

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

TARRIFF POLICY

1. Foreword

In terms of Section 62 (1) of the Municipal Finance Management Act(MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

2. Definitions

In this policy:

“municipal area” means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

“municipal council” means a municipal council referred to in section 157 of the Constitution and for this by-law includes a municipal local council and a municipal district council, as the case maybe;

“poor households” means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it; Also means those households in the municipal area living in property with a municipal property valuation under R30 000 and earn less than R1560 per month.

“tariff policy” means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

“the Act” means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).

3. Introduction

One of the primary functions of a local authority is to provide services to the people resident within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality.

These are calculated dependent on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

4. Objective

The objective of the tariff policy is to ensure that:

- 4.1 The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
- 4.2 The Municipal services are financially sustainable, affordable and equitable.
- 4.3 The needs of the indigent, aged and disabled are taken into consideration.
- 4.4 There is consistency in how the tariffs are applied throughout the municipality and;
- 4.5 The policy is drawn in line with the principles as outlined in the MSA (see 5 below)

5. Principles

In terms of S74 (2) of the Municipal Systems Act of the following principles should at least be taken into account when formulating a Tariff Policy,

- 5.1 The users of municipal services should be treated equitably in the application of tariffs.
- 5.2 As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- 5.3 All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have access to at least a minimum level of basic services through:
 - 5.3.1 Tariffs that cover the operating and maintenance costs,
 - 5.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
 - 5.3.3 Any other direct or indirect method of subsidization of tariff for poor households.
- 5.4 Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
- 5.5 Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- 5.6 Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.
- 5.7 Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.
- 5.8 The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.
- 5.9 The extent of subsidization of the poor households and other categories of users should be fully disclosed.

In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination.

In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt bylaws.

6. Classification and Pricing Strategies of Services

There are basically three categories of municipal services (i.e. trading, rate and general and housing services) which are discussed as follows:

6.1 Trading Services

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realized. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

- Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- Depreciation / capital charges based on usage, life of buildings, plant and equipment and infrastructure used.
- Financing outlays which include loan service costs.
- Allocated costs that include costs allocated through support services.

6.2 Rates and General Service

This service is further classified into 3 categories i.e. economic, subsidized and community services.

6.2.1 Economic Service

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit e.g. trade effluent includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the serviced as explained in 6.1 above.
- The rate per unit is based on projected usage.

6.2.2 Subsidized Services

These are services for which tariffs are fixed in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons.

Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include fire fighting, approval of building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions.

6.2.3 Community Services

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates. These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

In addition to the above services domestic refuse and sewage removal is also a community service provided directly to all the residents and for which costs form part of a balanced budget. The Municipality also provides support services such as committee services, records and archives, financial management accounting and stores, occupational health and human resources management, which are financed through property rates.

6.3 Housing and Hostel Services

These are usually grouped into three categories, namely, letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic i.e. the operating income should cover the operating expenditure. In addition these functions are being carried out on an agency basis as these are not deemed as Local Government functions.

7. Policy Proposal

7.1 A minimum amount of basic services must be free

The Municipality subscribes to the policy that all poor households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not

provided, would endanger public health or safety of the environment. These services include:

- Potable water
- Domestic wastewater and sewage removal
- Domestic refuse removal
- Electricity

The Council realizes that in order to achieve its goal, a minimum amount of basic services should be free to the poor, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to

make good any shortfall resulting from free services and to ensure a balanced budget on the trading account. In order to ensure affordable services, the Council will introduce a stepped tariff structure in which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

7.2 Keeping Tariffs Affordable

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The Council is also aware that due to historical reasons many residents receive services at a level higher than what they can afford. In order to remain affordable the Council will ensure that:

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipalities' operations,
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used,
- Any non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in our area, and;
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it. If this requires the Municipality to maintain significant infrastructure and other facilities, they should be phased out, except where the Council is by law required to provide such a service.

7.3 Introducing the “Consumer must pay principle”

Having regard for the abovementioned Council's policy on minimum amount of free basic services for all, the Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption services, the Council intends to install metering systems as in the case of water usage, and to take into account the free service element. In this regard the Council will develop a programme to install meters in appropriate cases. Also it is the Council's policy that the tariffs for such services must include all relevant cost factors.

7.4 Redistribution / Cross Subsidization

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidize those who pay less tax. The Council uses the trading surplus it realizes on the trading account to bring relief with regard to property tax rates. Likewise the Council will ensure that the cross subsidization occurs between and within services to further contribute to its redistribution objectives.

7.5 Promoting Local and Economic Competitiveness and Development

The size of the property rates and service charges accounts presented to the local businesses, is a significant business overhead for any business enterprise in the Municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal accounts presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness and
- To promote local economic development and growth.

7.6 Ensuring Financial Sustainability of Service Delivery

The Constitution, Local Government Municipals Systems Act, 2000 and Water Services Act of 1997 require that the Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of the municipality will be achieved when it is financed in a manner that ensures that it exhibits, at least, a break-even position. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

7.7 Indigents

The indigent assistance scheme will apply to tariffs set by the Council. With regards to customer service agreements, deposits and guarantees, accounts and billing, and all other items pertaining to credit control and debt collection, related to tariffs, reference must be made to the Credit Control and Debt Collection Policy.

7. Tariff Determination Process

Except in special circumstances, such as significant increases in the wholesale price of goods and services, the Council purchases during a year to provide services, the council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during Councils consultation process about the budget.

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may operate such;

- That it can levy and recover fees, charges or tariffs in respect of any function or service of the municipality,
- That fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members.
- The proposed tariffs will be presented to the community during Council's consultations process about the budget.
- Except in special circumstances, such as significant increase in the wholesale price of goods and services, the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Community consultation process about the budget.
- Immediately after the Council has determined or amended a tariff, the municipal manager must cause to be conspicuously displayed at a place installed for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice.

The notice must state:

The general purpose of the resolution,

The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment,

The date on which the notice is displayed,

That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed, and

That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe her / his objection.

If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council.

Where an objection is lodged, the Municipality will consider every objection.

The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment or may determine another tariff, on the date on which the determination or amendment will come into operation.

