

# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **BUDGET POLICY**

**2025/2026**

## TABLE OF CONTENT

1.	Background	3
2.	Purpose of the Policy	3
3.	Definitions	3 – 4
4.	Legislative Context of the Policy	4
5.	Scope for Application	4
6.	Responsible Officials	4
7.	Medium Term Revenue and Expenditure Framework (MTREF)	4 – 5
8.	Format and Content of the Budget	5 – 7
9.	Budget Principles	7 – 12
10.	Budget Process	12 – 22
11.	Budget Implementation	23 – 24
12.	Adjustments Budget	24 – 28
13.	Monitoring and Reporting	29 – 31
14.	Related Policies	31
15.	Review	32
16.	Effective Date	32



## **1. BACKGROUND**

- 1.1 Every budget cycle should place Council in a stronger position in relation to the link between Municipality's policies, strategic objectives, its service delivery and budget implementation plans and ultimately the delivery of services. The tabling of three-year service delivery and budget implementation plans, together with the revenue and expenditure estimates for the corresponding period, provides a basis for the introduction of important enhancements to the previous budget process. Greater attention will be given to service delivery achievements, changes to policies and plans, and how these translate into requests for increases in baseline allocations.
- 1.2 The success of the budget process will require a team effort and will depend on the understanding and commitment of those involved. It will further require a closer working relationship between the Budget Office, IDP Offices and Business Unit Managers to improve the usefulness of information that is presented in the budget.

## **2. PURPOSE OF THE POLICY**

- 2.1 The purpose of this policy is to control and inform the basis, format and information that are included in the Budget documentation.
- 2.2 The policy sets out the budgeting principles which Central Karoo District Municipality must follow in preparing each annual budget.

## **3. DEFINITIONS**

- 3.1 "COGTA" means the Department of Co-operative Governance and Traditional Affairs;
- 3.2 "IDP" means Integrated Development Plan;
- 3.3 "MFMA" means the Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

3.4        “MTREF”                    means Medium Term Revenue and expenditure Framework;

3.5        “The Municipality”       means Central Karoo District Municipality.

#### **4.        LEGISLATIVE CONTEXT OF THE POLICY**

4.1        The policy aims to give effect to the requirements and stipulations of –

4.1.1      The Municipal Finance Management Act 56 of 2003 (MFMA);

4.1.2      The Budget and Reporting Regulations, Notice 393 of 2009;

4.1.3      Any official directive issued by the Minister of Finance, in terms of section 168 (1) of the MFMA, from time to time;

in regard to the planning, preparation and approval of the annual budget.

#### **5.        SCOPE FOR APPLICATION**

5.1        The policy shall apply to all the relevant parties within the Central Karoo District Municipality that are involved throughout the budget process.

#### **6.        RESPONSIBLE OFFICIALS**

6.1        The responsibilities of officials are indicated in the paragraphs below.

#### **7.        MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)**

7.1        Medium-term budgeting is a continuous process which covers a time span of more than one year. The purpose of such a process is to assist in planning over the medium-term and to reflect the effect of current decision over the medium term.

7.2 The budget process aims to facilitate the achievement of the aforementioned objectives and in doing so; it will allow the municipality to:

- 7.2.1 Plan for the period covered by the MTREF - three years presently;
- 7.2.2 Evaluate changing priorities and implementation plans that increase accountability of projects that is executed over the medium-term;
- 7.2.3 Involve various role-players who provide political and technical expertise when faced with the challenge to make trade-offs between equally important strategic priorities, and
- 7.2.4 Allocate resources in line with strategic priorities and service delivery plans.

7.3 When finalizing budget documentation, departments are encouraged to pay particular attention to:

- 7.3.1 Improving the alignment between the IDP, operational plans, existing medium- term allocations and expected service delivery milestones, and
- 7.3.2 Optimising the inclusion of new priorities within baseline allocations through reprioritisation, and
- 7.3.3 Ensuring the affordability of revised medium-term plans which require an increase to baseline allocations.

## 8. **FORMAT AND CONTENT OF THE BUDGET**

8.1 The budget of the Council consists of the operating budget (operating revenue and expenditure), the capital budget as well as a number of strategic reports, graphs and schedules that should enhance the understanding of the document and its objective.

8.2 The budget must be a reflection of the IDP of Council.

8.3 The annual budget and supporting documentation of a municipality must be in the format specified in section 71(3) of the MFMA, read with Schedule A of the Budget and Reporting Regulations, Notice 393 of 2009 and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the MFMA, covering the following –

- 8.3.1 Mayor's Report;
- 8.3.2 Resolutions;
- 8.3.3 Executive Summary;
- 8.3.4 Annual Budget Tables;
- 8.3.5 Overview of Annual Budget Process;
- 8.3.6 Overview of alignment of annual budget with IDP;
- 8.3.7 Measurable performance objectives and indicators;
- 8.3.8 Overview of budget related policies;
- 8.3.9 Overview of budget funding;
- 8.3.10 Expenditure on allocations and grant programmes;
- 8.3.11 Allocations of grants made by the municipality in terms of Section 17(3)(j) to:
  - other municipalities;
  - municipal entities;
  - other external mechanisms;
  - other organs of state;
  - any organisations or bodies referred to in section 67(1);
- 8.3.12 Councillor and board member allowances and employee benefits;
- 8.3.13 Monthly targets of revenue, expenditure and cash flow;
- 8.3.14 Annual budgets and service delivery and budget implementation plans – internal departments;
- 8.3.15 Annual budgets and service delivery agreements – municipal entities and other external mechanism;
- 8.3.16 Contracts having future budgetary implications;
- 8.3.17 Capital expenditure details;
- 8.3.18 Legislation compliance status;

8.3.19 Other supporting documents to include the following listed under Sections 17(3)(f), (g) and (h):

- particulars of the municipality's investments;
- any prescribed budget information of linked municipal entities;
- particulars of any proposed municipal entities intended to be linked;

8.3.20 Municipal Manager's quality certification.

## 9. **BUDGET PRINCIPLES**

### 9.1 **Capital Budgets:**

9.1.1 The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year.

#### 9.1.1.1 **Basis of Calculation:**

- The **zero-based method** is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.

- The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual operating and capital budgets are being compiled.
- In addition, the council shall consider the future impact of such operational expenses- net of any revenues expected to be generated by such item.

9.1.1.2 Financing:

- ***Own financing sources (basic capital budget)***

The Council may establish a Capital Replacement Reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve may be established from the following:

- a) unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- b) further amounts appropriated as contributions in each annual or adjustments budget;
- c) net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy; and
- d) Interest on the investments of the capital replacement reserve, appropriate in terms of the banking and investment guideline and/or policy.

- ***Other finance sources (Ad Hoc Capital Budget)***

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act;
- b) Grants and subsidies as allocated by Provincial government;

- c) External Loans;
- d) Private Contributions;
- e) Contributions from the Capital Development Fund;
- f) Surpluses from the current operating budget (municipal own funding);
- g) Any other financing source secured by the local authority.

## 9.2 **Operating Budgets:**

9.2.1 The operating budget refers to the funds that would be raised in the delivery of basic services, grants & subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization.

### 9.2.1.1 **Basis of Calculation:**

- a) The principle of zero-based- and incremental budgeting shall be applied in preparing the annual operating budget.
- b) The annual operating budget shall be based on realistically anticipated revenue.
- c) An income-based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a cash funded budget.

### 9.1.2.2 **Financing:**

The operating budget shall be financed from the following sources of financing:

- a) **Service Charges**  
Service charges shall be based on the tariff growth rate as agreed upon and be based on a cost recovery principle as far as practically possible.

- b) Agency Services  
A rate based on the specific Service Level Agreements.
- c) Grants & Subsidies  
Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization
- d) Interest on Investments  
The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organization.
- e) Rental Fees  
Fees for rental property facilities and equipment will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year.
- f) Licences and Permits  
Fees for licences and permits will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year
- g) Other Income  
All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year.



#### 9.1.2.3 Budget Categories:

The following expenditure categories shall be accommodated in the operating budget and must be in line with the Municipal Standard Chart of Accounts as determined by National Treasury (MSCOA).

a) Salaries, Wages and Allowances

The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organized labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by COGTA.

b) Other General Expenditure

A percentage growth for all other general expenditure will be based on the percentage determined by Financial Services in line with prevailing growth rates and the CPIX.

c) Repairs and Maintenance

The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the departments in terms of repairing their assets.

d) Capital Expenses

Capital expenses refer to interest and redemption that has to be repaid on an external loan taken up by Council. The budget for capital expenses will be determined by the repayments that the municipality is liable for based on the agreements entered into with the other party.

e) Contributions to Capital

A global amount that will be spent on the acquisition of small capital items is determined. The needs of departments in terms of small capital items are requested and these needs are then prioritized and then the budget is allocated to those prioritized items.

f) Contributions to Funds

Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

g) Appropriations

Refers to the transfers to- and from the capital replacement reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

## 10. BUDGET PROCESS

### 10.1 Budget Process:

- 10.1.1 A Budget Steering Committee, as part of a Finance Portfolio Committee, established by the Executive Mayor, in terms of regulation 4 of the Municipal Budget and Reporting Regulations, to provide technical assistance to the Mayor in discharging the budget process and related matters set out in section 53 of the MFMA.

