



MOSES KOTANE LOCAL MUNICIPALITY

FINANCIAL POLICIES

- APPROVAL OF BUDGETS
- CASH MANAGEMENT & INVESTMENTS
- CREDIT CONTROL & DEBT COLLECTION
- TARIFF POLICY

Original Council Approval		Amended
Date of Council Approval	03/06/2026	
Resolution Number	151/05/2026	
Effective Date	1 July 2026	

CONTENTS

PART 1

APPROVAL OF BUDGET POLICY

1. OBJECT OF POLICY	3
2. APPROPRIATION OF FUNDS FOR EXPENDITURE	3
3. ANNUAL BUDGET	4
4. CONTENTS OF ANNUAL BUDGET	4
5. HOW EXPENDITURE MAY BE FUNDED	6
6. CAPITAL PROJECTS.....	7
7. BUDGET PREPARATION PROCESS.....	7
8. STRATEGIES: COMPILATION OF THE BUDGET	9
9. PUBLICATION OF ANNUAL BUDGETS	9
10. CONSULTATIONS ON BUDGET	10
11. ADJUSTMENT BUDGET.....	10
12. UNFORESEEN AND UNAVOIDABLE EXPENDITURE.....	12
13. UNSPENT FUNDS	12
14. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS..	12
15. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS.....	13
16. FAILURE TO APPROVE BUDGET	15
17. CONSEQUENCES OF FAILURE TO APPROVE BUDGET	15
18. NON-COMPLIANCE	15

PART 2

CASH MANAGEMENT AND INVESTMENTS POLICY

1. APPLICATION.....	18
2. ADOPTION OF CASH MANAGEMENT AND INVESTMENT POLICY...	18
3. CORE ELEMENTS.....	18
4. EFFECTIVE CASH MANAGEMENT.....	21
5. INVESTMENT ETHICS.....	22
6. INVESTMENT PRINCIPLES	22
7. GENERAL INVESTMENT PRACTICE	23
8. CONTROL OVER INVESTMENTS.....	26
9. INVESTMENTS DENOMINATED IN FOREIGN CURRENCY PROHIBITED.....	26

PART 3

CREDIT CONTROL AND DEBT COLLECTION POLICY

1. PURPOSE OF THE POLICY	26
2. RESPONSIBILITY FOR CREDIT CONTROL & DEBT COLLECTION ...	26
3. FINANCIAL MATTERS.....	27
4. PERSONNEL AND FINANCIAL IMPLICATIONS	34

5. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY	32
6. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS.....	35
7. CREDIT CONTROL POLICY FOR INDIGENT HOUSEHOLDS	35
8. CREDIT CONTROL AND DEBT COLLECTION FOR WATER AND ELECTRICITY	36
9. CREDIT CONTROL AND DEBT COLLECTION FOR ASSESSMENT RATES, REFUSE, SEWERAGE AND SUNDRY DEBTORS AND UNMETERED PROPERTIES.....	37

PART 4

TARIFF POLICY

1. PURPOSE AND APPLICATION OF POLICY	38
2. EMPOWERMENT TO LEVY AND RECOVER FEES, CHARGES AND TARIFFS.....	38
3. CORE ELEMENTS OR PRINCIPLES OF POLICY	39
4. ACCESS TO SERVICES AND REQUIREMENTS TO BE TAKEN INTO ACCOUNT IN DETERMINING TARIFFS.....	40
5. EXCEPTIONAL ARRANGEMENTS IN DETERMINING TARIFFS	41

PART 1

APPROVAL OF BUDGET POLICY

1. OBJECT OF POLICY

- 1.1 The object of this policy is to ensure sound and sustainable management of the budgetary approval process according to norms and standards of the Act, which also forms the basis of this policy and is required in terms of s.160(6) of the Constitution and S.11(3)(h) and (m) of the MSA.
- 1.2 The municipality derives its legislative and executive authority to prepare, approve and implement its budget in terms of s.11(3)(h) & (i) of the MSA, which includes the imposing and recovery of rates, taxes, levies, duties, service fees and surcharges on fees.

2. APPROPRIATION OF FUNDS FOR EXPENDITURE

- 2.1 The municipality may, except where otherwise provided for in the Act and its regulations, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget.
- 2.2 All the departments of the municipality must adhere strictly to the stipulations in paragraph 2.1.

3. ANNUAL BUDGET

- 3.1 The Council must consider and approve an annual budget for the municipality for each financial year at least 30 days before the start of that year as required by s.16(1) of the Act, namely before 31 May of each year. The mayor must table the draft annual before 01 April of each year as required by section 16(2) of the Act.
- 3.2 An annual budget-
 - 3.2.1 Is approved by the adoption by the council of a resolution referred to in paragraph 5.3.1.1; and
 - 3.2.2 Must be approved together with the adoption of resolutions as may be necessary-
 - 3.2.2.1 Imposing any municipal tax for the budget year;
 - 3.2.2.2 Setting any municipal tariffs for the budget year;
 - 3.2.2.3 Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - 3.2.2.4 Approving any changes to the municipality's integrated development plan; and
 - 3.2.2.5 Approving any changes to the municipality's budget related policies.
- 3.3 The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the North West Provincial Treasury.

4. CONTENTS OF ANNUAL BUDGET AND SUPPORTING DOCUMENTS

- 4.1 The draft annual budget must be scheduled in the following format to comply with s.17 of the Act, setting out –
 - 4.1.1 Realistic anticipated revenue for the budget year from each revenue source;
 - 4.1.2 Appropriate expenditure for the budget year under the different votes of the municipality;
 - 4.1.3 Indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - 4.1.4 Estimated revenue and expenditure by vote for the current year;

- 4.1.5 Actual revenue and expenditure by vote for the financial year preceding the current year; and
- 4.1.5 A statement containing any other information required by s.215(3) of the Constitution or as may be prescribed.
- 4.2 Requirements set out in s.215(3) of the Constitution that a budget must contain are –
 - 4.2.1 Estimates of revenue and expenditure, differentiating between capital and current expenditure;
 - 4.2.2 Proposals for financing any anticipated deficit for the period to which they apply; and
an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.
- 4.3 The draft annual budget must be accompanied by the following documents:
 - 4.3.1 Draft resolutions-
 - 4.3.1.1 Approving the budget of the municipality;
 - 4.3.1.2 Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
 - 4.3.1.3 Approving any other matter that may be prescribed;
 - 4.3.2 Measurable performance objectives for revenue from each source and for each vote in the budget, considering the municipality's integrated development plan;
 - 4.3.3 A projection of cash flow for the budget year by revenue source, broken down per month;
 - 4.3.4 Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
 - 4.3.5 Any proposed amendments to the budget-related policies of the municipality;
 - 4.3.6 Particulars of the municipality's investments;
 - 4.3.7 Any prescribed budget information on municipal entities under the sole or shared control of the municipality;
 - 4.3.8 Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;

- 4.3.9 Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
- 4.3.10 particulars of any proposed allocations or grants by the municipality to-
 - 4.3.10.1 Other municipalities;
 - 4.3.10.2 Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - 4.3.10.3 Any other organs of state;
 - 4.3.10.4 Any organizations or bodies referred to in s.67(1) of the Act;
- 4.3.11 the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
 - 4.3.11.1 Each political office-bearer of the municipality;
 - 4.3.11.2 Councilors of the municipality; and
 - 5.3.11.3 The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
- 4.3.12 any other supporting documentation as may be prescribed.

