

COUNCIL

: 2021-03-30

51. DRAFT BUDGET 2021/22 AND REVIEWED IDP FOR 2021/22
(6.1.1 2021/22) (Municipal Manager)

PURPOSE

To **CONSIDER** and **APPROVE** the Budget for 2021/22 that has been deliberated and compiled in terms of section 16 of the Municipal Financial Management Act 56 of 2003.

BACKGROUND

National Treasury's MFMA circular 107 was used to guide the compilation of the 2021/22 MTREF. Tariff increases were based on the CPI/Inflation of 4.1

Find the following documents attached:

- Executive summary
- Annual Budget for 2021/22
- Reviewed IDP 2021/22
- Tariff Schedule
- Budget Related Policies
- MFMA Circular 107

1.2.3 LEGAL AUTHORITY

In terms of Section 16(2) of MFMA, act 56 of 2003, the annual budget must be tabled at least 90 days before the start of the financial 2020/21. The Mayor should table the budget and the draft Reviewed IDP simultaneously.

Section 17(1) of MFMA, an Annual Budget of a Municipality must be a schedule in the prescribed format-

- (a) Setting out realistically anticipated revenue for the budget year from revenue source;
- (b) Appropriating expenditure for the budget year under the different votes of the municipality;
- (c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
- (d) Setting out-
 - (I) estimated revenue and expenditure by vote for the current year; and
 - (II) actual revenue and expenditure by vote for the financial year preceding the current year; and
- (e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.

Council RESOLVED

1. That the Council of Ga-segonyana Local Municipality, in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) approves the Annual budget of the municipality for the financial year 2021/22 and the multi-year and single-year capital appropriations as set out in the following tables:
 - Budgeted Financial Performance (revenue and expenditure by standard classification) Table A2
 - Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
 - Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
 - Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
2. That in terms of Section 24(c) (v) of the Municipal Finance Management Act, 56 of 2003, the budget related policies, including any amendments be approved for the budget year 2021/22
3. That the General Tariffs as set out in the Tariffs Schedule with any amendments be approved for the 2021/22 financial year
4. That Council approves the Reviewed IDP as amended
5. That MFMA Circular 107 be approved
6. That the 2021/22 Annual budget and Reviewed IDP be submitted to both National and Provincial Treasury.



DRAFT ANNUAL BUDGET OF GASEGONYANA LOCAL MUNICIPALITY

2021/22 TO 2023/2024



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1.3 EXECUTIVE SUMMARY

1.3.1 INTRODUCTION AND BACKGROUND

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process.

In order for the municipality to thrive, overall performance must improve, the quality of services rendered must improve, accountability must be enforced, serious consideration should be given to the service delivery and financial implications of all decisions taken, ensure that acts, regulations and policies are adhered to, enhance revenue collection and ensure that operational and capital funds are spent effectively with good value for money.

The Adjustment budget was assessed and determined credible by National Treasury (NT). This was the recommendation by NT.

For the 2020/21 financial year for the municipality to have positive cash and cash equivalents.

- Debt collection and Credit Policy must be enforced to ensure cash is collected as estimated
- PT anticipate the Municipality to end 2020-21 financial year with a positive cash flow balance of R24.9mil. Adjustment budget for Gasegonyana Municipality is funded.

The 2021/22 Medium Term Budget continues to focus on ensuring financial sustainability while delivering on the programmes outlined in the Integrated Development Plan (IDP)

The 2021/22 Medium Term budget is a total consolidated revenue of R 607 million which has been developed with an overall planning framework and includes programs and projects to achieve the municipality's strategic objectives. This budget was set against the background of slow economic growth, rising debt & higher interest rates where tough fiscal choices had to be made. Provisions in this medium-term budget continue to support government's commitment to broadening service delivery, cost containment and expanding investment in infrastructure, while taking into account the constrained fiscal environment.

Revenue generated from sale of electricity remains the major source. The Municipality distributes electricity through prepaid electricity meters as well as conventional meters. Prepaid electricity is 45% of total electricity and Conventional is 55% of the total electricity.

Tariff increases must be limited to be within the affordability levels of our community and must still promote economic growth to ensure financial sustainability however must still strive to be cost reflective in order for municipality to still remain sustainable and liquid. The **inflation outlook** as set out in Circular No 107 issued on 04 December 2020 is set at **4.1%**.

The proposed electricity tariff increases are subject to final approval by NERSA. We have used 6.9% for the draft budget as per the MFMA circular 108.

In terms of Council's social commitment to assist the poorer communities in Ga-Segonyana LM, provision was also made for the supply of free basic services. The total amount budgeted for **free basic electricity** to our community amounts to **R2 932mil**. This will cover rebates on property rates, 50kwh electricity per month per household, refuse and 6kl water per month to all registered indigents per household.

Consolidated Overview of the 2021/22 MTREF

NC452 Ga-Segonyana - Table A1 Budget Summary				
Description		2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousands	Adjusted Budget			
Total Revenue (excluding capital transfers and contributions)	470 952	493 273	521 842	526 030
Total Expenditure	486 046	490 517	530 589	542 760
Surplus/(Deficit)	(15 095)	2 756	(8 747)	(16 729)
Total Capital Expenditure -	178 030	123 275	87 829	119 011

Total operating revenue has grown by 4.74% for the 2021/22 financial year when compared to the 2020/21 Adjustments Budget. For the two outer years, operational revenue is projected to increase by 5.80% and 0.8% respectively.