After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

BANKING AND INVESTMENT POLICY

PART 1:

1. SCOPE

This policy applies to all banking and investments made by Nketoana Local Municipality (NLM).

PART 2:

2. DEFINITIONS

In this Banking and Investment Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned, shall mean:

- (a) “council” means the Municipal Council of the Nketoana Local Municipality, its legal successors in title and its delegates;
- (b) “Chief Financial Officer” means the person who is appointed by the Council as the CFO for the Municipality or his / her delegate;
- (c) “Municipal Manager” means the person who is appointed by the Council as the head of the administration and as for the Municipality in accordance with section 82 of the Municipal Structure Act or his / her delegate;
- (d) “SMME” means small, medium and micro enterprises in the supply chain management systems of the Municipality;
- (e) “Investment”, in relation to funds of a municipality, means;
 - * the placing on deposit of funds of a municipality with a financial institutions; or
 - * the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds.

PART 3:

3. LEGAL COMPLIANCE

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy 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 and Regulations promulgated under the Act.

Applicable sections of this Act are attached as Annexure I to this policy.

PART 4:

4. OBJECTIVES OF INVESTMENT POLICY

- (1) The Council is the trustee of the municipal funds, 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.
- (2) The council therefore has a responsibility to invest these public funds knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.
- (3) The investment policy of the municipality is therefore aimed at gaining the optimal return in investments, without recklessly incurring undue risks, during those periods when cash revenues are not needed for capital purposes.
- (4) 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.

PART 5:

5. EFFECTIVE CASH MANAGEMENT

5.1 Cash Collection

- (1) All revenue due to the municipality shall be calculated on a monthly basis unless in particular instances where monthly accounts are uneconomical. All monies due to the municipality must be collected as soon as possible, either on or immediately after their due date, and banked on the primary or other specific and related account/s.

The municipality should strive by all means to collect monies due to it before their due date.

- (2) The respective responsibilities of the Chief Financial Officer (CFO) and other Managers in this regard is defined in a code of Financial Practice approved by the Accounting Officer and the CFO, and this code of practice is attached as Annexure II to this policy.
- (3) 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.

5.2 **Payments to Creditors**

- (1) The CFO and all officials delegated with powers to enter into contracts on behalf of the municipality shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality.

This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and the CFO taking into consideration the financial position of the municipality, shall approve any such departure before any payment is made.

- (2) In the case of SMME's, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which such service is rendered or within seven days of the date of receipt of the invoice for services rendered, whichever is the later. The CFO shall approve any such early payment before any payment is effected.
- (3) Notwithstanding the foregoing policy directives, The CFO or a delegated official shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the CFO or a delegated official determines that there are financial incentives for the municipality to do so.
- (4) The CFO or a delegated official shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to

take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by non-transferable cheques. Cash, non-transferable or cash cheques may be used only for payment in exceptional cases and then only for payments of up to R 1 000.00 in cash and non-transferable cheques for up to R 50 000.00 per transactional invoice

- (5) Special payments to creditors shall only be made with the express approval of the CFO, who shall be satisfied that there are compelling reasons for making such payments prior to the normal processing.

5.3 Management of Inventory

- (1) Each Head of Department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items, which are not readily available from suppliers, and emergency requirements in the case of items, which are readily available from suppliers.
- (2) Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the CFO for sale at a public auction or by other means of disposal, as approved for in the municipality's Supply Chain Management Policy

5.4 Cash Management Programme

- (1) The CFO shall prepare an annual estimate of the municipality's cash flows divided into calendar month, and shall update this estimate on a monthly 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.
- (2) Heads of departments shall in this regard furnish the CFO with all such information as is required, timeously and in the format indicated.

- (3) The CFO shall report to the executive committee, as the case may be, 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.
- (4) The cash flow estimates shall be divided into calendar months, and in reporting the CFO shall provide comments or explanations in regard to any significant cash flow deviation in any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

PART 6:

6. INVESTMENT ETHICS

- (1) The CFO shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the chairperson of the executive committee and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.
- (2) In making such investments the CFO, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councilors, Investment agents or institutions or any other party either inside or outside the municipality
- (3) Neither the CFO, the delegated official nor the chairperson of the executive committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be constructed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

PART 7

7. INVESTMENT PRINCIPLES

7.1 Limiting Exposure

- (1) Where surplus funds are available for investment the CFO shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The CFO shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).
- (2) Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

7.2 Risk and Return

- (1) Although the objective of the CFO in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be influenced by the degree of diversification required by the policy.
- (2) No investment shall be made with an institution where it does not meet the requirements.

7.3 Permitted Investments

- (1) From time to time it may be in the best interest of the municipality to make long-term investments. In such cases the CFO, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.
- (2) A municipality or municipal entity may invest funds only in any of the following investment types.
 - (3) Securities issued by the national government;
 - (4) deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990), with investment grade rating of not lower than "A" from a nationally or internationally recognized credit rating agency;
 - (5) deposits with the Public Investment Commissioner as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);

- (6) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);
- (7) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990; with investment grade rating of not lower than "A" from a nationally or internationally recognized credit rating agency;
- (8) Guaranteed endowment policies (with credit worthy institutions), with the intention of establishing a sinking fund;
- (9) Municipal bonds issued by a municipality; and
- (10) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

7.4 Payment of commission

- (1) No fee, commission or other reward may be paid to a councilor or official of a municipality or to a spouse or close family member of such councilor or official, in respect of any investment made or referred by a municipal entity.
- (2) Every financial institution with which the municipality makes an investment must issue a certificate to the CFO in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any benefit to any party for obtaining such investment.

7.5 Calls Deposits and Fixed Deposits

- (1) Before making any call or fixed deposits, the CFO, shall obtain quotations from at least three financial institutions.
- (2) Given the volatility of the money market, the CFO, shall whenever necessary, request quotations telephonically, and shall record and keep on file the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or on maturity, and so forth);

- (3) Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).
- (4) Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the CFO shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

7.6 Restriction on Tenure of Investments

- (1) No investment with a maturity date exceeding twenty four months shall be made without the prior approval of the executive committee or the council, as the case may be.