5. HOW EXPENDITURE MAY BE FUNDED

- 5.1 In terms of the Act, an annual budget may only be funded from –
 - 5.1.1 Realistically anticipated revenues to be collected;
 - 5.1.2 Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - 5.1.3 Borrowed funds, but only for the capital budget not the operational budget.
- 5.4 Revenue projection in the budget must be realistic, taking the following factors into account –
 - 5.4.1 Projected revenue for the current year based on collection levels to date; and
 - 5.4.2 Actual revenue collected in previous financial years.

6. CAPITAL PROJECTS

- 6.1 In terms of s.19 of the Act, a municipality may spend money on a capital project only if-
 - 6.1.1 The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget;
 - 6.1.2 The project, including the total cost, has been approved by the Executive Committee;
 - 6.1.3 Section 33 of the Act has been complied with, to the extent that that section may be applicable to the project; and
 - 6.1.4 The sources of funding have been considered, are available and have not been committed for any other purposes.
- 6.2 Before approving a capital project in terms of paragraph 7.2, the council of a municipality must consider-
 - 6.2.1 The projected cost covering all financial years until the project is operational; and
 - 6.2.2 The future operational costs and revenue on the project, including municipal tax and tariff implications.
- 6.3 A municipal council may in terms of paragraph 7.2 approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

7. BUDGET PREPARATION PROCESS

- 7. On behalf of the Mayor, the Accounting Officer must in terms of s.21 of the Act -
 - 7.1 co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
 - 7.2 At least 10 months before the start of the budget year, namely before 01 September, table in the municipal council a time schedule outlining key deadlines for-
 - 7.2.1 The preparation, tabling and approval of the annual budget;
 - 7.2.2 The annual review of-

- 7.2.2.1 The integrated development plan in terms of section 34 of the MSA; and
- 7.2.2.2 The budget-related policies;
- 7.2.3 The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- 7.2.4 Any consultative processes forming part of the processes referred to in paragraphs (10.2.1), (10.2.2) and (10.2.3).
- 7.3 When preparing the annual budget, the Mayor, in consultation with the Accounting Officer and Chief Financial Officer must-
- 7.3.1 Consider the municipality's integrated development plan;
- 7.3.2 Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the MSA, considering realistic revenue and expenditure projections for future years;
- 7.3.3 consider the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;
- 7.3.4 consult-
- 7.3.4.1 The relevant district municipality and all other local municipalities within the area of the district municipality, if the municipality is a local municipality;
- 7.4.2 The relevant provincial treasury, and when requested, the National Treasury; and
- 7.4.3 Any national or provincial organs of state, as may be prescribed; and
- 7.5 provide, on request, any information relating to the budget-
- 7.5.1 To the National Treasury; and
- 7.5.2 Subject to any limitations that may be prescribed, to-
- 7.5.2.1 The national departments responsible for water, sanitation, electricity and any other service as may be prescribed;
- 7.5.2.2 Any other national and provincial organs of state, as may be prescribed; and
- 7.5.2.3 Another municipality affected by the budget.

8. STRATEGIES TO BE TAKEN INTO ACCOUNT FOR THE COMPILATION OF THE BUDGET

- 8. Strategies that must also be considered when the Annual Budget is compiled are –
 - 8.1 The needs and requirements of the municipality's IDP;
 - 8.2 The revision of the valuation rolls of the municipality at least every two years to fully utilize the revenue to be derived from municipal rates, especially where sharp rises in the market values of properties are experienced;
 - 8.3 The needs of the indigent communities of the municipality in terms of the indigent support policy;
 - 8.4 The absolute minimum operational requirements of the various municipal departments to render an efficient, economical yet sustainable service to the community;
 - 8.5 The concept of developmental local government to comply with the State's requirements in this regard;
 - 8.6 A reasonable increase in tariffs, fees, levies, charges etc., to adequately maintain the standard of municipal services the municipality has decided to render to its community.

9. PUBLICATION OF ANNUAL BUDGETS

- 9.1 Immediately after an annual budget has been tabled in a municipal council, the accounting officer of the municipality must-
 - 9.1.1 in accordance with the MSA-
 - 9.1.1.1 Make public the annual budget and the documents referred to in paragraph 5.3.1; and
 - 9.1.1.2 Invite the local community to submit representations in connection with the budget; and
 - 9.2 submit the annual budget-
 - 9.2.1 In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and
 - 9.2.2 In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

10. CONSULTATIONS ON BUDGET

- 10.1 When the annual budget has been tabled, the municipal council must consider any views of-
 - 10.1.1 The local community; and
 - 10.1.2 The National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
 - 10.1.3 After considering all budget submissions, the council must give the Mayor an opportunity-
 - 10.1.3.1 To respond to the submissions; and
 - 10.1.3.2 if necessary, to revise the budget and table amendments for consideration by the council.
- 10.2 Adherence to any guidelines that National Treasury may issue on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
- 10.3 No guidelines issued in terms of 14.3 are binding on a municipal council unless adopted by the council.
- 10.4 In term of s.20 of MSA the council must allow the general public to attend the meeting at which the draft budget is to be adopted and give any member of the local community the opportunity to address the Council on issues concerning the budget, should such a request be forthcoming.