### 10.2 Quality Certification:

- 10.2.1 Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B or C of the regulations, as the case may be, and signed by the municipal manager.

**10.3      Consistency in Basis of Measurement and Accounting Policies:**

10.3.1      The municipal manager of a municipality must take all reasonable steps to ensure that –

- a)          the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation, its adjustments budgets and supporting documentation, and its in-year reports; and
- b)          any differences or changes between financial years are explicitly noted;
- c)          The budget is prepared using the municipal standard chart of account allocations for budget line items.

**10.4      Budget Related Policies:**

10.4.1      The municipal manager of a municipality must prepare or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1)(b) of the MFMA.

**10.5      Planning:**

10.5.1      Budget Time Table:

- a)          The Chief Financial Officer (CFO) shall prepare a draft budget timetable for the ensuing financial year which shall be tabled by the Executive Mayor to Council for approval at least 10 months before the start of the next budget year.

b) The budget timetable shall contain key deadlines for:

- the annual review of the IDP;
- the review of budget related policies;
- the preparation, tabling and approval of the annual budget;
- the consultative processes forming part of the budget process, prescribed in sections 21,22 and 23 of the MFMA.

Business Unit Managers shall ensure that they meet the deadlines as set out in the Budget Timetable.

10.5.2 Budgetary Strategy:

a) The CFO shall prepare a Budget Strategy for approval by Council, which shall contain the principles, objectives and strategies that will apply during the forthcoming budget preparation process. Such Budget Strategy shall take cognisance of the directives, guidelines and economic factors prevailing at the time or circulated by National and Provincial Government. The Budget Strategy shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process.

10.5.3 Budget Compilation Process:

a) The process to be followed in the compilation of the budget is as follows and should incorporate the funding principles detailed under paragraph 6.7 below:

- The CFO, after consultation with the Budget Steering Committee set the reasonable growth level of the capital budget to be financed out of own sources and the operational budget based on the current financial performance and the prevailing industry growth levels (i.e. CPIX).

- After the income has been determined, an acceptable growth level for the operating expenditure is determined and the draft operating budget is discussed with the relevant Business Unit Managers for their perusal and amendments.
- The draft operating and capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- The CFO, engage with the Business Unit Managers in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities in line with the IDP of the municipality.
- The CFO must assist the MM to prepare and submit to the mayor, via the budget steering committee, for consideration the following:
  - The draft operating and capital budget for perusal and suggestions;
  - A draft service delivery and budget implementation plan, to include the components as listed under paragraph 7.1 below, for the budget year together with the annual budget as prescribed by regulation 14(2);
  - Drafts of the annual performance agreements as required in terms of section 57(1)(b) of the MFMA.

## **10.6      Funding:**

### **10.6.1      Funding of expenditure:**

- a)            The funding of an annual budget must:
- be estimated in accordance with the assumptions and methodologies set out in the funding and reserves policy of the municipality referred to in paragraph 6.5; and
  - be consistent with the trends, current and past, of actual funding collected or received.

- b) Realistically anticipated revenues to be received from national or provincial government, national or provincial public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds.  
Acceptable documentation is constituted as listed under regulation 10(2).
- c) Estimated provision for revenue from levies or other charges that will not be collected must be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.
- d) The cash flow budget required in terms of Schedule A must reflect all funds realistically forecast to be collected, including arrears.
- e) To determine whether an annual budget is funded in accordance with section 18 of the MFMA, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

#### 10.6.2 Funding of capital expenditure:

- a) An annual budget must show total capital expenditure and the different sources of funding.
- b) All sources of funding shown must be available and must not have been committed for other purposes.
- c) The total budgeted capital funding by source must equal the total budgeted capital expenditure.

10.6.3 Funds created in terms of section 12 of the MFMA (i.e. Relief, charitable, trust funds):

- a) Funds created in terms of section 12 of the MFMA must be fully cash backed. A municipality may make expenditures or donations in support of the objectives for which funds created in terms of section 12 of the MFMA were established if approved in an annual budget or adjustments budget.
- b) Money received for relief, charitable and/or other funds in terms of section 12(1) deposited in a separate account opened in terms of section 12(2) may be withdrawn from the account without appropriation in terms of an approved budget, but only:
  - by or on the written authority of the accounting officer in acting in accordance with decisions of the municipal council; and
  - for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.
- c) No municipal funds may be paid into a fund created in terms of section 12 of the MFMA.

**10.7 Approval of Capital Projects:**

10.7.1 Within ten working days after the municipal council has given individual approval for a capital project in terms of section 19(1)(b) of the MFMA, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public –

- a) the municipal council resolution approving the capital project; and
- b) details of the nature, location and total projected cost of the approved capital project.

10.7.2 The following capital projects may be approved by a council either individually or as part of a consolidated capital programme as contemplated in section 19(3) of the MFMA:

- a) capital projects of which the total projected cost is below 5% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
- b) capital projects of which the total projected cost is below 8% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million; and
- c) capital projects of which the total projected cost is below R50 million, in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.

10.7.3 Paragraph 5.8(a) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in Paragraph 5.8(b).

10.7.4 Expenditure needed for capital projects below the values set out in paragraph 5.8(b) may be included in the annual budget before the project is approved in terms of section 19(3) of the MFMA.

#### **10.8 Tabling in Council:**

10.8.1 The draft budget must be tabled to Council at least 90 days before the start of the new financial year (31 March) in terms of sections 16(2) with the accompanying quality certificate required in terms of the Budget and Reporting Regulations.

10.8.2 An annual budget and supporting documentation tabled in a municipal council in terms of section 17(3) of the MFMA must –

- a) be in the format in which it will eventually be approved by the council; and



- b) be credible and realistic such that it is capable of being approved and implemented as tabled.

10.8.3 When complying with section 68 of the MFMA, the municipal manager must submit the draft municipal service delivery and budget implementation plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the MFMA.

10.8.4 For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so recommended by the budget steering committee.

**10.9 Publication and Submission for Consideration:**

10.9.1 After the draft budget is tabled in Council, it is released for public comment and for National and Provincial Treasuries as required by section 22 of the MFMA.

10.9.2 When making public the annual budget and supporting documentation in terms of section 22(a) of the MFMA, read with section 21A of the Municipal Systems Act, the municipal manager must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process, including —

- a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
- b) information relevant to each ward in the municipality.

10.9.3 All information contemplated in (1) above must cover:

- a) the relevant financial and service delivery implications of the annual budget; and
- b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.

10.9.4 When submitting the annual budget to the National Treasury and the relevant provincial treasury in terms of section 22(b)(i) of the MFMA, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –

- a) the supporting documentation as tabled in the municipal council;
- b) the draft service delivery and budget implementation plan; and
- c) any other information as may be required by the National Treasury.

10.9.5 The municipal manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to –

- a) any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
- b) any other organ of state on receipt of a request from that organ of state.

**10.10 Consultations on Tabled Budgets:**

10.10.1 The mayor must for purposes of section 23 of the MFMA table the following documents in the municipal council –

- a) a report summarising the local community's views on the annual budget;
- b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;
- c) any comments on the annual budget received from any other organ of state, including any affected municipality; and
- d) any comments on the annual budget received from any other stakeholders.

10.10.2 The municipal manager must assist the mayor in the preparation of the documents referred to in subparagraph (1) and section 23(2) of the MFMA.

- 10.10.3 Once the comments from the public, and the National and Provincial Treasuries have been submitted, noted and considered, the necessary amendments are made to the draft budget and the budget is then tabled for Council to consider approval of the budget at least 30 days before the start of the budget year (31 May).

**10.11 Approval of Annual Budgets:**

- 10.11.1 A municipal council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before finally approving the annual budget before the start of the budget year.
- 10.11.2 When approving an annual budget, a municipal council must in terms of section 24(2)(c) of the MFMA, consider and adopt separate resolutions dealing with each of the matters contemplated in that section.

**10.12 Publication of Approved Budget:**

- 10.12.1 Within ten working days after the municipal council has approved the annual budget of a municipality, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved annual budget and supporting documentation and the resolutions referred to in section 24(2)(c) of the MFMA.
- 10.12.2 The municipal manager must also make public any other information that the municipal council considers appropriate to facilitate public awareness of the annual budget, including –
- a) summaries of the annual budget and supporting documentation in accordance with communication policy; and
- 10.12.3 All information contemplated in subparagraph (2) must cover:
- a) the relevant financial and service delivery implications of the annual budget; and

- b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year and the following two years.

**10.13 Publication of Approved Services Delivery and Budget Implementation Plan:**

- 10.13.1 The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the MFMA.

**10.14 Submission of Approved Annual Budget:**

- 10.14.1 The municipal manager must submit the approved annual budget to National Treasury and the relevant provincial treasury within ten working days after the municipal council has approved the annual budget.
- 10.14.2 The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
- a) the supporting documentation within ten working days after the municipal council has approved the annual budget;
  - b) the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan; and
  - c) any other information as may be required by the National Treasury.
- 10.14.3 The municipal manager must send copies of the approved annual budget and supporting documentation, in both printed and electronic form to –
- a) any other municipality affected by the annual budget within ten working days after the municipal council has approved the annual budget; and
  - b) any other organ of state on receipt of a request from that organ of state.