PART 8

8. CONTROL OVER INVESTMENTS

- (1) The CFO shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate that date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.
- (2) The CFO shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.
- (3) The CFO shall ensure that all investment documents and certificate are properly secured in a fireproof safe with segregated control over the access to safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

PART 9

9. OTHER EXTERNAL INVESTMENTS

- (1) From time to time it may be in the best interest of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality.
- (2) In such cases the CFO, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.
- (3) No investment with a tenure exceeding twelve months shall be made without the approval of the chairperson of the executive committee or the council, as the case may be, and without guidance having been sought from the municipality's bankers or other credible investment advisors on the security and financial implications of the investment concerned.

PART 10

10. BANKING ARRANGEMENTS

- (1) The Municipal Manager is responsible for the management of the municipality's bank accounts. The Municipal Manager may without abdicating his/her overall and overseeing authority and responsibility partly or otherwise delegate this function to the CFO. The Municipal Manager and CFO are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. Each cheque or electronic payments must be signed by at least two authorized signatories.
- (2) The Municipal Manager, in consultation with the CFO, at a time may appoint one or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported
- (3) to the Executive committee, on a monthly basis, as part of the report dealing with the municipality's investments.

- (4) In compliance with the requirements of good governance, the accounting officer shall open a primary bank account in the name of the municipality for ordinary operating purposes. The Municipal Manager may further maintain a separate account in the name of the municipality. The following monies must be deposited into the primary account: (see) section 8 (2) (a) to (d)
- a. the administration of the external finance fund (loans)
 - b. the asset financing reserve
 - c. capital receipts in the form of grants, donations or contributions from whatever
 - d. trust funds
 - e. the municipality's self-insurance reserve
- (5) In determining the number of additional accounts to be maintained, the Municipal Manager, in consultation with the CFO, shall have regard to the likely number of transactions affecting each of the accounts referred to.
- (6) Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.
- (7) The Municipal Manager shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year.
- (8) However, such tenders may be invited at any earlier stage, if the Municipal Manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the Executive Committee, as the case may be, agrees to the invitation of such tenders.

PART 11

11. RAISING OF DEBT

- (1) The Municipal Manager is responsible for the raising of short-term loans. The Municipal Manager may delegate the debt management function to the CFO, who shall then manage this responsibility in consultation with the Municipal Manager. All short-term loans shall be raised in strict compliance with the requirements of chapter 6 of the Municipal Finance Management Act 2003, and only with the approval of the council.
- (2) Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance for capital expenditure relating to property or equipment necessary to enable the municipality to render services and long-term refinancing purposes.
- (3) Short-term loans shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term loans, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the CFO.
- (4) Short-term debt shall be raised only to anticipate a certain long-term debt agreement enforceable allocations or a certain inflow of operating revenues.

PART 12

12. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

- (1) In managing the municipality's investments, the CFO shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually towards the redemption of the loan on establishing a sinking fund to redeem the loan on maturity.
- (2) Such investment may made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved.

PART 13

13. INTEREST ON INVESTMENTS

- (1) The interest accrued on all the municipality's investments shall, in compliance with the requirements of Generally Recognized Accounting Practice / Generally Accepted Municipal Accounting Practice, be recorded in the first instance in the municipality's primary account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.
- (2) In the case of the external finance fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.
- (3) If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Financial Officer to the appropriation account and expropriated to the asset financing reserve.

PROPERTY RATES POLICY

Introduction

The purpose of the report is to present to committee the property rates policy

1. LEGISLATIVE CONTEXT

- 1.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 1.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 1.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a local municipality in accordance with-
 - a. Section 2(1), may levy a rate on property in its area; and
 - b. Section 2(3), must exercise its power to levy a rate on property subject to-
 - i. Section 229 and any other applicable provisions of the Constitution;
 - ii. the provisions of the Property Rates Act and the regulations promulgated in terms thereof; and
 - iii. the rates policy.
- 1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the Council of a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.
- 1.5 In terms of Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 1.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof.

2. DEFINITIONS

- 2.1 “Act” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 2.2 “Agent”, in relation to the owner of a property, means a person appointed by the owner of the property-
- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
 - (b) to make payments in respect of the property on behalf of the owner;
- 2.3 “Agricultural purpose” in relation to the use of a property, includes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;
- 2.4 “Annually” means once every financial year;
- 2.5 “Category”
- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
 - (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.
- 2.6 “Child-headed household” means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.
- 2.7 “Definitions, words and expressions” as used in the Act are applicable to this policy document where ever it is used;
- 2.8 “Land reform beneficiary”, in relation to a property, means a person who -
- (a) acquired the property through -
 - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
 - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
 - (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);

- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;

2.9 “Land tenure right” means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004 (Act No.11 of 2004);

2.10 “Municipality” means the Local Municipality of Nketoana;

2.11 “Newly Rateable property” means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –

- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
- (b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;

2.12 “Owner”-

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:-

- (i) a trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in
- (iv) a judicial manager, in the case of a property in the estate of a person under
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

2.13 “Privately owned towns serviced by the owner” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

2.14 “Property” means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure.

2.15 “Public service infrastructure” means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i).

2.16 “Residential property” means improved property that:-

- (a) is used predominantly (60% or more) for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.

- (b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes.
- (c) Is owned by a share-block company and used solely for residential purposes.
- (d) Is a residence used for residential purposes situated on property used for or related to educational purposes.
- (e) Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

And specifically exclude hostels, flats, old age homes, guest houses and vacant land irrespective of its zoning or intended use.

2.17 “Rural communal settlements” means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.18 “state trust land” means land owned by the state-

- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).

3. POLICY PRINCIPLES

3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.

3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates

to any category of owners or properties, or to owners of properties on an individual basis.

3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 16 of this policy.

3.4 In accordance with section 3(3) of the Act, the rates policy for the municipality is based on the following principles:

(a) Equity

The municipality will treat all ratepayers with similar properties the same.

(b) Affordability

The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share.