11. ADJUSTMENT BUDGET

- 11.1 The municipality may revise an approved annual budget through an adjustments budget.
- 11.2 An adjustments budget-
 - 11.2.1 Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - 11.2.2 May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

- 11.2.3 May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- 11.2.4 May authorize the utilization of projected savings in one vote towards spending under another vote;
- 11.2.5 May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- 11.2.6 May correct any errors in the annual budget; and
- 11.2.7 May provide for any other expenditure within a prescribed framework.
- 11.3 An adjustments budget must be in a similar format to the original budget.
- 11.4 Only the Mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of s.28(2)(b) to (g) of the Act may only be tabled within certain prescribed limitations as to timing or frequency.
- 11.5 When an adjustments budget is tabled, it must be accompanied by-
 - 11.5.1 An explanation how the adjustments budget affects the annual budget;
 - 11.5.2 A motivation of any material changes to the annual budget;
 - 11.5.3 An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
 - 11.5.4 Any other supporting documentation that may be prescribed.
- 11.6 Municipal taxes and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- 11.7 Paragraphs 13.1, 13.2 and 14.3 apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

12. UNFORESEEN AND UNAVOIDABLE EXPENDITURE

- 12.1 The Mayor may in an emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- 12.2 Any such expenditure-
- 12.2.1 Must be in accordance with any framework that may be prescribed;
 - 12.2.2 May not exceed a prescribed percentage of the approved annual budget;
 - 12.2.3 Must be reported by the mayor to the municipal council at its next meeting; and
 - 12.2.4 Must be appropriated in an adjustments budget.
- 12.3 If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorized and will be regarded as unauthorized, irregular or fruitless and wasteful expenditure.

13. UNSPENT FUNDS

The appropriation of funds in an annual or adjustments budget lapses to the extent that those funds are unspent at the end of the financial year to which the budget relates, except in the case of an appropriation for expenditure made for a period longer than that financial year in terms of section 16(3) of the Act.

14. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

- 14.1 When funds for a capital programme are appropriated in terms of section 16(3) of the Act for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that-
- 14.2 The increase does not exceed 20 per cent of that year's appropriation for the programme;
- 14.3 The increase is funded within the following year's appropriation for that programme;
- 14.4 The municipal manager certifies that-
- 14.3.1 Actual revenue for the financial year is expected to exceed the budgeted revenue; and

- 14.3.2 Sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- 14.3 Prior written approval is obtained from the Mayor for the increase; and
- 14.4 The documents referred to in paragraphs 18.3 and 18.4 are submitted to the relevant provincial treasury and the Auditor-General.

15. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

- 15.1 A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if-
 - 15.1.1 The municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved has, in accordance with section 21A of the MSA-
 - 15.1.1.1 Made public the draft contract and an information statement summarizing the municipality's obligations in terms of the proposed contract; and
 - 15.1.1.2 Invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and
 - 15.1.1.3 has solicited the views and recommendations of-
 - 15.1.1.3.1 the National Treasury and the relevant provincial treasury;
 - 15.1.1.3.2 the national department responsible for local government; and
 - 15.1.1.3.3 if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;
- 15.2 The municipal council has taken into account-
 - 15.2.1 The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;
 - 15.2.2 The impact of those financial obligations on the municipality's future municipal tariffs and revenue;

- 15.2.3 Any comments or representations on the proposed contract received from the local community and other interested persons;
- 15.2.4 Any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph 19.1;
- 15.3 The municipal council has adopted a resolution in which-
 - 15.3.1 It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
 - 15.3.2 It approves the entire contract exactly as it is to be executed; and
 - 15.3.3 It authorizes the municipal manager to sign the contract on behalf of the municipality.
- 15.4 The process set out in paragraph 19 does not apply to-
 - 15.4.1 Contracts for long-term debt regulated in terms of section 46(3) of the Act;
 - 15.4.2 Employment contracts; or
 - 15.4.3 contracts-
 - 15.4.3.1 For categories of goods as may be prescribed; or
 - 15.4.3.2 In terms of which the financial obligation on the municipality is below a prescribed value; or a prescribed percentage of the municipality's approved budget for the year in which the contract is concluded.
- 15.5 All contracts referred to in para. 19 and all other contracts that impose a financial obligation on a municipality-
 - 15.5.1 Must be made available in their entirety to the municipal council; and
 - 15.5.2 May not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
 - 15.5.3 This paragraph does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

16. FAILURE TO APPROVE BUDGET

- 16.1 If the council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.
- 16.2 The process provided for in para. 22.1 must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.
- 16.3 If the council has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year, the Mayor must immediately comply with section 55 of the Act.

17. CONSEQUENCES OF FAILURE TO APPROVE BUDGET

- 17.1 If by the start of the budget year a municipal council has not approved an annual budget or any revenue-raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the municipality in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved, including dissolving the council and-
 - 17.1.1 Appointing an administrator until a newly elected council has been declared elected; and
 - 17.1.2 Approving a temporary budget or revenue-raising measures to provide for the continued functioning of the municipality.

18. NON-COMPLIANCE OF THE ACT RELATING TO BUDGETARY PROCEDURE

- 18.1 The Mayor will, upon becoming aware of any impending non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for finance in the province, in writing, of such impending non-compliance in terms of s.27 of the Act.
- 18.2 If the impending non-compliance pertains to a time provision, except sect. 16(1) of the Act, the MEC for finance may, on application by the Mayor and on good cause shown, extend any time limit or deadline contained in that provision, provided that no such extension may

compromise compliance with sect. 16(1) of the Act. An MEC for finance must-

- 18.2.1 Exercise the power contained in the Act in accordance with a prescribed framework; and
 - 18.2.2 Promptly notify the National Treasury, in writing, of any extensions given in terms of this subsection, together with the name of the municipality and the reasons.
- 18.3 The Mayor must, upon becoming aware of any actual non-compliance by the municipality of the provisions of this Act relating to budget procedure, inform the council, the MEC for finance and the National Treasury, in writing, of-
- 18.3.1 Such non-compliance; and
 - 18.3.2 Any remedial or corrective measures the municipality intends to implement to avoid a recurrence.
- 18.4 Non-compliance by the municipality with a provision of this Act relating to the budget process or a provision in any legislation relating to the approval of a budget-related policy, does not affect the validity of an annual or adjustments budget.
- 18.5 The provincial executive may intervene in terms of the appropriate provision of section 139 of the Constitution if a municipality cannot or does not comply with a provision of this Act, including a provision relating to process in terms of s.27 of the Act.

PART 2

CASH MANAGEMENT AND INVESTMENT POLICY

1. APPLICATION

- 1.1 This policy applies to the Municipality and all investment managers acting on behalf of, or assisting, the Municipality.
- 1.2 This policy prescribes the manner in which the Municipality must conduct its cash management and investments as well as invest all monies not immediately required.
- 1.3 An investment manager shall have the same meaning as defined under R308 of 01 April 2005.

2. ADOPTION OF CASH MANAGEMENT AND INVESTMENT POLICY

- 2.1 The cash management and investment policy to be established by a municipality in terms of section 13(2) of the MFMA, must be –
 - (a) Adopted by the council of the municipality after the local community has been given the opportunity to make representations or comments thereon; and
 - (b) Consistent with the regulations published under R308 of 01 April 2005 in Government Gazette No. 27431 of same date.
- 2.2 All investments made by a municipality or by an investment manager on behalf of a municipality must be in accordance with the cash management and investment policy of the municipality and the regulations mentioned in 2.1(b)

3. CORE ELEMENTS

This policy must –

- ❖ Be in writing;
- ❖ Give effect to the regulations; and
- ❖ Set out the requirements of regulation 4(c).