## 11. BUDGET IMPLEMENTATION

- 11.1 After the budget has been approved, the service delivery and budget implementation plan (SDBIP) should be compiled to include the following components:
- a) Monthly projections of revenue to be collected for each source;
  - b) Monthly projections of expenditure (operating and capital) versus actual expenditure for each vote;
  - c) Quarterly projections of service delivery targets and performance indicators for each vote;
  - d) Detailed capital works plan broken down by vote over three years.
- 11.2 The SDBIP must be tabled to the Mayor within 28 days after aforementioned approval.
- 11.3 Each Business Unit Manager has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)
- 11.4 These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- 11.5 The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the Business Unit Managers at the beginning of the year.
- 11.6 Each Business Unit Manager can use their respective municipal standard chart of account numbers as indicated on the budget.
- 11.7 The Mayor, in consultation with the Budget Steering Committee, must take all reasonable steps to ensure that the annual performance agreements of the municipal manager and all senior managers –
- a) comply, and are concluded, as required in terms of section 57 the Municipal Systems Act, and

- b) are linked to the measurable performance objectives approved with the budget and SDBIP.

11.8 The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the MFMA.

## 12. **ADJUSTMENTS BUDGET**

### 12.1 **Authority:**

12.1.1 Budget amendments are only allowed when Council approve a recommendation by the Executive Mayor, in terms of section 28 of the MFMA, to revise the approved annual budget.

### 12.2 **Timeframes and Reasons for Adjustments Budgets:**

#### 12.1.1 **During the year:**

Should any material under-collection of revenue become a reality, the revenue and expenditure estimates **must** be adjusted downwards.

#### 12.1.2 **At Any Time After the Mid-Year Budget and Performance Assessment has been Tabled in Council, but not Later than 28 February of the Current Year:**

- a) Additional revenues that have become available over and above those anticipated in the annual budget **may** be appropriated, but only to revise or accelerate spending programmes already budgeted for;
- b) The utilization of projected savings in one vote **may** be utilized towards spending under another vote;
- c) Any errors in the annual budget **may** be corrected;
- d) Unauthorised expenditure of the current financial year, not recoverable from the person liable for that expenditure, may be authorized in terms of section 32(a)(i) of the MFMA.

12.1.3 Only One Adjustments Budget Referred to in (b) above may be Tabled in Council During a Year, Except when:

the additional revenues referred to in (b)(i) above are allocations to the municipality in a National or Provincial adjustments budget, when it will be required that the Mayor **must**, at the next council meeting, but within 60 days of the approval of the relevant National or Provincial adjustments budget, table an adjustments budget in council to appropriate the additional revenues.

12.1.4 At the First Available Opportunity after any Unforeseeable and Unavoidable Expenditure was Incurred:

the mayor may in emergency or other exceptional circumstances recommend the authorization of unforeseeable and unavoidable expenditure for which no provision was made in an approved budget and table the adjustment budget **but if** such adjustments budget is **not passed** by council within 60 days after the unforeseeable and unavoidable expenditure was incurred, the expenditure is unauthorized and section 32 of the MFMA applies.

12.1.5 After the End of the Past Financial Year where the Under-Spending Could not Reasonably have been foreseen at the Time:

The authorization of the spending of funds, that was unspent at the end of the past 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 council, **must** be approved in an adjustments budget for that purpose by the council by 25 August of the year following the year to which the roll-over relate.

12.1.6 When the Mayor Tables the Annual Report, within Seven Months After the End of a Financial Year, in terms of Section 127(2) of the MFMA:

A special adjustments budget must be tabled in the municipal council which may only deal with unauthorised expenditure from the previous financial year, which the council is being requested to authorize in terms of section 32(2)(a)(i) of the MFMA.

**12.3      Format:**

- 12.3.1      An adjustments budget and supporting documentation of a municipality must be in the format specified in Schedule B of the regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the MFMA.

**12.4      Funding:**

- 12.4.1      An adjustments budget of a municipality must be appropriately funded. The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the MFMA must contain an explanation of how the adjustments budget is funded.

**12.5      Submission of Tabled Adjustments Budget:**

- 12.5.1      When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the MFMA, read together with section 22(b)(i) of the MFMA, the municipal manager must submit in both printed and electronic form:
- a)          the supporting documentation referred to in section 28(5) of the MFMA within ten working days of the adjustments budget being tabled in the municipal council; and
  - b)          any other information as may be required by the National Treasury.
- 12.5.2      The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to:
- a)          any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
  - b)          any other organ of state on receipt of a request from that organ of state.



**12.6      Approval:**

12.6.1      A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in regulation 21 before approving the adjustments budget.

12.6.2      An adjustment budget must be accompanied by all of the following:

- a)          An explanation of how the adjustments affect the approved annual budget;
- b)          Appropriate motivation of any material changes to the annual budget;
- c)          An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two years; and
- d)          Any other supporting documentation that may be prescribed.

12.6.3      Expenditure may only be incurred on amended budgets after approval by Council of such Budget amendment, except in case of emergency or other exceptional circumstances as defined in Section 29 of the MFMA.

12.6.4      When approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with each of the following matters listed in Part1 and 2 of Schedule B of the regulations:

- a)          Mayor's report;
- b)          Resolutions;
- c)          Executive summary;
- d)          Tables;
- e)          Quality certificate;
- f)          Supporting documentation.

**12.7      Publication:**

- 12.7.1      Within ten working days after the municipal council has approved an adjustments budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in regulation 25(3) and information required under regulation 26(2).

**12.8      Submission of Approved Adjustments Budget and Other Documents:**

- 12.8.1      The municipal manager must submit the approved adjustments budget to National Treasury and the relevant provincial treasury within ten working days after the municipal council has approved an adjustments budget.
- 12.8.2      When submitting an adjustments budget to the National Treasury and the relevant provincial treasury, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form:
- a)          the supporting documentation within ten working days after the municipal council has approved the adjustments budget;
  - b)          the amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of section 54(1)(c) of the MFMA; and
  - c)          any other information as may be required by the National Treasury.
- 12.8.3      The municipal manager must send copies of an approved adjustments budget and supporting documentation, in both printed and electronic form to:
- a)          any other municipality affected by that adjustments budget within ten working days after the municipal council has approved the adjustments budget; and
  - b)          any other organ of state on receipt of a request from that organ of state.

### **13. MONITORING AND REPORTING**

The monthly, quarterly and mid-year budget and performance assessment reports mentioned below **must be in the format** specified in Schedule C of the Municipal Budget and Reporting Regulations (Notice 393 of 2009) and to include all the required tables, charts and explanatory information taking into account any guidelines issued by the Minister in terms of section 168(1) of the MFMA.

#### **13.1 Monthly Reports:**

13.1.1 A monthly report prepared by Financial Services shall serve to monitor the actual expenditure against the Budget and cash flow forecasts reflected in the SDBIP for the period. Business Unit Managers shall provide any possible comments to the Chief Financial Officer for inclusion in the report before it is forwarded to the Municipal Manager for submission as prescribed by the MFMA and Regulations:

- a) The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasuries a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.
- b) This report must reflect the following:
  - actual revenues per source, compared with budgeted revenues;
  - actual expenses per vote, compared with budgeted expenses;
  - actual capital expenditure per vote, compared with budgeted expenses;
  - actual borrowings, compared with the borrowings envisaged to fund the capital budget;

- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

c) The report to the National and Provincial Treasuries must be both in electronic format and in a signed written document.

### **13.2 Quarterly Reports:**

13.2.1 The Executive Mayor must submit to the Council within thirty days after the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52 (d) of the MFMA.

### **13.3 Mid-Year Budget and Performance Assessment:**

13.3.1 The Municipal Manager must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan in terms of section 72 of the MFMA.

13.3.2 The Municipal Manager must then submit a report on such assessment to the Executive Mayor by 25 January each year as well as to Provincial Treasury and National Treasury.

13.3.3 The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan subject to the requirements stipulated in Section 8 of this policy.

13.3.4 The Executive Mayor must submit the section 72 assessment report to Council by 31 January of each year as required by section 54(1) (f) of the MFMA.

**13.4 Website Reporting:**

13.4.1 The Municipal Manager must place on the municipality's official website the following information relating to the budgetary process in terms of section 75 of the MFMA:

- a) the annual and adjustments budgets and all budget-related documents;
- b) all budget-related policies;
- c) the annual report;
- d) all performance agreements;
- e) all service delivery agreements;
- f) all long-term borrowing contracts;
- g) all monthly-, quarterly- and mid-year report submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

**14. RELATED POLICIES**

14.1 The following policies are related to this policy:

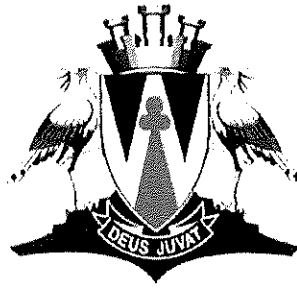
- 14.1.1 Cash Management and Investment;
- 14.1.2 Funding and Reserves.