(c) Sustainability

Rating of property will be implemented in a way that:

- i. it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
- ii. Supports local, social and economic development; and
- iii. Secures the economic sustainability of every category of

ratepayer.

(d) Cost efficiency

Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

4. SCOPE OF THE POLICY

- 4.1 This policy document guides the annual setting (or revision) of property rates tariffs. It does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

5. APPLICATION OF THE POLICY

- 5.1 In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES

- 6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and the Executive Committee of the municipality, make provision for the following classification of services:-

(a) Trading services

- i. Water
- ii. Electricity

(b) Economic services

- i. Refuse removal.
- ii. Sewerage disposal.

(c) Community and subsidized services

These include all those services ordinarily being rendered by the municipality excluding those mentioned in 6.1 (a) and (b).

- 6.2 Trading and economic services as referred to in clauses (a) and (b) must be ring fenced and financed from service charges while community and subsidized services referred to in clause (c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

7. CATEGORIES OF PROPERTY

7.1 Different rates may be levied in respect of the following categories of rateable properties and such rates will be determined on an annual basis during the compilation of the annual budget:-

7.1.1 Residential properties;

7.1.2 Industrial properties;

7.1.3 Business properties;

7.1.4 Agricultural properties;

7.1.5 Small Holdings;

7.1.6 State owned properties;

7.1.7 Municipal properties;

7.1.8 Public service infrastructure referred to in the Act;

7.1.9 Properties owned by Public Benefit Organizations;

7.1.10 Churches;

7.1.11 Educational;

7.1.12 Privately Owned Towns;

7.1.13 Vacant Stands.

7.2 In determining the category of a property referred to in 7.1 the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.

7.3 Properties used for multiple purposes shall be categorized and rated as provided for in section 9 of the Act and as more fully described in clause 9 of this policy.

8. CATEGORIES OF OWNERS

8.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 11, 12 and 13 respectively the following categories of owners of properties are determined:-

- (a) Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;
- (b) Those owners who do not qualify as indigents in terms of the adopted indigent policy of the municipality but whose total monthly income is less than the amount annually determined by the municipality in its budget;
- (c) Owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii. serious adverse social or economic conditions.
- (d) Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget;
- (e) Owners of properties situated in “privately owned towns” as referred to in clause 13.1 (b);
- (f) Owners of agricultural properties as referred to in clause 13.1 (c);
and
- (g) Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

9. PROPERTIES USED FOR MULTIPLE PURPOSES

9.1 Rates on properties used for multiple purposes will be levied in accordance with the “dominant use of the property”.

10. DIFFERENTIAL RATING

10.1 Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) The promotion of local, social and economic development of the municipality.

10.2 Differential rating among the various property categories will be done by way of:-

- (a) setting different cent amount in the rand for each property category; and
- (b) by way of reductions and rebates as provided for in this policy document.

11. EXEMPTIONS AND IMPERMISSIBLE RATES

11.1 The following categories of property are exempted from rates:-

(a) Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of determined assessment rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. For the 2009/2010 financial year the maximum reduction is determined as R20 000. The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R5 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

(c) Public Service Infrastructure

Is exempted from paying rates as allowed for in the Act as they provide essential services to the community.

(d) Right registered against a property

Any right registered against a property as defined in clause 2.14(b) of this policy is exempted from paying rates.

11.2 Exemptions in clause 11.1 will automatically apply and no application is thus required.

11.3 Impermissible Rates: In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate:-

- (a) 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, which are not developed or used for commercial, business, or residential agricultural purposes.
- (b) On mineral rights within the meaning of paragraph (b) of the definition of “property” in section 1 of the Act.
- (c) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds.
- (d) 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.

11.4 Public Benefit Organizations (PBO’s)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No 58 of 1962) for tax reduction because of those activities, Public

Benefit Organizations may apply for the exemption of property rates.

Public Benefit Organizations may include, inter alia:-

(a) *Welfare and humanitarian*

For example PBOs providing disaster relief.

(b) *Health Care*

For example PBO's providing counseling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependents in this regard.

(c) *Education and development*

For example PBO's providing early childhood development services for pre-school children.

(d) *Sporting bodies*

Property used by an organization for sporting purposes on a non-professional basis:

(e) *Cultural institutions*

Property used for purposes declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

(f) *Museums, libraries, art galleries and botanical gardens*

Property registered in the name of private persons, open to the public and not operated for gain.

(g) *Animal welfare*

Property owned or used by organizations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.

(h) *Cemeteries and crematoriums*

Property used for cemeteries and crematoriums.

(i) *Welfare institutions*

Properties used exclusively as an orphanage, non-profit retirement villages, old age homes or benevolent/charitable institutions, including workshops used by the inmates, laundry or cafeteria facilities; provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

(j) *Charitable institutions*

Property owned or used by institutions or organizations whose aim is to perform charitable work on a not-for-gain basis.

- 11.5 All possible benefiting organizations in clause 11.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the exemption applied for is granted the exemption will apply for the full financial year.
- 11.6 Public benefit organizations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.
- 11.7 The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- 11.8 The extent of the exemptions implemented in terms of clauses 11.1 to 11.4 must annually be determined by the municipality and included in the annual budget.

12. REDUCTIONS

- 12.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:-

12.1.1 Partial or total destruction of a property.

12.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

- 12.2 The following conditions shall be applicable in respect of clause 12.1:-

12.2.1 The owner referred to in clause 12.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent

the property can still be used and the impact on the value of the property.

12.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).

12.2.3 A maximum reduction to be determined on an annual basis shall be allowed in respect of both clauses 12.1.1 and 12.1.2. For the 2009/2010 financial year the maximum reduction is determined as 80%.

12.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

12.2.5 If rates were paid in advance prior to granting of a reduction the municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

13. REBATES

13.1. Categories of property

(a) Business, commercial and industrial properties

- i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-
 - a. job creation in the municipal area;
 - b. social upliftment of the local community; and
 - c. creation of infrastructure for the benefit of the community.
- ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-
 - a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;

- b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
 - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.

(b) Privately owned towns serviced by the owner

The municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in clause 2.13 of this policy.