3.2 Scope of policy

The scope of this policy shall be as follows:

- 3.1.1 As trustees of public funds, the Municipality has an obligation to see to it that cash resources are managed as effectively as possible.
- 3.1.2 The Municipality has a responsibility to invest public funds with great care and is accountable to the community in this regard.

3.1.3 The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cash flow management program.

3.1.4 All legislation must be adhered to.

3.2 Objects of policy

The objects of this policy are to ensure –

3.2.1 That investment of surplus funds form part of the financial system of the Municipality;

3.2.2 That the same procedure is followed in respect of each investment to conform to the requirements of transparency, equitability and fairness in each se;

3.2.3 The preservation and safety of investments as a primary aim;

3.2.4 The need for investment diversification; and

3.2.5 The liquidity needs of the Municipality.

3.2.6 A minimum acceptable credit rating and requirements for investments, including

(aa) a list of approved investment types that may be made, subject to regulation 6;

(bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;

3.2.7 Procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the MFMA;

3.2.8 Measures for ensuring implementation of the policy and internal control over investments made;

3.2.9 Procedures for reporting on and monitoring of all investments made, subject to regulation 9;

3.2.10 Procedures for benchmarking and performance evaluation;

3.2.11 Assignment of roles and functions, including any delegation of decision-making powers;

3.2.12 If investment managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and

3.2.13 Procedures for the annual review of the policy.

3.3 Permitted Investment Types

The Municipality shall invest funds only in any of the following investment types:

- (a) Securities issued by the national government;
- (b) Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- (c) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- (d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- (e) Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) Guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) Repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) Municipal bonds issued by another municipality; and
- (j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

3.4 Credit Requirements

Subject to regulation 10, the Municipality must take all reasonable and prudent steps consistent with this policy and according to the standard of care as required by regulation 5 to ensure that it places its investments with credit-worthy institutions. The international credit rating should be used to evaluate the credit-worthiness of financial institutions.

3.5 Regular Review

The Municipality shall review its investments regularly and liquidate any investment that no longer has the minimum acceptable rating as specified.

3.6 Portfolio Diversification

The Municipality must take all reasonable and prudent steps, consistent with this policy and standard of care prescribed in regulation

5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

3.7 Invitation and selection of competitive bids or offers for long-term investments

The Chief Financial Officer shall invite bids or offers from a list of approved institutions for the long-term investment of funds and make recommendations to the Mayor for approval in terms of s.60(2) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000).

3.8 Reporting requirements

In terms of reg. 9 the accounting officer of the Municipality must within 10 working days of the end of each month submit a report in accordance with generally recognized accounting practice, describing the investment portfolio as at the end of the month and such report shall contain the following particulars:

- 3.8.1 The market value of each investment as at the beginning of the reporting period;
- 3.8.2 Any changes to the investment portfolio during the reporting period;
- 3.8.3 The market value of each investment as at the end of the reporting period; and
- 3.8.4 Fully accrued interest or yield for the reporting period.

4. EFFECTIVE CASH MANAGEMENT

4.1 Cash Management Plan

Adequate and efficient cash management is one of the main functions of the Chief Financial Officer. It is therefore imperative that a cash management plan be established and adhered to at all times.

4.2 Cash Collections

- 4.2.1 All monies due to the municipality must be collected as soon as possible and banked on a daily basis. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for the larger amounts received, to make sure that these are banked on the same day it is received.
- 4.2.2 It is essential that all amounts owed to the Municipality be levied by way of a debit in the applicable debtor's system. A well managed

debtor- and banking control system is the proper measure for ensuring that monies owed to the Municipality are timeously received and banked. It is also important to review the debt collection performance by regularly comparing monies presently owed to the Municipality in relation to the total income as well as to the situation in previous financial years, in order to determine whether the debt collection is deteriorating or improving and this is also required by the Act.

- 4.2.3 By utilizing the available information and expertise, the Chief Financial Officer can assess the timing with regard to the applicable investment policy accordingly. Daily cash flow estimates will provide for daily call investments and investment withdrawals, whereas long-term investments need to be based on projections further into the future.

5. INVESTMENT ETHICS

The following ethics apply when dealing with financial institutions and other interested parties:

- 5.1 The Accounting Officer is accountable for the investment of funds, and must ensure that the staff steers clear from outside interference, regardless of whether such interference comes from individual councillors, agents or any institution.
- 5.2 Under no circumstances may any staff member be held susceptible to coercive measures of any description. No member of staff may accept any gift other than something that is so small (monetary value not exceeding R100,00) that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences him in his work or is intended to do so.
- 5.3 The Chief Financial Officer must act according to his/her own discretion and should report any serious cases such as for instance offers of a personal commission or payment in kind, etc., to the Accounting Officer. Discretion should be the order of the day, and excessive gifts and hospitality must be refused and avoided.
- 5.4 Interest rates should never be divulged to another institution.

6. INVESTMENT PRINCIPLES

6.1 Limited Exposure to a Single Institution

Money, especially large sums of money should be invested with more than one institution, in order to limit the risk exposure of the Municipality. Where legislation allows, the Municipality must try to plan the distribution of their investments to cover more than one investment category. In this case it should be noted that a group of financial institutions would be treated as individual institutions.

6.2 Risk and Return

It should be accepted as general principle that the larger the return, the greater the risk will be.

6.3 Borrowing Money for Reinvestment

The municipality may not borrow any money for investment purposes as this can be seen as speculation with public funds.

6.4 Cash in the Bank

Where money is kept in current accounts, it would be possible, as well as being an expedient practice, to bargain for more beneficial rates with regard to deposits, for instance call deposits. These rates can be increased by fixed term investments. The overriding principle is to limit the cash in the current account to the absolute minimum but always considering the cash management plan and monthly cash flow estimates.

6.5 Employees and Councillors Benefiting from Investments

No employee or councilor of the Municipality or their family may under any circumstance whatsoever on his or her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made.

6.6 Transparency and Fairness

There shall at all times be transparency, equitability, fairness and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard details of all investments must form part of the monthly financial report by the Accounting Officer to the Mayor.

7. GENERAL INVESTMENT PRACTICE

7.1 General Principles

7.1.1 After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer has to consider the way in which the investment is to be made in conjunction with the Accounting Officer. Because rates can vary according to money market perceptions with regard to the term of investment, quotations for fixed deposits should be requested telephonically for a period within the limitations of the maximum term. All telephonic quotations must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before any re-investment is made with the same institution.