**15.     REVIEW**

15.1     This policy will be reviewed at least annually and updated if needed.

**16.     EFFECTIVE DATE**

16.1     This policy shall come into effect on 1 July 2021.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **CONTRACT MANAGEMENT POLICY**

**2025/2026**

## **TABLE OF CONTENT**

1.	Introduction	3 – 4
2.	Role-players of Contract Management	4
3.	Custodian of Bid Documents and Contract Documents	5
4.	Role of Project Management and Contract Administration	5
5.	Scope and Objectives	6
6.	Procedures When Drafting Contracts	6
7.	Procedures After Drafting Contracts	7 – 8
8.	Procedure for Review or Cancellation of Contracts	8
9.	Amendment of a Contract	8
10.	Variation Orders	9
11.	Reporting to Council	9
12.	Reporting to National Treasury	10
13.	Annexures	11 – 14
14.	Applicable Legislation	15
15.	Approval	15



## 1. INTRODUCTION

1.1 Effective contract management is vital for the efficient operation of any business entity. The importance of contract management in municipalities has been emphasized by introduction of the Municipal Finance Management Act no 56 of 2003. The following extract from section 116 of the Municipal Finance Management Act no 56 of 2003 Contracts and contract management are of particular relevance "A contract or agreement procured through the supply chain management system of a municipality or municipal entity must —

1.1.1 be in writing;

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

- a. the termination of the contract or agreement in the case of non- or underperformance;
- b. dispute resolution mechanisms to settle disputes between the parties;
- c. a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
- d. any other matters that may be prescribed.

1.2 The accounting officer of a municipality or municipal entity must —

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

1.2.2 monitor on a monthly basis the performance of the contractor under the contract or agreement, the monthly monitoring of contracts is delegated to the user department and must be escalated to the municipal manager in case of a break-down in service delivery that cannot be managed by the user department;

1.2.3 establish capacity in the administration of the municipality or municipal entity —

- a. to assist the accounting officer in carrying out the duties set out in paragraphs 1.2.1 and 1.2.2; and
- b. to oversee the day-to-day management of the contract or agreement; and
- c. ~~regularly~~ report to the council of the municipality, as may be appropriate, on the management of the contract or agreement and the performance of the contractor where non-performance of the vendor is deemed to be of such a serious nature that the municipal manager refers it to Council for notification purposes. Council must receive an annual report (to be included in the annual Supply Chain Management Report) containing information regarding the performance of vendors. The Mayor may require quarterly reports and those must be provided as and when required.

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

1.2.4.1 the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and

1.2.4.2 the local community—

- has been given reasonable notice of the intention to amend the contract or agreement; and
- has been invited to submit representations to the municipality or Municipal entity.

## **2. ROLE-PLAYERS OF CONTRACT MANAGEMENT**

- 2.1 Contract Administration/Supply Chain Management.
- 2.2 Legal Services.
- 2.3 Contract Management/Project Manager – the user department will always be considered the contract/project manager.

## **3. CUSTODIAN OF BID DOCUMENTS AND CONTRACT DOCUMENTS**

- 3.1 All bid documents and Contract Documents shall be kept by the Supply Chain Management Divisions.
- 3.2 No Senior Manager shall keep original bid documents and Contracts in their offices.
- 3.3 Directorates will however be allowed to keep copies of contracts and bid documents for assessment and management purposes.

## **4. ROLE OF PROJECT MANAGEMENT AND CONTRACT ADMINISTRATION**

<b><u>Project Manager</u></b>		<b><u>Contract Administration</u></b>	
➤	Nominated by the Head of section to manage the specific project;	➤	Official from Legal Services Supply Chain Management Division Responsible for Contract Administration;
➤	Often reflected as reporting officer in terms of the suppliers' performance management system;	➤	Responsible for –
➤	Responsible for –		
	- Quality control, financial management and other technical expertise needed for the success of the project.		- Safekeeping of all contract related documents, to be done at the registry department;

	<ul style="list-style-type: none"> <li>- Facilitates the signing of contract with the services provider.</li> <li>- Assessing performance in line with the Suppliers Performance Monitoring System.</li> <li>- Reporting on poor performance of supplier to the accounting officer and council.</li> </ul>		<ul style="list-style-type: none"> <li>- Advise the Reporting Officer/ Project Manager on: <ul style="list-style-type: none"> <li>• Drafting of Service Level Agreement;</li> <li>• Contract's expiry date;</li> <li>• Price adjustment.</li> </ul> </li> </ul>
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## 5. SCOPE AND OBJECTIVES

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

## 6. PROCEDURES WHEN DRAFTING CONTRACTS

- 6.1 All contracts of the municipality should be in writing and should at least include the following:
- 6.1.1 Termination of the agreement in case of non or under-performance;
  - 6.1.2 Dispute resolution mechanisms to settle disputes between the parties;
  - 6.1.3 Price of the goods or services to be delivered to the municipality and performance will be evaluated;
  - 6.1.4 Penalties in case of non-performance or under performance;

- 6.1.5 Duration of the contract;
- 6.1.6 A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.
- 6.2 All contracts that have serious financial implications for the municipality should be handed over to the municipality legal adviser for review before being signed by the accounting officer or delegated official.
- 6.3 The following are regarded as contracts that have serious financial implications:
  - 6.3.1 Contract value to the amount of R200 000.00 or more;
  - 6.3.2 Contract for the period of more 12 months and more.

## 7. PROCEDURES AFTER DRAFTING CONTRACTS

- 7.1 After the contract has been signed by the Municipal Manager it should be entered into the contract register that should be maintained by the Registry Office ~~Contract Administration Officer~~. The register should at least include the following information (See Annexure A):
  - 7.1.1 Date that the contract was signed;
  - ~~7.1.2 Authority number;~~
  - 7.1.3 Contract number;
  - 7.1.4 Name of the contractor;
  - 7.1.5 Brief description of the goods or services to be provided;
  - 7.1.6 Duration of the contract;
  - ~~7.1.7 Penalties under the contract;~~
  - 7.1.8 Review date if it is a contract for more than three years;
  - 7.1.9 Remarks/ Comments;
  - ~~7.1.10 Financial implications, i.e. increase in rent amount.~~
- 7.2 The Contract Administration officer should update this register on monthly basis with all contracts entered into by the municipality during that month.

~~7.3 A separate register should be maintained for contracts above R500 000 in additions to the register mentioned in 5.1 above. The following information should be included in that register (See Annexure B);~~

- ~~7.3.1 Contract number;~~
- ~~7.3.2 Name of the contractor;~~
- ~~7.3.3 Brief description of the goods or services to be provided;~~
- ~~7.3.4 Duration of the contract;~~
- ~~7.3.5 Penalties under the contract;~~
- ~~7.3.6 Payments made to date;~~
- ~~7.3.7 Penalties paid by the municipality or contractor;~~
- ~~7.3.8 Amendment to the contract;~~
- ~~7.3.9 Remarks from site meeting or contract steering committee meeting that have impact on the contract;~~
- ~~7.3.10 Progress report from the head of department that procured the goods or services;~~
- ~~7.3.11 Financial implications.~~

~~7.3 The Contract Administration officer should update this register on monthly basis with all information affecting the contract and comments from the Head of Department that procured goods.~~

## **8. REVIEW OR TERMINATION OF CONTRACTS**

8.1 The Head Supply Chain Management ~~should~~ may inform the relevant Head of Department and/or Municipal Manager about the date of the review of the contract, at a reasonable period before the review date. As the management of the contract is the purview of the user department, this responsibility rests with the user department.

8.2 In case of non-performance or under-performance by the contractor remedies as outlined in the contract should be used by the Municipality.

## **9. AMENDMENT OF A CONTRACT**

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

9.1.1 the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community —

9.1.1.1 has been given reasonable notice of the intention to amend the contract or agreement; and

9.1.1.2 has been invited to submit representations to the municipality or municipal entity.

## **10. VARIATION ORDERS**

10.1 In cases where the estimated value of the envisaged changes in purchase does not vary more than 15% of the total value of the original contract, the contractor may be instructed to deliver the goods or render the services as such. In cases of measurable quantities, the contractor may be approached to reduce the unit price, and such offers may be accepted provided that there is no escalation in price.

10.2 The Accounting Officer shall be delegated to approve variation order as per section 10.1 or Directors may approve the variation order if the Rand value falls within their overall delegation limits.

## **11. REPORTING TO COUNCIL**

11.1 The Head of Supply Chain Management Unit ~~with the assistance of Contract Administration officer~~ should prepare on monthly basis a report for submission to the Accounting Officer, a report on all contracts with which problems are experienced for escalation to the Council should the Accounting Officer deem that to be necessary ~~on the state of all contract entered into through the municipality supply chain management system~~. This report is required by section 116 subsections (2)(d) of the Municipal Finance Management Act, No 53 of 2003.

11.2 The following information should be contained in the report:

- 11.2.1 Contract number;
- 11.2.2 Name of the contractor;
- 11.2.3 Brief description of the goods or services to be provided;
- 11.2.4 Duration of the contract;
- 11.2.5 Penalties under the contract;
- 11.2.6 Payments made to date;
- 11.2.7 Penalties paid by the municipality or contractor;
- 11.2.8 Amendment to the contract;
- 11.2.9 Remarks from site meeting or contract steering committee meeting that have impact on the contract;
- 11.2.10 Progress report from the head of department that procured the goods or services;
- 11.2.11 Any delays that might have impact on the completion of the contract.