All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2009/2010 financial year the rebate is determined as 20%.

(c) Agricultural property rebate

- i. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-
- a. the extent of rates related services rendered by the municipality in respect of such properties.
 - b. the contribution of agriculture to the local economy.
 - c. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and
 - d. the contribution of agriculture to the social and economic welfare of farm workers.
- ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may

not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.

iii. An additional rebate (based on the total property value) of maximum 10% will be granted by the municipality in respect of the following:-

- a. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
- b. 2,5% if these residential properties are provided with potable water.
- c. 2,5% if the farmer for the farm workers electrifies these residential properties.
- d. 2,5% for the provision of land for burial to own farm workers or educational or recreational purposes to own farm workers as well as people from surrounding farms.

iv. The granting of additional rebates is subject to the following:-

- a. All applications must be addressed in writing to the municipality by 31 August 2009 indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once off requirement. Any new applications for the 2010/2011 financial year and onwards must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year and such application again regarded as a once off requirement.
- b. Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.
- c. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify

for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 11.1(b) of this policy.

13.2 Categories of owners

Indigent owners and child headed families will receive a 100% rebate from payment of property tax:-

(a) Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality, regardless of the value of the property, will receive a 100% rebate from payment of property tax. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required by the owner.

(b) Child headed families

- i. Families headed by children will receive a 100% rebate for paying property tax, according to monthly household income. To qualify for this rebate the head of the family must:-
 - a. occupy the property as his/her normal residence;
 - b. not be older than 18 years of age;
 - c. still be a scholar or jobless; and
 - d. be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality. For the 2009/2010 financial year this amount is determined as R3 000 per month.
- ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.
- iii. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

- 13.3 Properties with a market value below a prescribed valuation level of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.
- 13.4 The extent of the rebates granted in terms of 13.1 and 13.2 must annually be determined by the municipality and included in the annual budget.

14. PAYMENT OF RATES

- 14.1 The rates levied on the properties shall be payable:-
- (a) on a monthly basis; or
 - (b) annually, before 30 September each year.
- 14.2 Ratepayers may choose paying rates annually in one instalment on or before 30 September each year. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.
- 14.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/ agent.
- 14.4 Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year.
- 14.5 Interest on arrears rates, whether payable on or before 30 September or in equal monthly installments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.
- 14.6 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will

be recovered from him/her in accordance with the provisions of the Credit Control and Debt Collection By-law of the Municipality.

- 14.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.
- 14.8 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.
- 14.9 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

15. ACCOUNTS TO BE FURNISHED

- 15.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:-
- (i) the amount due for rates payable,
 - (ii) the date on or before which the amount is payable,
 - (iii) how the amount was calculated,
 - (iv) the market value of the property, and
 - (v) rebates, exemptions, reductions or phasing-in, if applicable.
- 15.2 A person liable for payment of rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

15.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

16. PHASING IN OF RATES

16.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

16.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:-

- First year : 75% of the relevant rate;
- Second year : 50% of the relevant rate; and
- Third year : 25% of the relevant rate.

16.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. The phasing-in discount on these properties shall be as indicated below:-

- First year : 100% of the relevant rate;
- Second year : 75% of the relevant rate;
- Third year : 50% of the relevant rate; and
- Fourth year : 25% of the relevant rate.

17. SPECIAL RATING AREAS

17.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

17.2 The following matters shall be attended to in consultation with the committee referred to in clause 17.3 whenever special rating is being considered:-

17.2.1 Proposed boundaries of the special rating area;

- 17.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;
 - 17.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;
 - 17.2.4 Proposed financing of the improvements or projects;
 - 17.2.5 Priority of projects if more than one;
 - 17.2.6 Social economic factors of the relevant community;
 - 17.2.7 Different categories of property;
 - 17.2.8 The amount of the proposed special rating;
 - 17.2.9 Details regarding the implementation of the special rating;
 - 17.2.10 The additional income that will be generated by means of this special rating.
- 17.3 A committee consisting of 6 members of the community residing within the area affected will be established to advise and consult the municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.
- 17.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Municipal Manager. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.

- 17.5 In determining the special additional rates the municipality shall differentiate between different categories as referred to in clause 7 of this policy.
- 17.6 The additional rates levied shall be utilized for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.
- 17.7 The municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

18. FREQUENCY OF VALUATION

- 18.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.
- 18.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.
- 18.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

19. COMMUNITY PARTICIPATION

- 19.1 Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:-
- 19.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognized community organizations and where appropriate traditional authorities.
- 19.1.2 Conspicuously display the draft rates policy for a period of at least 30 days (municipality to include period decided on) at the

municipality's head and satellite offices, libraries and on the website.

19.1.3 Advertise in the media a notice stating that the draft rates policy has been prepared for submission to council and that such policy is available at the various municipal offices and on the website for public inspection.

19.1.4 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.

19.1.5 Council will consider all comments and/or representations received when considering the finalization of the rates policy.

19.1.6 The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000.

20. REGISTER OF PROPERTIES

20.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.

20.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

20.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

- i. Exemption from rates in terms of section 15 of the Property Rates Act,
- ii. Rebate or reduction in terms of section 15,
- iii. Phasing-in of rates in terms of section 21, and
- iv. Exclusions as referred to in section 17.