Total operating expenditure for the 2021/22 financial year has been appropriated at R490 mil and translates into a budgeted surplus of R2 755 mil.

When compared to the 2020/21 Adjustments Budget, operating expenditure has increased by 0.66% in the 2021/22 budget and increased by 8.17% and 2.30% respectively for each of the respective outer years of the MTREF.

1.4 OPERATING REVENUE FRAMEWORK

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

The following table is a summary of the 2021/22 MTREF (classified by main revenue source):

NC452 Ga-Segonyana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		2020/21 Medium Term Revenue & Expenditure		
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	Adjusted Budget			
Revenue By Source				
Property rates	48 362	55 522	56 921	59 482
Service charges - electricity revenue	120 712	146 720	147 956	154 614
Service charges - water revenue	27 145	36 000	36 540	38 184
Service charges - sanitation revenue	12 523	17 000	17 748	18 547
Service charges - refuse revenue	10 490	12 217	12 755	13 329
Rental of facilities and equipment	2 051	2 074	2 165	2 263
Interest earned - external investments	3 357	3 495	3 648	3 813
Interest earned - outstanding debtors	6 903	7 912	8 260	8 632
Fines, penalties and forfeits	3 070	1 572	1 641	1 715
Licences and permits	3 332	3 319	3 465	3 621
Transfers and subsidies	224 477	194 051	217 806	208 313
Other revenue	8 529	13 392	12 937	13 519
Total Revenue (excluding capital transfers and contributions)	470 952	493 273	521 842	526 030

The total operating revenue budget is projected at R493 273 million in 2021/22, representing an increase in revenue of R22 321 million on the 2020/21 Adjustment Budget of R470 952 million. The allocation for the outer two years of the MTREF period is R521 842 million and R526 030million respectively. Revenue generated from rates and services charges forms a significant part of the revenue.

Revenue generated from rates and service charges forms a significant percentage of the revenue basket at 54.23% of the total revenue.

Electricity is the main revenue source, contributing R146 720 million of the total revenue, and escalates to R154 614 million in 2023/24.

Property rates contribute the second largest revenue source, totalling 11.26% of the total revenue of R493 273 million. Water contributes 7.30% to the total revenue and operating grants makes up 39.34% of the total revenue.

1.4.1 PROPERTY RATES

The current General Valuation Roll was implemented in July 2018 and is envisaged to be in place until June 2023 as per the directives of the Local Government Municipal Property Rates Act (2004).

The first R 25 000 of the ratable value of all residential properties are exempted from rates and additional R46 802 for all Bankhara residents. Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality, regardless of the value of the property, will receive a 100% rebate from payment of property tax upon successful application. With regard to the socio-economic status in Bankhara, the additional rebate of R56 704 will be given in the MTREF. The situation will however be observed throughout the period.

The assessment rates revenue increase by 4.9% (R 48 362 million, adjusted budget) in the 2020/21 budget year to R 54 521 million. This is attributed by the general increase in property values from due to the supplementary valuation roll. Average property values increased by 6%.

The resultant projected income from this source of revenue is R 56 921 million and R59 482 million respectively for the two outer years of the MTREF period.

Increased tariffs per rating category will be as follows

CATEGORY	Current Tariff (1 July 2020)	Proposed Tariff (1 July 2021)
Household	0.007385	0.007688
Business	0.012497	0.013009
Guesthouses and multiuse(i.e surgery, tuckshop etc)	0.009885	0.010290
Agriculture	0.000371	0.000408
State Owned Property	0.022858	0.023795
Industrial	0.012711	0.013232
Vacant Land (Residential)		0.017846
Vacant Land (Business)		0.024994
Vacant Land (Industrial)		0.025422

1.4.2 SERVICE CHARGES

Revenue from service charges includes revenue generated from sale of water and electricity as well as monthly charges for refuse collection fees and sanitation. Revenue from sale of electricity includes billed revenue and prepaid sales as well as sale of electricity in the form of subsidized FBE.

Indigent households receive the first 6kl of water for free, which is sold at a tariff applicable to the block for water sales of 1-6kl per month, whilst they also receive 50 units (Kwh) of electricity per month. Service charges for refuse removal and sanitation are fully subsidized for all indigent households.

The Municipality is growing at a very high rate, for all Service Charges revenue, the percentage increase is informed by new developments taking place in town. Currently 950 connections have been done at Promise land and 150 connections done at Wrenchville.

➤ ELECTRICITY

In terms of the Multi Year Price for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), the Municipality used 5.2% increase as per advice in MFMA Circular 107 that was released on the 04th of December 2020.

The Electricity revenue is projected at R146 720million in 2021/22, representing revenue increase of R26 008million in 2020/21 Adjustment Budget. The allocation for the outer two years of the MTREF period is R147 956 million and R154 614 million respectively.