## **12. REPORTING TO NATIONAL TREASURY**

12.1 The Chief Financial Officer are required to submit information in respect of each contract above R10 000 000.00 awarded and signed by all parties to the contract to National Treasury.

12.2 A report must be submitted each time a contract is awarded and signed or no later than 15 days after the end of each month.

12.3 Completed reports are to be e-mailed to the National Treasury at: [Contracts@treasury.gov.za](mailto:Contracts@treasury.gov.za) or by facsimile to (012) 326 5445.

12.4 The following information should be contained in the report:

- 12.4.1 Name of the Municipality;
- 12.4.2 Contract reference number;
- 12.4.3 Contract signing date;
- 12.4.4 Contract description;
- 12.4.5 Name of contractor;



- 12.4.6 Percentage equity ownership by black persons (no franchise prior to elections) based on information furnished on Municipal Bid Document (MBD) 6.1;
- 12.4.7 Percentage equity ownership by black women based on information furnished on MBD 6.1;
- 12.4.8 Percentage equity ownership by white women based on information furnished on MBD 6.1;
- 12.4.9 Outsourced / subcontracted business to small business as a percentage of annual turnover based on information furnished on MBD 6.3, if applicable;
- 12.4.10 Percentage local content of final product in relation to the bid price based on the information furnished on MBD 6.4, if applicable;
- 12.4.11 Total contract price (A);
- 12.4.12 Total price of lowest acceptable bid (price of bid scoring the highest points for price) (B);
- 12.4.13 Premium paid to promote specified goals (C) ( $C=(A-B)$ );
- 12.4.14 Percentage premium paid ( $C/B \times 100$ ).

### **13. ANNEXURES**

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

**ANNEXURE A:** Registration of all contracts of the Municipality

**ANNEXURE B:** Registration of all contracts above R10 000 000.00

**ANNEXURE C:** Report to the Council on Contracts Management over R 10 000 000.



ANNEXURE A

## REGISTER OF ALL CONTRACTS OF THE MUNICIPALITY

[illegible]

**ANNEXURE B**

**REGISTER OF ALL CONTRACTS ABOVE R10 000 000.00 FOR PERIOD EXCEEDING THREE MONTHS**

<u>DATE</u>	<u>CONTRACT NUMBER</u>	<u>NAME OF CONTRACTOR</u>	<u>DESCRIPTION OF SERVICE / GOODS</u>	<u>DURATION</u>	<u>PENALTIES PAID</u>	<u>PAYMENT MADE TO DATE</u>	<u>AMMENDMENTS TO THE CONTRACT</u>

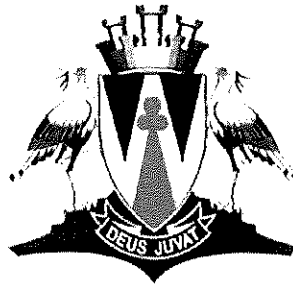
**ANNEXURE C**

**REPORT TO COUNCIL ON CONTRACT MANAGEMENT – CONTRACTS OVER R 10 000 000.00**

<b><u>CONTRACT NUMBER</u></b>	<b><u>NAME OF CONTRACTOR</u></b>	<b><u>DESCRIPTION OF SERVICE / GOODS</u></b>	<b><u>DURATION</u></b>	<b><u>PENALTIES</u></b>	<b><u>PAYMENT MADE TO DATE</u></b>	<b><u>PENALTIES PAID</u></b>	<b><u>AMMENDMENTS</u></b>

**14.        APPLICABLE LEGISLATION**

- 14.1        Local Government: Municipal Finance Management Act, 56 of 2003;
- 14.2        Supply Chain Management Regulations in terms of the Local Government:  
Municipal Finance Management Act, 56 of 2003;
- 14.3        Any other legislation issued in this regard.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **COST CONTAINMENT POLICY**

**2025/2026**

## **TABLE OF CONTENT**

1.	Preamble	3 – 4
2.	Applicable Legislation	4
3.	Definitions	4 – 5
4.	Application of Policy	5
5.	Use of Consultants	5 – 7
6.	Vehicles used for Political Office-Bearers	8 – 9
7.	Travel and Subsistence	9 – 10
8.	Domestic Accommodation	10 – 11
9.	Credit Cards	11
10.	Sponsorships, Events and Catering	11 – 12
11.	Communication	12 – 13
12.	Conferences, Meetings and Study Tours	13 – 14
13.	Other Related Expenditure Items	14 – 15
14.	Enforcement Procedures	15
15.	Disclosures of Cost Containment Measures	16
16.	Implementation Date	16



1. **PREAMBLE**

1.1 Each municipality must develop or revise and implement a cost containment policy which must -

- a) be adopted by the municipal council as part of its budget related policies;
- b) define a municipality's objectives for the use of consultants; and
- c) be consistent with the relevant legislation.

1.2 The cost containment policy of a municipality contemplated in 1.1 *supra* must -

- a) be in writing;
- b) give effect to the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 (Notice 317 of 2019);
- c) be reviewed annually, as may be appropriate;
- d) be communicated on the municipality's website; and
- e) set out –
  - i) monitoring measures for ensuring implementation of the policy;
  - ii) procedures for the annual review of the policy; and
  - iii) consequences for non -adherence to the measures contained therein.

1.3 This policy document seeks to implement National Treasury Instructions and MFMA Circulars applicable to Cost Containment, as set out in 1.1 and 1.2 *supra*.

1.4 The object of the Policy, in line with Sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, is to ensure that resources of the Municipality are used effectively, efficiently and economically by implementing the cost containment regulations.

- 1.5 The following measures must be implemented, consistently with immediate effect to ensure the containment of costs, and will be updated if and when any revisions are done to the applicable legislation.

## **2. APPLICABLE LEGISLATION**

- 2.1 Local Government: Municipal Systems Act, 32 of 2000;  
2.2 Basic Conditions of Employment Act, 75 of 1997;  
2.3 National Treasury Instruction, No. 04 of 2017/2018;  
2.4 SAICA Guidelines for Fees;  
2.5 Tariffs as determined by the Department of Transport /AA SA Rates;  
2.6 Remuneration of Public Office Bearers Act, 20 of 1998: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils;  
2.7 Overtime Policy;  
2.8 SALGBC Collective Agreements; and  
2.9 Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 (Notice 317 of 2019)

## **3. DEFINITIONS**

- 3.1 In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and –

3.1.1 **“Act”** Means the Local Government: Municipal Finance Management Act, 56 of 2003;

3.1.2 **“Consultant”** means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

3.1.3        **"Cost Containment"**        means measures implemented to curtail spending in terms of this policy; and

3.1.4        **"Credit Card"**        means a card issued by a financial provider, which creates a revolving account and grants a line of credit to the cardholder.

#### **4.        APPLICATION OF POLICY**

4.1        This policy shall apply to all officials and political office bearers in municipalities.

#### **5.        USE OF CONSULTANTS**

##### **5.1        Measures:**

5.1.1        A municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality does not have the requisite skills or resources in its full -time employ to perform the function, for appointments exceeding R 500 000.

5.1.2        The reasons for the use of the consultants must be motivated by the Senior Manager concerned and endorsed by the Accounting Officer, in writing.

5.1.3        The remuneration framework of the Municipality will be-

- a)        determined in the "Guideline on fees for audits undertaken on behalf of the Auditor - General of South Africa ", issued by the South African Institute of Chartered Accountants;
- b)        set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
- c)        as prescribed by the body regulating the profession of the consultant.

5.1.4        The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in 5.1.2 *supra*.

- 5.1.5 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 5.1.6 When consultants are appointed, an accounting officer must, where practical –
- a) appoint consultants on a time and cost basis with specific start and end dates;
  - b) appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
  - c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
  - d) ensure the transfer of skills by consultants to the relevant officials of a municipality;
  - e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and
  - f) develop consultancy reduction plans to reduce the reliance on consultants.
- 5.1.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 5.1.8 The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 5.1.9 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- 5.1.10 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract

price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

- 5.1.11 These provisions will only apply to contracts entered into and tender processes started after the approval of the Policy by Council.

**5.2 Controls:**

- 5.2.1 The use of consultants must be reviewed and curtailed.
- 5.2.2 All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Senior Manager concerned, endorses the procurement process.
- 5.2.3 Senior Managers must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- 5.2.4 Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Senior Manager to table an item via the Bid Committee system to make recommendations in this regard.
- 5.2.5 Any SLA or contract signed with consultants, must include:
- a) penalty clauses for poor performance,
  - b) clauses that deal with skills transfer,
  - c) period of the contract must be clearly stated, amongst other pertinent clauses.
- 5.2.6 Directorates who deal with Consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.
- 5.2.7 The Municipal Manager must give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

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

- 6.1 The threshold limit for vehicle purchases relating to official use by political office --bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 6.2 The procurement of vehicles in 6.1 *supra* must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms; other procurement mechanisms may also be used should the transversal contract mechanism be proven to be too onerous or vehicles available on the contract will not be serviceable within a 100 km distance of the municipality.
- 6.3 Before deciding to procure a vehicle as contemplated in 6.2 *supra*, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- a) status of current vehicles;
  - b) affordability of options including whether to procure a vehicle through a cash purchase or a lease transaction, provided that the most cost-effective option is followed and the cost is equivalent to or lower than that contemplated in 6.1 *supra*;
  - c) extent of service delivery backlogs;
  - d) terrain for effective usage of the vehicle; and
  - e) any other policy of council.
- 6.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 6.5 Notwithstanding 6.5 *supra*, a municipality may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition

and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

- 6.6 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## **7. TRAVEL AND SUBSISTENCE**

- 7.1 An accounting officer –

- a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
- b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

- 7.2 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

- 7.3 Notwithstanding 6.1 and 6.2 *supra*, an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.