- 20.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.
- 20.5 The municipality will update Part A of the register during the supplementary valuation process.
- 20.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

21. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

- 21.1 The municipality will adopt By-laws to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

INDIGENT POLICY

1. DEFINITIONS

- 1.1 For the purpose of this document the following definitions will apply:
- 1.2 For the purpose of this Policy any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this Policy and unless the context indicates otherwise.
 - 1.2.2 Act: means the Local Government: Municipal System Act, 2000 (Act No. 32 of 2000), as amended from time to time,
 - 1.2.3 apparatus: includes a building, structure, pipe, pump, wire, cable, meter, machine or any fitting,
 - 1.2.4 billing: means proper formal notification on an account to persons liable for payment of amounts levied for assessment rates and other taxes by die municipality and the charges of the fees for municipal services and indicating the net accumulated balancers of the account,
 - 1.2.5 council: the municipal council of the municipality of Nketoana Local Municipality,
 - 1.2.6 credit control and debt collection: means the functions relating to the collection of all money that is due and payable to the municipality,
 - 1.2.7 customer: means any occupier of any premises to which the municipality has agreed to supply or is actually services, or if there is no occupier, then the owner of the premises,
 - 1.2.8 customer management: means focusing on the client's needs in a respective and reciprocal relationship between persons liable for these payments and the municipality, and when applicable, a service provider, thereby limiting the need for enforcement,
 - 1.2.9 defaulter: means a person owing the municipality money in respect of taxes and/or municipal service charges not paid on the due date for payment,
 - 1.2.10 engineer: means a person in charge of the civil or electrical departments of the municipality,
 - 1.2.11 interest: constitutes a levy equal in legal priority to service levies and is equivalent to the prime banking rate applicable from time to time,
 - 1.2.12 municipal account: shall include levies or charges in respect of the following:

Service and taxes: electricity and water consumption refuse removal, sewerage services, rates and taxes, interest, and miscellaneous and sundry charges.

- 1.2.13 municipal manager: means the person appointed by the Municipal Council as the Municipal Manager of the municipality in terms of section 82 of the Local Government Structures Act, 1998 (Act 117 of 1998) and includes any person acting in such position, and to whom the municipal manager

- has delegated a power, function or duty in respect of such delegated power, function or duty,
- 1.2.14 municipal services: all services including water, sanitation, electricity, refuse, rates and taxes reflected on the municipal account for which payment is required by the municipality,
- 1.2.15 Chief Financial Officer (CFO) : means a person appointed by the Council to manage the Council's financial,
- 1.2.16 Occupier: means any person who occupies any premises or part thereof, without regard to the title under which he or she occupies,
- 1.2.17.1 owner: means
- (a) The person in whom the legal title to the premises is vested,
 - (b) in case where the person in whom the legal title is vested is insolvent or dead, or is under any form or of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative,
 - (c) in relation to a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property, or a section as defined in such Act, the person in whose name such section is registered under sectional title deed and includes the lawfully appointed agent of such a person,
 - (d) any legal person including but not limited to a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), Trust *inter vivos*, Trust *mortis causa*, a Closed Corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984), a Voluntary Association.
 - (e) Any Department of State.
 - (f) Any Council or Board established in terms of any legislation applicable to the Republic of South Africa
- 1.2.18 policy document: means the approved indigent policy of this Municipal Council, as will be amended from time to time.
- 1.2.19 premises: includes any piece of land, the external surface boundaries of which are delineated on:
- (a) a generally plan or diagram registered in terms of the Land Survey Act, 9 of 1927) or in terms of the Deeds Registry Act, 47 of 1937, or
 - (b) a sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

CHAPTER 2

1. SCOPE OF APPLICATION

This policy document shall apply to the administration of all indigent determinations and offerings as determined by the Nketoana Local Municipality.

2. THE OBJECTIVES

- 2.1 The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the council and to provide procedures and guidelines for the subsidization of basic service (s) charges to its indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.
- 2.2 The council also recognizes that many of the residents can simply not afford the cost of full provision and for this reason the council will Endeavour to ensure affordability through setting tariffs in terms of the council's tariff policy, which will balance the economic viability of continued service delivery and determined appropriate service levels.
- 2.3 This policy aims to address the key issues and challenges of indigents. The strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized, given that many of the residents can simply not afford the cost of full provision of services.
- 2.4 Provide procedures and guidelines for the subsidization of basic service(s) charges to indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.
- 2.5 Facilitate implementation of an effective program to assure free or lower cost services to those that cannot afford it, while eliminating the booking of these services as outstanding debtors.
- 2.6 Provide a framework to assist the Municipality in identifying those who qualify for the limited basic services and assuring that the limits are placed as needed.

3. POLICY AND PRINCIPLES

- 3.1 In terms of section 74 of the Local Government Municipal Systems Act 2000, a municipal council (hereinafter referred to as the Council) must adopt and implement a tariff policy. In terms of section 74 (i) of the Act in adopting a tariff policy, the Council should at least take into consideration the extent of subsidization of tariff's for poor households.
- 3.2 Arising from the above, the municipality needs an indigent support policy. The indigent support policy must provide procedures and guidelines for the subsidization of basic services and tariff charges to its indigent households.
- 3.3 This policy aims to address the key issues and challenges of indigents, the strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized, given that many of the indigent residents can simply not afford the cost of full provision of services.
- 3.4 Increased revenue forms the base for effective service delivery, infrastructure development, and economic growth. It also contributes to poverty alleviation, the eradication of unemployment,

and the redistribution of resources including economic empowerment.

- 3.5 In line with the objective of creating a vibrant and growing Municipality, the indigent policy is also aligned to the principles of Batho-Pele.
- 3.6 Batho-Pele further aims to ensure that attitudes, systems and procedures are capable of delivering enhanced public services.

4. RESPONSIBILITIES/ACCOUNTABILITY AND DELEGATED AUTHORITY

- 4.1 Municipal Manager is in accordance with Section 62 of the Municipal Finance Management Act of a municipality is responsible for managing the financial administration of the municipality. This Municipal Manager must, for this purpose, take all reasonable steps to ensure that the municipality has and implements an indigent policy.
- 4.2 Should the Municipal Manager his/her designate experience undue interference or influence by a councilor that prohibits the execution of his/her responsibilities with regard to this policy, he/she should report this to the Member of Executive Council for Local Government and Housing.
- 4.3 The council has the overall responsibility for laying down the indigent support policy.
- 4.4 The policy must be read together with relevant By-laws.
- 4.5 The Council oversees and monitors the implementation and enforcement of this policy.
- 4.6 The Municipal Manager must implement and enforce this policy and any relevant by-laws.
- 4.7 The Municipal Manager must establish and control the administration necessary to fulfill this policy, and report efficiently and regularly to the Mayor in this regard.
- 4.8 The Municipal Manager may delegate authority for control and administration of this policy regard to the Chief Finance Officer.