7.1.2 Where a fixed deposit is made at an institution at a lower rate than other quotations, reasons must be recorded by the Chief Financial Officer and reported to the Mayor as part of the monthly financial report by the Accounting Officer.

7.2 Payment of Commission

7.2.1 The financial institution where a fixed deposit is made must issue a certificate with regard to each investment when the investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or councilor of the Municipality or their family or an agent or go-between, or to any person nominated by such agent or go-between, except where the Municipality has decided, in terms of duly authorizing legislation, to appoint a go-between/agent/consultant and the fee/commission has been decided and approved by the Mayor before any investment is made with such a firm.

7.2.2 In the case of long-term securities at Insurance Companies any payment of commission to any go-between/agent/consultant must be clearly stated on the application form and approved by the Mayor in terms of duly authorizing legislation, before any investment is made.

7.2.3 If any fee, commission or other reward is paid to an investment manager in respect of an investment made by the municipality both the investee and the investment manager must declare such payment to the Council by way of a certificate disclosing full details of the payment.

7.3 Call Deposits and Fixed Deposits Shorter than 12 Months

7.3.1 Quotations ought to be solicited from a minimum of three financial institutions bearing in mind the limits of the term for which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions that were approached should also be asked to quote a rate for the same term.

7.3.2 It is acceptable to ask for quotations telephonically, as rates can generally change on a regular daily basis and time is a determining factor when investments are made.

7.3.3 The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the relevant terms and rates and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted is essential before the investment is made.

- 7.3.4 Once the required number of quotations has been obtained, a decision has to be taken regarding the best terms offered and the institution with which the funds are going to be invested. The best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package, the institution has to be told to offer their best rate in their quotation. They should also be informed that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard.
- 7.3.5 The above-mentioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis.
- 7.3.6 It is essential to make sure that the investment document received is a genuine document, issued by an approved institution. The investment capital should be paid over only to the institution with which it is to be invested, and not to any agent.
- 7.3.7 The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that he/she evaluates.

7.4 Internal Investments

Depending on the determining legislation, the Municipality may utilize amongst others, the following possibilities of internal investment; the taking up of all or any part of the securities issued by itself, debentures and other securities, provided that applicable contributions are made to the Loan Redemption Fund with regard to the redemption, on the due date of each loan. This also includes any investment in any Loan Fund or any Consolidated Investment Fund established by itself. The principles and practices as set out above will once again apply.

7.5 Standard of care to be exercised when making investments

- 7.5.1 Investments by a municipality or by an investment manager on behalf of a municipality –
- 7.5.1.1 Must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- 7.5.1.2 May not be made for speculation but must be a genuine investment; and
- 7.5.1.3 Must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to

the liquidity needs of the municipality and lastly to the probable income derived from the investment.

8. CONTROL OVER INVESTMENTS

- 8.1 Proper records should be kept of all investments made. At the very least the following facts should be indicated; the institution the funds, the interest rate and the maturity date.
- 8.2 Interest, correctly calculated, should be received timeously, together with any distributable capital.
- 8.3 Investment documents and certificates should be kept in a fire-resistant safe.
- 8.4 The Chief Financial Officer is responsible for ensuring that the invested funds are quite secure and should there be a measure of risk, such risk must be rated realistically.
- 8.5 All investments made must be in the name of the municipality.
- 8.6 The responsibility and risk arising from any investment vests in the municipality.

9. INVESTMENTS DENOMINATED IN FOREIGN CURRENCY PROHIBITED.

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

PART 3

CREDIT CONTROL AND DEBT COLLECTION POLICY

1. PURPOSE OF THE POLICY

The purpose of this policy is to ensure that credit control, debt collection and indigent support forms part of the financial system of the Municipality and to ensure that the same procedures are followed for each individual case, as required by S.95 of Act, as well as s.64 of the Local Government: Municipal Financial Management Act, 2003 (No. 56 of 2003) (hereafter referred to as the MFMA).

2. RESPONSIBILITY FOR CREDIT CONTROL & DEBT COLLECTION

2.1 Supervisory Authority

The Municipality's Executive Committee must, in terms of s.99 of the Act –

2.1.1 oversee and monitor:

2.1.1.1 The implementation and enforcement of the Municipality's credit control and debt collection policy and any by-laws enacted; and

2.1.1.2 The performance of the Municipal Manager in implementing the policy and any by-laws.

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

2.1.3 Report quarterly to a meeting of the Council.

2.2 Implementing Authority

The Municipal Manager must in terms of s.100 of the Act –

2.2.1 Implement and enforce the Municipality's credit control and debt collection policy as well as indigent support scheme and any by-laws enacted in terms of the Act;

2.2.2 In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality; and

- 2.2.3 Report the prescribed particulars monthly to a meeting of the Executive Committee.

2.3 Unsatisfactory Levels of Indebtedness

- 2.3.1 If the level of indebtedness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in this policy, the supervisory authority must, without delay, advise the councilor for that ward. The councilor concerned:

- 2.3.1.1 Must without delay convene a meeting of the ward committee, if there is one, or convene a public meeting and report the matter to the committee or meeting for discussion and advice; and

- 2.3.1.2 make appropriate recommendations to the supervisory authority.

3. FINANCIAL MATTERS

3.1 Service Agreement

Before a service is supplied, a consumer must enter into a contract of agreement and such contract should provide for a deposit to be paid as security.

3.2 Control over Deposits of Security

- 3.2.1 The deposit to be paid must be an amount not less than an average sum equal to two month's service levies, as calculated by the Chief Financial Officer.

- 3.2.2 After the disconnection of a service by the Municipality, an increased deposit may be required in addition to a reconnection fee.

- 3.2.3 Where the services are not readily available and the Municipality must incur additional costs to provide such services, the Municipality may require bank guarantees for the provision of municipal services.

- 3.2.4 Deposits received must be reviewed annually and a register must be maintained for this purpose. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality. No interest shall accrue in favour of the depositors thereof. Upon termination of the debtor's agreement with the Municipality, the deposit will first be offset against any outstanding balance (if any) owed to the Municipality, and the remainder thereof will be refunded to the customer.

3.3 Rendering of Accounts

3.3.1 Although the Municipality undertakes to render a monthly account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount.

3.3.2. Accounts to ratepayers and users of municipal services must contain at least the following particulars:

- 3.3.2.1 The name of the Municipality
- 3.3.2.2 The name of the ratepayer / user of the service'
- 3.3.2.3 The service levies or rates in question''
- 3.3.2.4 The period allowed for the payment of services and rates;
- 3.3.2.5 The property and address in respect of which the payment is required;
- 3.3.2.6 The date before which payment must be made;
- 3.3.2.7 Any discount for early or prompt payment (if applicable);
- 3.3.2.8 Interest on late payment;
- 3.3.2.9 Consequences of non-payment;
- 3.3.2.10 Amount brought forward;
- 3.3.2.11 Consumption for the current month reflecting units consumed and cost per service
- 3.3.2.12 Total amount payable.