- 7.4 The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

- 7.5 An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only –

- a) during peak holiday periods; or

- b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.
- c) where the event is hosted on a site where making use of on-site accommodation is more practical, written motivation for the deviation must accompany the requisition for accommodation.

7.6 An official or a political office bearer of a municipality must –

- a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
- b) not hire vehicles from a category higher than Group B or an equivalent class; and
- c) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

7.7 The municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

7.8 **The geographical location of the municipality makes the usage of public transport unpractical and this policy therefore deviates from the Regulation relating to the use of public transport.**

## 8. **DOMESTIC ACCOMMODATION**

8.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

8.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres, **unless it can be proven by the Municipal Manager and Official/ Public Office Bearer that it will be more cost-effective for the Municipality to book domestic accommodation.** The safety of the employee



or Public Office Bearer will also play a cardinal role in the decision to make an overnight booking or not.

**9. CREDIT CARDS**

- 9.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer. The provision on credit cards excludes petrol/garage cards linked to a specific official vehicle.
- 9.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes

**10. SPONSORSHIPS, EVENTS AND CATERING**

- 10.1 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.
- 10.2 An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours or where the attendees travelled in excess of 100 km to attend.
- 10.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- 10.4 A municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

- 10.5 An accounting officer must ensure that social events, team building exercises, year –end functions, sporting events are not financed from the municipality's budgets or by any suppliers or sponsors; specific budgeted staff-wellness events are excluded where the specific events are separately budgeted, disclosed in the budget documentation of the municipality and approved by Council.
- 10.6 The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 10.7 An accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health. The petty cash limit is defined as per the limitations of the Supply Chain Management Regulations.

## **11. COMMUNICATION**

- 11.1 The municipality should, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers. No advertisements regarding the general information and functions of the municipality may be placed in any publication at cost.
- 11.2 The accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer, the municipal officer should review the staff receiving allowances and the amounts receivable at least annually.
- 11.3 Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.

11.4 The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

11.5 **The Councils policy relating to payment for private calls must be fully enforced by all Directorates and must the cost for private calls be recovered on a monthly basis from the affected official's salary.**

12. **CONFERENCES, MEETINGS AND STUDY TOURS**

12.1 The accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non –governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives. Applications for attendance must be completed on the *Nomination/Request form to attend Education, Training and Development Course/Conference/Seminars/Workshops/Symposia/Lecture/Meeting* and duly approved by either the Municipal Manager or the duly delegated senior official.

12.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account –

- a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
- b) whether the conference or event addresses relevant concerns of the institution;
- c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
- d) the availability of funds to meet expenses related to the conference or event.

12.3 An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

- 12.4 The benchmark costs referred to in 12.3 may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 12.5 The amount referred to in 12.4 *supra* excludes costs related to travel, accommodation and related expenses, but includes –
- a) conference or event registration expenses; and
  - b) any other expense incurred in relation to the conference or event.
- 12.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 12.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in- house.
- 12.8 Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- 12.9 The consideration for approval for officials must be done by an accounting officer and in the case of political office bearers and the accounting officer, the mayor, as contemplated in 12.2 *supra*.
- 12.10 A municipality must, where applicable and practical, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

**13. OTHER RELATED EXPENDITURE ITEMS**

- 13.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated, **unless the Municipal Manager, in writing and after doing a cost-analysis of the commodity, service or product to be rendered, can prove**

**that it will be more cost-effective or practical to not make use of such a transversal contract.**

- 13.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 13.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 13.4 A municipality must avoid expenditure on elaborate and expensive office furniture.
- 13.5 A municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- 13.6 A municipality may consider providing additional time -off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 13.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

#### **14. ENFORCEMENT PROCEDURES**

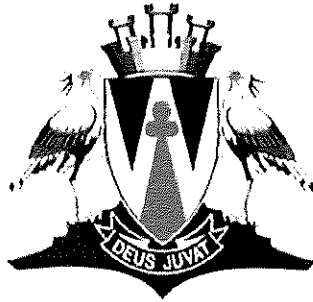
- 14.1 Failure to implement or comply with these Regulations may result in any official of the municipality, political office bearer or director of the board that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in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

**15. DISCLOSURES OF COST CONTAINMENT MEASURES**

- 15.1 The disclosure of cost containment measures applied by the municipality must be included in the municipal in -year budget reports and annual costs savings disclosed in the annual report.
- 15.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- 15.3 The reports referred to in 15.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.
- 15.4 The reporting referred to in 15.1, 15.2 and 15.3 may be done as per the declaration from the Accounting Officer included in Annexure A that the Cost Containment Regulations and measures was considered and implemented by the municipality, this report will form part of the monthly, quarterly and annual reporting of the municipality. The detailed measures and aggregate amounts saved are not practically reportable at this stage. The reporting measures required in terms of the Policy will be revised on an annual basis.

**16. IMPLEMENTATION DATE**

- 16.1 This policy will be implemented with effect from 1 July 2019.



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

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

**2025/2026**

## TABLE OF CONTENT

1.	Preamble	3
2.	Definitions	3 – 7
3.	Applicable Legislation	8
4.	Customer Care and Management	8 – 10
5.	Credit Control and Debt Collection Measures	10 – 19
6.	General Provisions	19 – 22



1. **PREAMBLE:**

1.1 In terms of section 96 of the Local Government: Municipal Systems Act, 2000, a Municipality shall-

1.1.1 collect all money due and payable to it, subject to the provisions of the Act and any other applicable legislation; and

1.1.2 for this purpose, implement and maintain a credit control, debt collection policy which is not in conflict with its rates and tariffs policies and which complies with the provisions of the Act.

1.2 In order to give effect to the afore-going provisions of the Act, the council of the Central Karoo District Municipality will have to adopt a policy relating to credit control, debt collection and as set out hereinafter.

2. **DEFINITIONS:**

2.1 For purposes of this policy, and unless inconsistent with the context, any word or phrase to which a specific meaning was ascribed by the Act, will have that meaning and

“account” includes:

- (1) Rental agreements;
- (2) Fire services;
- (3) Air quality services;
- (4) Environmental health levies;
- (5) Any other levies and money owing to the Municipality;
- (6) Continued Medical Members;
- (7) Public Works Services;
- (8) Shared Services; and
- (9) Monies due and owing by B Municipalities in terms of SLA's.

and will the above also include the definition of **“services”**.

**“municipal account”** has a corresponding meaning.

**“Act”** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

**“arrears”** means any amount due and payable excluding interest to the Municipality which has not been paid on or before the date of payment;

**“council”** means the municipal council of the Central Karoo District Municipality;

**“date of payment”** means the date on which the Municipality’s accounts are due.

**“minister”** means the Minister for Provincial Affairs and Constitutional Development;

**“members of the Cabinet”** means the persons referred to in section 91(1) of the Constitution;

**“Manager: Financial Services”** means a person appointed by the council in that capacity to administer the council’s finances and includes any person –

- (1) who is in an acting capacity in that position;
- (2) to whom the Manager: Financial Services delegated a power, function or duty in respect of such delegated power, function or duty;

**“Municipal Manager”** means the person appointed in that capacity by the council in accordance with Section 82 of the Local Government Municipal Structures Act No 117 of 1988 as amended by Section 54A of the Local Government Municipal Systems Act No 32 of 2000 and includes any person –

- (1) acting in that position;
- (2) to whom the Municipality delegated a power, function or duty in respect of such delegated power, function or duty;

**“municipal services”** means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether –

- (1) such a service is provided, or to be provided by the municipality through an internal mechanism contemplated in section 76 or by engaging an external mechanism contemplated in section 76; and
- (2) fees, charges or tariffs are levied in respect of such service or not.