5. PROCEDURES AND PROGRAMME

5.1 Source of Funding

- 5.1.1 The source of funding for the indigent subsidy is the Equitable Share contribution to the municipality made by the government from the national fiscus.
- 5.1.2 In exceptional circumstances this can be supplemented from other revenues. Council will determine the subsidy amount of percentage, per service category, per household, on a year to year basis, taking into account the Equitable Share allocation.
- 5.1.3 The subsidy allocation must be contained in the tariff schedule and must be reviewed annually with the annual budget and tariffs.

5.2 Qualification

In order to qualify for the registration as an indigent, an applicant must satisfy the following criteria:

- (a) the usage of the property must predominantly be for private residential.
- (b) the total household income at any given time of a financial year must not exceed R1 600. The under mentioned grants received will be excluded from determining household income:
 - Forster Child Grant, Pension Grant
 - Pension Grant
 - Donations
 - Child Support Grant, and donations
 - Care Dependency Grant.
- (d) the applicant must not be the registered owner of more than one property; and
- (e) Council or the delegated person may determine and review the criteria as mentioned in sub-items (a) and (b).

5.3 Conditions

- (a) The Municipal Manager may grant authority that prepaid meters are installed in those properties qualifying for indigent relief on electricity so that the consumption is within the prescribed Limit.
- (b) The Municipal Manager may grant authority that water restrictions be inserted in properties qualifying for indigent relief so that consumption is within the required level.
- (c) That he improved municipal value of the property on which the applicant resides shall not exceed R60 000.00.

5.4 Application

5.4.1 Consumers that are deemed to be indigent by the Municipality shall formally apply on the prescribed form for the relief and will qualify for the indigent support programme according to prescribed criteria and principles laid down by the Municipality.

5.4.2 The application form is to contain, *inter alia*, the following important information:

- 6.4.2.1 Details of the account holder;
- 6.4.2.2 Proof of residence;
- 6.4.2.3 Identification documents;
- 6.4.2.4 Number and names of dependants;
- 6.4.2.5 Electricity Meter Number;
- 6.4.2.6 Copy of latest Bank statement (where applicable);
- 6.4.2.7 An affidavit that the occupant has no source of income;

5.5 Application Procedures

5.5.1 If the applicant is employed, a copy of the latest pay slip must be produced or any other proof of income.

- 5.5.2 The applicant must provide a copy of his/her identity document.
- 5.5.3 The completed indigent application form must be handed in at the Nketoana local Municipality's officers.
- 5.5.4 A sworn affidavit to confirm the correctness of the information on the form.
- 5.5.5 The municipal manager or the designated person may approve the application.

6. **CONTROL SYSTEMS INDIGENTS**

- 6.1 All applicants shall be required to sign and submit a sworn affidavit to the effect that all information supplied is true and all income from formal or informal sources are declared.
- 6.2 An application will be submitted to Municipal offices in different units or to Ward Councilors.
- 6.3 The ward councilor will review the form and verify if the applicant is the indigent.
- 6.4 The ward councilor will approve or disapprove the application.
- 6.5 If the form is approved, the form will be submitted to the indigent registration clerk for capturing.
- 6.6 The indigent registration clerk will verify the applicant in the credit buro to check if the information of employment is correct.
- 6.7 A list of indigents per ward shall be generated on request.
- 6.8 The performance measure will identify the number of indigent households and to measure the percentage of these households to whom the municipality offers help. The municipality will also create a forum wherein these targets are assessed, the municipality's performance evaluated and remedial steps taken.
- 6.9 The credit control and the debt collection policy shall be applicable to a customer who is indigent and who is in arrears with their municipal bill.
- 6.10 Council reserves the right to deny the sale of electricity or water coupons to indigent customers who are in arrears with their rates or other municipal payments.

7. **AUDIT PROCESS**

- 7.1 The process of auditing the indigent applications will be as follows:
 - 7.1.1 All indigent registration will be audited by the indigent clerk.
 - 7.1.2 Should the audit establish that the person field a false application this will be communicated to the Councilor who will be required to confirm the facts with 14 days.

- 7.1.3 If the Councilor confirms in writing that a false application was filed the customer will be removed from the indigent register, the parked arrears will be reinstated onto the customer's account.
- 7.1.4 If the Councilor confirms that the indigent application was correct then the customer will remain on the indigent register.
- 7.1.5 Should the Councilor not confirm the status of the indigent application within the stipulated 14 days it will be assumed that the application was false and the customer will be removed from the indigent register.
- 7.1.6 A customer who submitted a false indigent application may be charged a penalty charge as determined by Council.
- 7.1.7 In the event of the death of an indigent customer the following procedures will apply:
 - 7.1.8 Proof of the death of a customer must be provided.
 - 7.1.9 The occupier of the property must be allowed to open an account.
 - 7.1.10 The occupier opening the new account must complete the required disconnection form for the deceased.
 - 7.1.11 After completing the required disconnection form for the deceased the occupier must complete the required connection form for service provision and if applicable register as an indigent consumer.
 - 7.1.12 The new occupier of the property must pay the prescribed applicable consumer deposit and connection fees.
 - 7.1.13 The process of transferring the property to the new owner must be proceeded with.
 - 7.1.14 When a non-indigent customer becomes indigent the debt of the customer, excluding the current year's charges must be parked. Interest on arrear charges will not be applicable to indigent customer accounts.

8. INDIGENT BENEFIT

The Council shall from the time to time determine the overall subsidy for indigent debtors. This amount includes rates, water, sewerage availability, refuse removal and VAT. The indigent will receive the following benefits:

8.1 Property Rates

All properties that have an improved municipal valuation of less than R60 000.00 will be exempted from paying any property rates.

8.2 Water

- 8.2.1 Indigent households is entitled to 6kl free. The free kl of water may be reviewed annually by the council.

- 8.2.2 Water consumption in excess of the 6kl free allocation will be charged for according to the current applicable water tariff.
- 8.2.3 The benefit of the 6kl “free” water will be based on the tariff of the consumption level above the “free” 6kl.
- 8.2.4 The Municipality will try to install meters which will restrict the flow to 6kl per month, but its failure to do so does not allow for violations of the 6kl per month limit under this Policy.
- 8.2.5 All water leakages shall be repaired by and at the cost of the municipality provided such leakages are reported within 24 hours of detection.
- 8.2.6 In the event of underground leakage the municipality shall have cause to investigate and monitor excessive consumption.