3.4 Actions to Secure Payment

3.4.1 The Municipality and service providers may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrears, take the following actions to secure payment for municipal rates and services:

- 3.4.1.1 Termination and restriction of the provision of services; and
- 3.4.1.2 Allocating a portion of payments or pre-payment purchases to service charges' arrears or future charges.

3.5 Dishonoured Payments

Where any payments made to the Municipality is later dishonoured by the bank, the Municipality may levy such costs and administration fees against an account of the defaulting debtor in terms of the Municipality's tariff provisions. The Chief Financial Officer may, in his discretion, require a regular defaulter to pay by cash only.

3.6 Interest Charges

Interest will be charged on overdue accounts in accordance with the relevant legislation.

3.7 Legal Fees

All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor.

3.8 Cost to Remind Debtors of Arrears

For any action taken in demanding payment from the debtor or reminding the debtor, by means of telephone, fax, e-mail, letter or otherwise, that his/her payments are due, a penalty fee may be levied against the account of the debtor in terms of the municipality's tariff provisions.

3.9 Disconnection Fees

Where any service is disconnected as a result of non-compliance with these regulations by the customer, the Municipality shall be entitled to levy and recover the standard disconnection fee, as determined by the Municipality from time to time, from the user of the services.

3.10 Accounts Administration

- 3.10.1 In terms of s.64(2)(e) MFMA, the Municipality must maintain a management, accounting and informal system which recognizes revenue when earned, accounts for debtors and accounts for the receipt of all revenue collected.
- 3.10.2 Consolidate any separate accounts of persons liable for payments to the Municipality;
- 3.10.3 Credit any payment by such a person against any account of that person; and
- 3.10.4 Implement any of the debt collection and credit control measures provided for in these regulations in respect of any arrears on any of the accounts of such a customer.

3.11 Power to Restrict or Disconnect Supply of Services

- 3.11.1 The Municipality may restrict or disconnect the supply of water and electricity or discontinue any other service to any premises whenever a user of any service:
 - 3.11.1.1 Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any arrear amount for services, rates or taxes;
 - 3.11.1.2 Fails to comply with a condition of supply imposed by the municipality;
 - 3.11.1.3 Obstructs the efficient supply of electricity, water or any other municipal services to another customer;

- 3.11.1.4 Supplies such municipal service to a person who is not entitled thereto or permits such service to continue;
- 3.11.1.5 Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- 3.11.1.6 Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, Act No. 24 of 1936; and
- 3.11.1.7 If an administration order is granted in terms of section 74 of the Magistrates Court Act, Act No. 32 of 1944 in respect of such user.
- 3.11.2 The Municipality shall reconnect and or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the costs of such disconnection and reconnection, if any, have been paid in full or any other condition or conditions of this Policy as it may deem fit have been complied with.
- 3.11.3 The right to restrict, disconnect or terminate service due to non-payment shall be in respect of any service rendered by the Municipality and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

3.12 Full and Final Settlement of an Amount

- 3.12.1 The Chief Financial Officer shall be at liberty to appropriate monies received in respect of any of the municipal services as he/she deems fit.
- 3.12.2 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except where the Chief Financial Officer and/or his/her fully authorized delegate consents thereto, shall not be deemed to be in final settlement of such an amount.
- 3.12.3 The provisions above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.
- 3.12.4 The Chief Financial Officer and/or his/her delegate shall consent to the acceptance of such a lesser amount in full and final settlement, in writing.

3.13 Arrangement to Pay Outstanding and Due Amounts in Consecutive Installments

- 3.13.1 A debtor may enter into a written agreement with the Municipality to repay any outstanding and due amounts to the Municipality under the following conditions:
 - 3.13.1.1 The outstanding balance, costs and any interest thereon shall be consolidated and an amount paid in regular and consecutive monthly installments, not exceeding a period of 24 months;
 - 3.13.1.2 The subsequent current monthly amounts must be paid in full; and
 - 3.13.1.3 The written agreement has to be signed on behalf of the Municipality by the Chief Financial Officer or his/her duly authorized delegate.
- 3.13.2 In order to determine monthly installments, a comprehensive statement of assets and liabilities of the debtor must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer, considering that subsequent payment of the monthly current accounts is a prerequisite for concluding an arrangement. The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis.
- 3.13.3 Should any dispute arise as to the amount owing by a consumer in respect of municipal services the consumer shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and considering interest as well as the annual amendments of tariffs of the Municipality.
- 3.13.4 The dispute must be submitted in writing or dictated to the official who will record it in writing and have it signed as correct. The document must then immediately be lodged with the relevant authorized official.
- 3.13.5 No dispute will be registered verbally whether in person or over the telephone.
- 3.13.6 The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality.
- 3.13.7 The full nature of the dispute must be described in the correspondence referred to above.
- 3.13.8 The onus will be on the debtor to ensure that he received a written acknowledgement of the dispute.

- 3.13.9 All investigations regarding disputed amounts must be concluded by Council's Chief Financial Officer within 14 (fourteen days) calendar days from receipt thereof.
- 3.13.10 The consumer shall be advised in writing of the findings.
- 3.13.11 If a meter cannot be read or consumption be estimated. A letter will be sent to the owner notifying him/her about the inaccessibility of taking reading at the premises. A manual average of 10kl for residential household and 30kl Non-residential will be levied to recover the consumption usage for the month.

3.14 Interest on Arrears

The Chief Financial Officer may, as part of an incentive scheme, authorise that as soon as an agreement to repay arrears has been concluded the amount in arrears will be placed into a suspense account and no further interest will be levied. As long as the agreement is honored no further interest will be added. In case of default the suspended amount will be reversed and interest will again be levied from date of default.

3.15 Reconnection of Services

The Chief Financial Officer or his/her duly authorized delegate shall authorise the reconnection of services or reinstatement of service delivery after satisfactory payment and/or arrangement for payment has been made within Two (2) days of receipt payment has been allocated to the debtors account according to the Policy.

4. PERSONNEL AND FINANCIAL IMPLICATIONS

- 4.1 Where a credit control and debt collection function does not exist, this implies that a dedicated structure be established with a credit control officer in charge. In view of the fact that credit control and debt collection must always be able to operate in isolation to any customer management service, it is imperative that a staff establishment for this function be implemented.
- 4.2 The establishment of a credit control and debt collection division will have to be financed from the operating budget, which will have an incremental impact on the budget. However, this will be offset by improved cash inflow as a result of an efficient collection system.

5. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY

- 5.1 The Municipality may not interfere where criminal activity is evident. The legal penalties and criminal justice system may not be subject to conflicting resolutions by the municipality. All such cases must be prosecuted to the fullest extent of the law.
- 5.2 The Municipality may not supply water or electricity to a customer who is found guilty of/or if it is admitted that fraud, theft or any other criminal action involving the use of these services existed, until the total costs, penalties, other fees and tariffs and rates due to the municipality have been paid in full.
- 5.3 All charges to rectify any tampering with municipal services, service charges, call fees and other related tampering charges must be paid in full before arrangements can be made for other debts on the account.

6. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- 6.1 All external agents acting on behalf of the Municipality are to be named, together with their details and contact information. Likewise, all agents are to be supplied with a copy of the credit control and debt collection Policy and measures.
- 6.2 Clear instructions to agents and other arrangements must be explained for the customers' benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of municipality, unless specifically instructed in writing to do so. The agent must produce this instruction on request by consumers.
- 6.2 The costs to the Municipality and to the debtor must be detailed for each stage of the credit control and debt collection measures and for all possible actions. The liability for the costs of legal action and other credit control actions must be for the account of the debtor.

7. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

(See also Indigent Support Policy)

7.1 Purpose of Policy

- 7.1.1 The key purpose of an indigent support policy is to ensure that indigent households are not denied a reasonable service, and on the other hand, the municipality is not financially burdened with non-payment of services: Provided that sufficient budgetary provision exists, the indigent support policy should remain intact.
- 7.1.2 To achieve this purpose, it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. The consumer, in order to qualify for indigency, needs to complete the prescribed documentation as required.

7.2 Aims of the Policy

7.2.1 The credit control and debt collection policy aim to achieve the following:

7.2.1.1 To distinguish between persons who can and those who genuinely cannot pay for services;

7.2.1.2 To let persons who cannot pay register with the municipality so that the services rendered to them can be subsidized;

7.2.1.3 To enable the municipality to determine and identify defaulters in order to ensure appropriate credit control procedures;

7.2.1.4 To establish an indigency directory of all persons who qualify therefore

7.3 Obligation to Pay

The subsidy received may not be enough to cover the full account of the subsidized consumer. In such an event, the consumer is still responsible for the balance between the full account and the subsidy received. Where applicable, credit control must still be applied for these outstanding amounts.

8. CREDIT CONTROL AND DEBT COLLECTION RULES FOR WATER AND ELECTRICITY

8.1 Where consumers fail to pay their water and electricity accounts by the 20th of the month, following the date of the account, the following actions will be taken:

8.1.1 Final notices/accounts may be delivered or posted after the final date of payment. The final notice/account will contain a note that the client may arrange to pay the outstanding balance in terms of the Credit Control and Debt Collection Policy. Information that this account constitutes a final notice and failure to settle the account on the due date will lead to disconnection of services at any date thereafter, without further notice, must however form an integral part of such account.

8.1.2 An Acknowledgement of Debt must be completed in respect of all arrangements for paying off arrear accounts. A copy must be handed to the consumer.

- 8.1.3 Debit orders may be completed for the monthly payment of an agreed amount or at least the current amount, as far as possible. If the arrangement is dishonoured, the full balances will immediately become due and payable.
- 8.1.4 Only account holders with positive proof of identity or an authorized agent with a Power of Attorney will be allowed to complete an Acknowledgement of Debt.
- 8.1.5 Where cheques are returned, "Refer to Drawer" after an arrangement has been made, the full balance will immediately become payable. Electricity and/or water supply to such clients will immediately be disconnected until the full amount is paid in cash or per bank guaranteed cheque. The Chief Financial Officer, in his discretion, may require a defaulter to pay in cash.
- 8.1.6 No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in special cases of merit as authorized by the Chief Financial Officer.
- 8.1.7 Where arrangements were not made and electricity and/or water supply is disconnected due to non-payment, it will be restored only upon payment of the full outstanding balance or signing of an Acknowledgement of Debt on merit.
- 8.1.8 Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:
- (a) Deceased estates
 - (b) Liquidated companies
 - (c) Private persons under administration
 - (d) Outstanding enquiries on accounts, for example, mis-allocated payments, water leaks, journals, incorrect levies, etc.
 - (e) Certain categories of Pensioners
 - (f) Any other cases not mentioned which can be regarded as merit cases due to circumstances.
- 8.1.9 Further extension for payment of arrears in respect of merit cases should preferably not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer.
- 8.1.10 Only the Chief Financial Officer may agree to such merit extensions and these must be supported by documentary proof: Defaulters previous payment record will be taken into consideration.
- 8.1.11 When disconnection of electricity and/or water supply takes place due to non-payment, the consumer's deposit will be adjusted within the discretion of the Chief Financial Officer or his delegate.

- 8.1.12 New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.
- 8.1.13 All other business and industrial deposits will be reviewed annually.
- 8.1.14 Where the consumer has not entered into a service agreement with the Municipality, water and/or electricity will be disconnected until such time as a service agreement has been signed and the applicable deposits paid.
- 8.1.15 Where electricity and/or water supply has been disconnected erroneously a written apology will be dispatched within seven working days.
- 8.1.16 Where services are illegally restored legal action will be taken.
- 8.1.17 Where water and electricity amounts remain outstanding or unpaid for more than two months, without response, the account will be handed over to debt collectors for the collection and/or for legal action to the Council's Attorneys and may be listed at the Information Trust Corporation.
- 8.1.18 Such clients will have to make further arrangements with the attorneys and/or the debt collectors for payment of the arrear amounts. Current monthly accounts must however be paid directly to the Municipality.
- 8.1.19 Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.
- 8.1.20 Electricity and/or water shall not be supplied if the consumer's account is not paid in full or satisfactory arrangements in terms of this Policy have been made and honored.
- 8.1.21 After installation of a prepaid meter, water and/or electricity shall not be sold to consumers, unless the full amount on the consumers account has been paid or an agreement for the settlement of arrears has been concluded, a service agreement entered into, connection fees and the applicable deposits paid, in term of this Policy.