**“Municipality”** means the Central Karoo District Municipality;

**“owner”** in respect of immovable property means-

- the person in whom ownership vests;
- in the event of the person in whom the ownership vests being insolvent or deceased, or subject to

any legal disqualification, the person under whose control and administration such immovable property vest in his/her capacity as curator, trustee, executor, administrator, judicial manager, liquidator or any other lawful representative;

- in any event where the council is unable to determine the identity of such a person, the person who is entitled to the beneficial use of such immovable property;
- in the event of immovable property in respect of which a lease agreement of 30 years or longer had been concluded, the lessee thereof;
- in respect of a portion of land demarcated on a sectional title plan and registered in accordance with the Sectional Titles Act, 1986 (Act No. 59 of 1986), the developer or the governing body in respect of the joint property;
- in respect of a portion of land as defined in this Act, the person in whose name that portion is registered in accordance with a title deed registered in a Deeds Registrar's Office according the Deeds Registries Act, 1937 (Act No 47 of 1937), including the lawfully appointed representative of such person;
- any persona, including but not limited to a company registered in accordance with the Companies' Act, 1973 (Act No 61 of 1973) as amended, a trust *inter vivos*, a trust *mortis causa*, a close corporation registered in accordance with the Close Corporations Act, 1984 (Act No 69 of 1984) as amended, and a voluntary association;
- any persona, including but not limited to any government department;

- any persona, including but not limited to any council or governing body established in accordance with any legislation in force in the Republic of South Africa;
- any persona, including but not limited to any embassy or other foreign entity;

**“premises”** means any portion of land, situated within the area of jurisdiction of the municipality, and of which the outer boundaries are demarcated on a general plan or diagram registered in accordance with the Land Survey Act, 1927 (Act No 9 of 1927) or the Deeds Registries Act, 1937 (Act No 47 of 1937); or a sectional title plan registered in accordance with the Sectional Titles Act, 1986 (Act No 95 of 1986);

**“standard rate of interest”** means a rate of interest one percent higher than the prime rate in the RSA;

### **3. APPLICABLE LEGISLATION**

- 3.1 Local Government: Municipal Systems Act, 32 of 2000;
- 3.2 Local Government: Municipal Structures Act, 117 of 1998
- 3.3 Local Government: Municipal Finance Management Act, 56 of 2003;
- 3.4 Constitution of the Republic of South Africa;
- 3.5 Sectional Titles Act, 59 of 1986;
- 3.6 Deeds Registries Act, 47 of 1937;
- 3.7 Companies Act, 61 of 1973;
- 3.8 Close Corporation Act, 69 of 1984;
- 3.9 Land Survey Act, 9 of 1927;
- 3.10 Public Office Bearers Act, 20 of 1998.

### **4. CUSTOMER CARE AND MANAGEMENT:**

#### **4.1 Municipal Accounts:**

- 4.1.1 In so far as it is possible, the Municipality shall ensure that a person liable for payment of municipal services shall receive monthly statements on which the following shall be reflected:

- all outstanding amounts and the balance brought forward;
- amounts owing;
- total amount due.

#### **4.2 Enquiries, Appeals and Service Complaints:**

- 4.2.1 Should a person be convinced that his or her account for municipal services, is inaccurate, he or she may direct a request to the Municipality to have that account reviewed.

- 4.2.2 In the meantime, the person must pay an amount, as determined by the Manager: Financial Services, before the date of payment and until the matter has been resolved.
- 4.2.3 The Municipal department concerned shall, within one month of receipt of such a request, investigate the matter and inform the person concerned of the outcome of such an investigation.
- 4.2.4 Failure to pay the amount determined in accordance with paragraph 4.3.2 on or before the date of payment in respect of municipal services, will result in credit control action be taken as spelled out in this policy.
- 4.2.5 A person may appeal against the findings of the Municipality referred to in paragraph 4.3.3.
- 4.2.6 An appeal in accordance with paragraph 4.3.3 must be made and delivered to the Municipal Manager within 21 days of the appellant becoming aware of the finding referred to in paragraph 4.3.3 and shall set out the grounds of the appeal.
- 4.2.7 The Municipal Manager must commence with an appeal within six (6) weeks and decide the appeal within a reasonable period.

#### **4.3 Payment Facilities:**

- 4.3.1 The Municipality shall provide and maintain strategically situated accessible payment offices and cash points throughout its area of jurisdiction;
- 4.3.2 The following alternative payment facilities shall also be provided or be available:
- electronic bank transfers (A.C.B. system);
  - internet transfers;
  - direct depositing of money into the Municipality's approved bank account;

4.3.3 Where any of the alternative payment facilities is used, the onus is on the person using such facilities to provide proof of payment, and the Municipality does not accept liability for the non-receipt of such payments, or for incorrect allocations, where such incorrect allocations are due to a mistake on the part of such person.

4.3.4 Where payment of the money due is made by way of a direct deposit into the Municipality's approved bank account, the onus rests on the debtor to notify the Municipality of such deposit in writing or facsimile to reach the Municipality not later than the date of payment of such monies.

4.3.5 Municipal accounts are due and payable on the 15<sup>th</sup> of the month.

#### **4.4 Allocation of Revenue:**

4.4.1 In accordance with section 102 of the Act, a Municipality may consolidate any separate accounts of persons liable for payments to the Municipality and credit a payment by such a person against any account of that person

### **5. CREDIT CONTROL AND DEBT COLLECTION MEASURES:**

#### **5.1 Liability for Payment of Money Due and Payable to the Municipality:**

5.1.1 The person responsible for the payment of money due and payable to the Municipality will be the following in the instances mentioned hereafter.

5.1.2 Any other services – the person to whom such services were delivered.

5.1.3 Where an account is not paid in full, any lesser amount offered and accepted by the Municipality shall not be deemed to be in full and final settlement of such account, unless the Municipal Manager in writing accepts such lesser amount as being in full and final settlement of the account in question.



- 5.1.4 The onus rests on the debtor to obtain a statement of his or her accounts so that they may be paid on or before the date of payment.

**5.2 Date of Payment of Money Due:**

- 5.2.1 Moneys payable in respect of municipal services are due and payable on the date indicated as such on the account delivered each month in respect of those services and such payment must be made on or before the 15th day of the month after the month in which the account is rendered or such future date as the Council may determine from time to time.
- 5.2.2 Payment of amounts due to the Municipality, and fees due in respect of municipal services, must be made on the date indicated on the account rendered to such debtor in respect of such amount owed, which date will be no more than 30 days after the rendering of the particular service.
- 5.2.3 Where the last date of payment of any amount owing to the Municipality falls on a day on which the offices of the Municipality are closed, the final date for payment will be deemed to be the first subsequent day on which the offices are open.

**5.3 Actions to be taken where Debtors fall in arrears or fail to pay:**

**5.3.1 Fees and Levies in Arrears in Respect of Municipal Services:**

- 5.3.1.1 Interest shall be levied and be payable on all amounts in arrears. This is applicable only to municipal services, the municipality will not raise interest on any other arrear accounts such as shared services, pensioner medical aid etc.
- 5.3.1.2 If a person is unable to pay fees in arrears in respect of municipal services, the Municipality may enter into an agreement with such a person in terms of which he or she is permitted to pay the fees in arrears in monthly installments and that such the person regularly pays all future accounts in respect of municipal services; the

person acknowledges that interest on such amounts in arrears shall be payable at the prescribed rate of interest and he or she agrees to pay such interest;

5.3.1.3 the person acknowledges that should he or she at any time fail to comply with the provisions of such an agreement, the agreement shall be deemed to be null and void; no further negotiations with that person shall be possible, and immediate steps shall be taken to have the electricity and water supplies to the premises in question disconnected or restricted, after which legal proceedings shall follow.

5.3.1.4 When a person is served with an account of which the amount due in respect of municipal services is exceptionally high and it is the result of –

- an act or omission on the part of the Municipality; or
- and provided that such amount in arrears is legally due and payable by that person, the Municipality may, in the discretion of the Manager: Financial Services, enter into an agreement with that person in terms of which he or she is permitted to pay the amount owing by way of monthly installments, provided that where such a high account is the result of an act and/or omission on the part of the Municipality, no interest shall be payable in respect of that outstanding amount.

5.3.1.5 If fees, or any portion thereof, due in respect of municipal services remain unpaid for a period exceeding 30 days calculated from the date of payment, and an agreement has not been entered into with the debtor, the Manager: Financial Services must,

- hand the account thus due and payable to a debt collector or attorney for collection, if, in his opinion, there is a fair chance that the debt may indeed be collected; (for purposes hereof a debt collector will be deemed to include any official of the council who is vested with the authority to collect debts)
- or institute legal proceedings against the debtor for the recovery of the debt.

5.3.2 **Arrears Rental Agreements:**

- 5.3.2.1 Where agreements provide for interest payable on rentals in arrears, interest will be levied in accordance with the provisions contained in such lease or loan agreements.
- 5.3.2.2 Where installments due to the Municipality are not paid on or before the date of payment, a letter of demand is sent to the person involved in which he or she is requested to pay such arrears, together with interest, if any, within 21 days of the date of such notice.
- 5.3.2.3 An agreement to pay the arrears by way of monthly installments may at any time be entered into with the person so in arrears, subject, however, to the terms and conditions contained in paragraph 5.3.2.2, which terms shall apply *mutatis mutandis*.
- 5.3.2.4 Where no agreement has been concluded to pay arrears by way of monthly installments, and such amounts still remain in arrears after more than 30 days calculated from the date of payment, the Manager: Financial Services shall take the steps as set out in paragraph 5.3.2.3.

5.4 **Fees Due Other than those in Respect of Municipal Services and Rental Agreements:**

- 5.4.1 The provisions of paragraphs 5.3.2.2 in respect of agreements in arrears are applicable *mutatis mutandis*.