8.2 Electricity

The indigent debtor is entitled to receive 50kw of free electricity per month and will immediately be transferred to a pre-paid energy dispenser. The amount and extent of free electricity may be reviewed by Council on a yearly basis.

8.3 Sewerage and Refuse Removal.

Earning	Subsidy
R 0 – R800	100%
R800 – R1 100	66.6%
R1 100 – R1 500	33.3%

9. ARREARS OF INDIGENT DEBTOR

- 9.1 If the registration of the indigent is successful the arrears will then be written off by the municipality.
- 9.4 In the event that further non-payment of the current monthly accounts continue, it will lead to credit measures being taken to minimize consumption of services and hence, the current monthly levies.

9. WRITE-OFF

Council will consider, on an annual basis, the writing off subsidizing of existing service arrears at the time of enrolment as an indigent household, but not effecting with charges or connection/reconnection fees or any other fee / instalment in terms of an existing agreement.

10 ORPHANS

Children who have lost both parents and who have inherited fixed property and subject to the inability of the estate to pay arrear municipal accounts can register as indigents and the municipality can write off the arrears on

such fixed property due to the municipality, only if such property is to be registered in the names of such orphans.

12. **ACTION AGAINST MALPRACTICE**

12.1 This section states the steps that council will take against people who contravene this policy.

12.2 If it is established that incorrect information was furnished in obtaining relief the following action(s) are to be taken:

12.2.1 Suspend or stop the relief immediately.

12.2.2 Recover the amount of relief furnished from the recipient by debiting his/her account.

12.2.3 Apply normal credit control in accordance with the council's credit control policy; and may

12.2.4 Institute a criminal charge of fraud against the recipient.

12.3 **Theft and fraud**

12.3.1 Any person found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.

12.3.2 Council will immediately terminate the subsidy and the supply of services to a customer should conduct as outlined above be detected.

12.3.3 The total bill owing, including penalties, assessment of unauthorized consumption and discontinuation and reconnection fees, and increased deposits as determined by council if applicable, becomes due and payable before any reconnection can be sanctioned.

12.3.4 The debt collection process as outlined Credit Control and Debt Collection policy shall become applicable immediately.

FREE BASIC WATER POLICY

BACKGROUND

As a part of government's strategy to alleviate poverty, in South Africa, a policy for the provision of a free basic level of services has been introduced. In response to this commitment, the Department of Water Affairs (DWA) commenced the implementation of phase 1 of the National Free Basic Water strategy in February 2001.

The Free Basic Water Policy is not new to the South African Water Sector. In terms of the Water Services Act 108 of 1997, provision was made for those people who cannot afford to pay for a basic water supply.

1. RESPONSIBILITY OF PROVIDING FREE BASIC WATER

While national government has strongly promoted a free basic service initiative with a view of alleviating poverty, it is local government that is constitutionally mandated to deliver water services. A Free Basic Water policy must therefore be implemented at the local level where the decision making rests and services are rendered. As a Water Services Authority (WSA), Nketoana Local Municipality (NLM) is therefore responsible for the provision of Free Basic Water in all the areas under its jurisdiction.

2. DEFINITION OF A "BASIC" SUPPLY OF WATER.

The South African standard relating to a "basic" level of water supply, sufficient to promote healthy living, is based on the internationally accepted standard of 25 liters per person per day. This amounts to 6000 liters of water per household per month, based on a household of 8 people. This quantity is regulated as part of the national strategy in terms of sections 9 and 10 of the Water Services Act of 1997.

Nketoana Local Municipality has a discretion on the above amount which will be determined by the technical feasibility and economic sustainability, i.e.

1. In some areas NLM may choose to provide a greater amount, while in other areas only a lesser amount.
2. In remote areas with scattered settlements and in water stressed areas it is often not feasible to provide this amount of water.

Nketoana Local Municipality therefore adopts the above definition as the basis for this policy. In areas where the municipality is unable to provide the above amount due to infrastructure or water availability, then the possible quantity that can be provided less than 6kl per household per month will suffice until the municipality is in the position to supply the 6kl.

3. RECIPIENTS OF FREE BASIC WATER

The intended recipients of Free Basic Water at NLM are poor households who are unable to make any monetary contribution to pay for their municipal services due to varying factors. The poor households will be all households meeting the criteria as defined in the Indigent policy of Nketoana Local Municipality at any given time. However, Nketoana Local Municipality will consider extending provision of free Basic Water to all households as and when it can afford.

4. OPTIONS FOR SUPPLYING FREE BASIC WATER

Due to variances in township layout, density, level of existing infrastructure and service level as well as affordability, the same measures cannot be implemented in urban as is the case in rural developments.

The following Free Basic water provision options will therefore be implemented

5.1 Service Level Targeting

This approach refers to a technical option that provides a Free Basic Water through a particular type of service, e.g. all water consumed from communal stand taps, unmetred stand taps and any other supply which constitutes the minimum level of service will be considered to be Free Basic Water, provided the average consumption of such service per household is equal or less than the maximum Free Basic Water provision by the municipality.

5.2 Rising Block Tariff

This is a stepped tariff system where the first block of consumption up to 6kl per household per month is related as zero tariff. Higher levels of consumption are charged at incrementally increasing tariffs. The tariff must be calculated such that the water system is sustainable. Sustainable tariffs must cover the cost of management, operations and maintenance of the infrastructure, capital redemption costs on borrowed capital and replacement costs at the end of economic life. Nketoana Local Municipality has discretion to decide what level of cost recovery is appropriate and affordable.

5.3 Targeted Credits

All indigent consumers serviced through a metered yard connection shall receive the first 6kl of water at a charge of R0.00 per kl. Monthly basic levy may be charged to all non-indigent consumers who exceed a consumption of 6kl. Various pricing options will be considered for consumption over 6kl.