9. CREDIT CONTROL AND DEBT COLLECTION RULES FOR ASSESSMENT RATES, REFUSE, SEWERAGE, AND SUNDRY DEBTORS AND UNMETERED PROPERTIES

- 9.1 Where consumers fail to pay their accounts in respect of assessment rates, refuse, sewerage, sundry debtors and unmetered properties by the due date of every month, the following actions will be taken:

- 9.1.1 Final notices/accounts will be posted or delivered where accounts are in arrears for 60 days (2 months) or more. The final notice/account will contain a note that the client may arrange to pay the outstanding balance in terms of this Policy. Information that this account constitutes a final notice and failure to settle the account on the due date will lead to disconnection of services where applicable and any date thereafter, without further notice, must however form an integral part of the account. In the case of assessment rates, the defaulter must be advised that the Council intends instituting legal process which could lead to his/her property being sold in execution.
- 9.1.2 The same procedure in respect of arrangements for paying off of arrears or extension of payments as for water and electricity will apply.
- 9.1.3 If no response has been received within 14 days after the final account had been sent, those accounts still outstanding will be handed over to debt collectors for collection and/or for legal action to the Attorneys and will be listed at the Information Trust Corporation.
- 9.1.4 Where an account remains unpaid on a property that is unmetered, the above procedures will also apply.
- 9.1.5 As part of the legal actions involved collecting outstanding taxes, Council's Attorneys may obtain an attachment order on the applicable property on behalf of the Municipality only after having received written instruction in this regard from the Chief Financial Officer.

PART 4

TARIFFS POLICY

1. PURPOSE AND APPLICATION OF POLICY

The purpose of this policy is to give effect to the requirements of s.74(1) MSA regarding the levying of fees, charges, rates and taxes for the Moses Kotane Local Municipality and shall apply to all tariff structures enumerated in APPENDIX "A" hereof in order to render the municipal services needed by its community.

2. EMPOWERMENT TO LEVY AND RECOVER FEES, CHARGES AND TARIFFS

2.1 The Municipality is empowered in terms of Chapter 7 of the Constitution (1996) as well as s.74 and 75(MSA) to –

2.1.1 Levy and recover fees, charges and tariffs in respect of any function or service it may render; and

- 2.2.2 Recover collection charges and interest on any outstanding amounts.

3. CORE ELEMENTS OR PRINCIPLES OF POLICY

- 3.1 In terms of s.74(2) MSA a tariff policy must reflect at least the following principles:

- 3.1.1 Users of municipal services should be treated equitably in the application of tariffs

- 3.1.2 The amount individual users pay for services should generally be in proportion to their use of that service;

- 3.1.3 Poor households must have access to at least basic services through

- (i) Tariffs that cover only operating and maintenance costs,

- (ii) Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or

- (iii) Any other direct or indirect method of subsidization of tariffs for poor households;

- 3.1.4 Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;

- 3.1.5 Tariffs must be set at levels that facilitate the financial sustainability of the service, considering subsidization from sources other than the service concerned;

- 3.1.6 Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

- 3.1.7 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users

- 3.1.8 The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;

- 3.1.9 The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

- 3.2 In terms of s.74 (3) MSA, a tariff policy may differentiate between different categories of users, debtors, service providers, services,

service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

- 3.3 Once the Municipality has approved a tariff policy, it must adopt a by-law to give effect to the implementation and enforcement of its tariff policy.

4. ACCESS TO SERVICES AND REQUIREMENTS TO BE TAKEN INTO ACCOUNT IN DETERMINING TARIFFS

4.1 Basic Municipal Services

- 4.1.1 The municipality must heed its first and foremost duty to ensure that all residents and communities within its boundaries have basic municipal services as required by the Constitution of the RSA.

- 4.1.2 In order to acquit itself of the task set in 5.1.1, the municipality should utilize its resources as effectively, efficiently and economically as possible to create a financially sustainable capacity within which to operate and therefore regular reviews and analysis of this aspect must be done by all the municipal departments and the necessary adjustments or revisions done timeously to prevent financial risk or incapacity.

4.2 Municipal Services to be financially sustainable

- 4.2.1 The MSA requires that a municipality must render its services in a *financially sustainable* manner. In order to do this, municipal services are to be provided in a manner that is likely to ensure that revenue from that service is sufficient to cover the cost of –

- 4.2.1.1 The initial capital expenditure required for the service;

- 4.2.1.2 operating the service; and

- 4.2.1.3 Maintaining, repairing and replacing the physical assets used in the performance of the service;

- 4.2.1.4 Is likely to ensure a reasonable surplus in the case of a service performed by the Municipality itself; or a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself;

- 4.2.1.5 Is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service; and

- 4.2.1.5 Takes account of the current and anticipated future:

- 4.2.1.5.1 Level and quality of that service;

- 4.2.1.5.2 Demand for the service; and
- 4.2.1.5.3 Ability and willingness of residents to pay for the service.
- 4.2.2 However, regard must be had in respect of the municipality's indigent households that should have access to at least the basic services through –
 - 4.2.2.1 Tariffs that cover only operating and maintenance costs;
 - 4.2.2.2 Special tariffs or life line tariffs for low level use or consumption of services or for basic levels of service; or
 - 4.2.2.3 Any other direct or indirect method of subsidization of tariffs for poor households; and
 - 4.2.2.4 Adherence to the municipality's indigent support scheme.
- 4.2.3 When determining tariffs, the municipality must ensure that users of municipal services are treated equitably in the application of tariffs and that the amount payable by them are generally in proportion to their use of that service.
- 4.2.4 Notwithstanding severe financial constraints, a municipality should, as far as possible, take the affordability of the service to its various categories of users into account.
- 4.2.5 Before introducing a tariff for any municipal service, or when the tariffs are reviewed annually, the tariffs of surrounding municipalities (especially those of similar size) should be obtained and analysed to retain a degree of competitiveness and affordability amongst municipalities.
- 4.2.6 Where a municipal service is provided by an external service provider, the municipality must ensure that any agreement for the provision of such a service shall contain a clause entitling it to control the setting and adjustment of tariffs to be charged by such a service provider for the rendering of that particular service so that the municipality does not suffer a loss in the service provided.

5. EXCEPTIONAL ARRANGEMENTS IN DETERMINING TARIFFS

5.1 Discount for timeous payment of municipal accounts

Should the municipality decide to give discount to users of municipal services for timeous payment of their accounts, provision for this circumstance must be made in the annual revenue budget.

5.2 Exemption from payment of interest on arrear accounts

Similarly, if the municipality should decide to exempt a user who is in arrears with his/her account and who successfully negotiates an agreement to repay such arrears in accordance with the municipality's Credit Control and Debt Collection Policy, from payment of any further interest, allowance for such instances must be made in the annual revenue budget.

5.3 Commercial, Industrial and Business Users

While the general principle in determining tariffs is usually that users in the commercial, industrial and business sectors pay a higher rate in tariffs, the municipality may decide, in the interest of obtaining further economic development within its boundaries, to determine special tariffs and rates in respect of certain services for certain categories of commercial, industrial or business users.

5.4 Municipal Services in Special Circumstances

In circumstances where the installation of monitoring of municipal services are exorbitant due to geographical, geological or soil conditions existing within certain areas, the municipality may decide to render such services at a higher tariff to cover the costs connected therewith.

* **Also see Tariff By-Law.**