**5.5      Collection of Deposit:**

- 5.5.1      When an entity applies for municipal services and before such services are provided, a deposit may be collected from that entity to serve as security or partial security for the payment for municipal services provided to that entity.
- 5.5.2      A deposit as envisaged in paragraph (5.6.1) is utilized to extinguish or reduce debts owed by an entity to the Municipality for municipal services rendered.
- 5.5.3      The amount of the deposit is determined as per specific agreement for municipal services.
- 5.5.4      When an entity, having paid a deposit to the Municipality, requests in writing that the municipal services provided to him or her be terminated and that the deposit thus kept by the Municipality be refunded to the entity, such deposit or any portion thereof which has not been utilized in accordance with paragraph 5.6.2, shall be refunded to such entity.
- 5.5.5      The Municipality is not liable for the payment of interest on deposits held by the Municipality.

**5.6      Institution of Legal Proceedings:**

- 5.6.1      The institution of legal proceedings includes, but is not limited to-
1.      the suing of a debtor for payment of amounts in arrears;
  2.      the attachment of rent payable in respect of a property;
  3.      the attachment of a debtor's remuneration;
  4.      the attachment and sale in execution of movable things;
  5.      the attachment and sale in execution of immovable property;
  6.      the evacuation of a tenant from a rented property in the event of rental due to the Municipality in respect of such leased property.

- 5.6.2 The institution of legal proceedings is undertaken with due consideration of all legal requirements and in compliance with the applicable regulations and procedural rules.
- 5.6.3 Discretionary powers vest in the Manager: Financial Services to decide whether –
1. an account should be handed over to a debt collector or an attorney for collection and if
  2. legal proceedings should be instituted against a debtor;
- in those instances where the total indebtedness of the debtor is R500,00 or less.
- 5.6.4 In the exercise of his powers the Manager: Financial Services determines as a sole consideration whether it will be cost-effective to hand over the account for collection and/or to institute legal proceedings against the debtor or not. No debt will be handed over for collection if the amounts is less than R 10 000.
- 5.6.5 The Manager: Financial Services shall be empowered to determine which of the judicial measures listed in paragraph 5.8.1 will be the most appropriate and effective in respect of each and every debtor against whom legal proceedings are to be instituted in accordance with this policy of the Council.

## **5.7 Writing Off of Bad Debt:**

### **5.7.1 Steps to be Taken Before Writing Off Debt:**

#### **1. CREDIT CONTROL AND DEBT COLLECTION POLICY ACTIONS**

All the applicable actions as contained in the Credit Control and Debt Collection Policy of the Municipality should have been executed and implemented.

## 2. ESTATE NOTICES MONITORING

Estate notices in the Government Gazette must be checked regularly by the legal section to enable the municipality to institute claims against insolvent and deceased estates of persons owing money to the Municipality.

## 3. TRACING OF DEBTORS

In the event that the debtor's address is not known, all reasonable steps must be taken to trace the debtor. A reasonable effort to trace the debtor will include, but is not limited to, the following:

- (a) Utilizing all the information available (such as vehicle registration number, school attended by children, etc.) to locate the debtor;
- (b) Utilizing the telephone directory for the last town or city in which the debtor lived to locate the debtor and/or his/her relatives; and
- (c) Contacting the following institutions or persons in order to locate the debtor:
  - The Vehicle Registration Authorities;
  - The Department of Home Affairs; and
  - Officials and/or colleagues at the debtor's last place of employment.

The Manager Financial Services shall consider all other economically viable avenues for debt recovery, including the use of tracing agents, factoring of debts, recourse against sureties, guarantors or lessees, etc.

Provision for bad debts or impairments will be done in terms of GRAP 104.

### 5.7.2 Prevention of Prescription of Debt:

Proceedings out of the appropriate court having jurisdiction for the recovery of a debt must be commenced as soon as is appropriate in order to prevent prescription of the debt. A summons process for payment of the debt must be successfully concluded as soon as possible to prevent prescription of the debt in terms of the Prescription Act.

5.7.3 General:

Should all the above efforts prove to be unsuccessful and the debtor cannot be traced or it would be uneconomical to take the matter any further, only then must a submission be made requesting the write-off of the debt. This submission must detail all steps taken and the Municipality must maintain audit trails in such instances and document the reasons for the abandonment of the actions or claims in respect of the debt.

5.7.4 Write-Off Debts Owing to the Municipality:

5.7.4.1 GENERAL CONDITIONS:

The Municipality will consider debts for write-off in the following general circumstances:

- When debts have prescribed, as contemplated in paragraph 5.8.1 above;
- When debts have not been recovered from the deceased, where their estates have been finalized, and recovery of the debts from the heirs is not possible;
- When debts are owed by debtors who cannot be traced, notwithstanding compliance with the provisions in paragraph 5.3 above;
- When no source documentation is available to substantiate or prove the claims, provided that the Manager Financial Services must have satisfied

him/herself that all reasonable steps have been taken to locate the source documents;

- When the debtor has emigrated without paying the debts, leaving no assets available for attachment and the debtors' whereabouts are unknown;
- When it is not economical to pursue the debt further.

**Note:** Unless affordable arrangements can be made with tracing agents or attorneys, the costs associated with the tracing of a debtor and subsequent legal costs occasioned thereby, could exceed the amount claimed. It would therefore not be in the Municipality's interest to attempt recovery of debts where the prospects of recovery are remote, and where the possibility exists that the costs associated with recovery may exceed the debt.

#### 5.7.4.2 SPECIFIC CONDITIONS:

The Municipality will consider debts for write-off in the following specific circumstances:

Debt owed to Council arising from auxiliary services rendered by Council will be regarded as irrecoverable if the debt has prescribed or in circumstances contemplated in 5.8.3.

#### 5.7.5 Final Action:

5.7.5.1 Whenever all the legal avenues, procedures and steps listed above have been exhausted, the arrear amounts should be classified as irrecoverable and should be written off by the person to whom the authority to do so has been delegated under the Municipality's system of delegations.

5.7.5.2 Immediately after 30 June each year, or more regularly if requested by Council, the Manager Financial Services must present to the Council a report listing the following:





- For noting – details of the debts that was written off during the year ending 30 June under delegated authority, together with the reasons for the write offs; and
- For consideration – details of any debt, not included under (a) above, which is believed to be irrecoverable, together with the reasons for this conclusion. The council shall then approve the write-off of such arrears, if it is satisfied with the reasons provided.

#### 5.7.6 Bad Debts Recovered:

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

### 6. GENERAL PROVISIONS:

#### 6.1 Collection Costs:

6.1.1 All legal costs and any other expenses incurred by the Municipality in order to recover monies owing by a debtor to the Municipality, shall be debited against that debtor's account and/or collected by an attorney.

6.1.2 Collection commission and other expenses incurred by the municipality in order to recover monies owing by a debtor to the municipality, is not recoverable from the debtor.

#### 6.2 Dishonored Payments:

Should any payment made to the Municipality by means of a negotiable instrument be dishonored by a bank at a later stage, the Manager: Financial Services may –

- a. impose costs and administration fees on the account of that debtor at a rate to be determined by the council from time to time; and
- b. after payment tendered by a debtor is dishonored for a third time by a bank, notify that person in writing that all future payments may only be made in cash.

### **6.3 Monies due by Councilors in cases of Overpayment:**

6.3.1 In terms of Section 16 of the Remuneration of Public Office Bearers Act, 20 of 1998 (as amended in terms of Notice no. 1600 of 21 December 2016):

6.3.1.1 Any remuneration paid to a councilor of a municipality otherwise than in accordance with Section 167(1) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure and the municipality –

- must recover that remuneration from the political office bearer or member; and
- may not write –off any expenditure incurred by the municipality in paying or giving that remuneration.

6.3.1.2 The MEC must report to the Minister –

- any transgression of subsection (1); and
- any non-compliance with this notice.

### **6.4 Continued Medical Members:**

Should any continued medical members fall behind on their payments towards their medical aid contribution, one written letter of demand will be sent to them to bring their arrears up to date. Should the arrears not be brought up to date, Council will immediately stop their contribution towards medical aid.

**6.5      Debt due by Employees of the Central Karoo District Municipality**

Will be dealt with in terms of the stipulations of other applicable policies.

**6.6      Access to Premises:**

An occupier of premises in the area of jurisdiction of the Municipality must give an authorized representative of the Municipality or of a service provider access at all reasonable hours to the premises.

**6.7      Signing of Notices and Documents:**

A notice or document issued by the Municipality pursuant to a by-law promulgated by the Municipality and signed by a staff member of the Municipality is deemed to have been properly issued and shall be accepted by the court as evidence of that fact upon the mere submission thereof.

**6.8      Certification of Documents:**

Any order, notice or other document which needs to be certified by the Municipality, is deemed to have been sufficiently certified if it is signed by the Municipal Manager or a duly authorized official of the Municipality to whom such powers were delegated by means of a decision of the Municipality's council or pursuant to a by-law.

**6.9      Prima Facie Evidence:**

In lawsuits initiated by the Municipality, the mere submission of a certificate reflecting the amount due and payable to the Municipality and signed by the Municipal Manager or a suitably qualified official authorized thereto by the Municipal Manager, shall be accepted by the court as *prima facie* evidence that the amount is due.

**6.10      Data Maintenance:**

Should the client contact the municipality at any time, his/her details as reflected on the financial system should be verified and checked and adjusted accordingly.

**6.11      Short Title:**

This policy is called the Credit Control, Debt Collection Policy of the Central Karoo District Municipality.