➤ WATER

The Municipality is introducing the prepaid system for all household in Ward 1, 2 and 13, the tender is out already for the supply of prepaid vendor system.

The water revenue is projected to increase from R27 145 million in the 2020/21 Adjustment Budget to R 36 000 million. The projected revenue for the two outer years of the MTREF period is R36 540 million and R38 184 million respectively

The proposed water tariff percentage increase is 4.1% for 2021/22 financial year.

➤ **WASTE WATER MANAGEMENT**

The projected income from this source of revenue increases to R17 000 million in the 2021/22 budget year and to R 17 748 million and R18 547 million respectively for the two outer years of the MTREF period.

1.4.5 RENTAL OF FACILITIES

Rental of facilities revenue performed poorly as a result of the Covid-19 pandemic and Municipality is giving out rebate on rentals due to COVID-19. The Municipality leased out Caravan Park for a fixed monthly rental. The projected income from this source of revenue increases to R2 074 million in the 2021/22 budget year.

1.4.6 LICENSE AND PERMITS

License and Permits shows an increase of 0.39% when compared to 2021/22 adjustment budget.

1.4.7 OTHER REVENUE

Other revenue reflects an increase of R4 863 million. The Municipality intend to service 20 sites and sell them in the next financial year hence there is an increase in other revenue. The revenue projections for the two outer years of the MTREF period is R 12 937 million and R13 519 million respectively.

Factors such as inflation, economic variations and trends coupled with sustainability usually affect other tariffs (such as rental of community and cultural facilities, building plans, cemeteries, etc.). Tariff increases are inflation related, approximately in the order of 4.2% on average. Some of the charges are above inflation. The increase which is higher than the inflation rate is informed by high maintenance and running costs

1.4.8 TRANSFERS RECOGNISED OPERATIONAL

Operating grants and transfers totals R194 051 million or 39% of total income budget in the 2021/22 financial year.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium-term:

GOVERNMENT CONDITIONAL GRANTS			
	Budget 2021/22	Budget 2022/23	Budget 2023/24
National Government (OPERATIONAL)	192 540 000.00	216 295 038.99	206 802 000.00
Local Government Equitable Share	185 019 000.00	199 148 000.00	200 702 000.00
Finance Management	3 100 000.00	3 100 000.00	3 100 000.00
EPWP Incentive	1 421 000.00		
Municipal Infrastructure Grant	3 000 000.00	14 047 038.99	3 000 000.00
Provincial Government:	1 511 000.00	1 511 000.00	1 511 000.00
Sport and Recreation	1 511 000.00	1 511 000.00	1 511 000.00
Total Operating Transfers and Grants	194 051 000.00	217 806 038.99	208 313 000.00

1.5 OPERATING EXPENDITURE FRAMEWORK

The operating budget expenditure decreases from the adjustment budget amount of R487 343 Million in 2020/21 to a new budget amount of R490 517 million representing an increase of R3 174 million in 2021/22. The allocation of the outer two years of the MTREF period is R530 589 million and R542 760 million respectively.

The following table is a high-level summary of the MTREF budget for 2021/22 to 2023/24 (classified per main type of operating expenditure):

NC452 Ga-Segonyana - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2020/21	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	Adjusted Budget			
Expenditure By Type				
Employee related costs	146 739	165 637	173 583	181 361
Remuneration of councillors	10 543	10 838	11 293	11 779
Debt impairment	15 000	12 950	13 520	14 128
Depreciation & asset impairment	42 959	60 375	66 163	69 141
Finance charges	1 851	901	940	982
Bulk purchases	116 947	120 750	128 151	133 918
Other materials	43 905	19 294	19 890	20 785
Contracted services	51 817	44 530	58 484	49 472
Transfers and subsidies	63	60	63	65
Other expenditure	57 519	55 182	58 503	61 128
Losses			-	-
Total Expenditure	487 343	490 517	530 589	542 760

When looking at the operating expenditure budget of the municipality from a project perspective, the following operational projects can be identified from the mSCOA chart:

- **Municipal Running cost**
- **Maintenance projects (preventative and corrective as alluded to above)**
- **Typical work stream projects**

The operational expenditure budget is therefore split across these projects. Projects referred to as "typical work stream projects" are operational projects for example agricultural projects, capacity building training and development spatial planning etc.

Typically, these "projects" may consist of various expense-items contributing to the outcome or objective of an initiative.

Any other expenditure not relating to a specific project (for example general expenses relating to the daily running and operation of the municipality) is classified as municipal running cost.

The largest portion of the operating expenditure budget is allocated to municipal running cost, the second largest portion to maintenance and the smallest portion to typical work streams.

In terms of the mSCOA chart, as well as GRAP 12, the operational inventory budget is classified into two main categories.

- Consumable inventory (*these include items that are consumed in the normal course of business, e.g. stationary, fuel etc.*)
- Materials and supplies (*Items in the form of materials or supplies to be consumed or distributed in the rendering of services, or in the process of production for sale or distribution. These would include building materials, hardware, painting materials and workshop accessories*).

It should be noted that the inventory items included in the expenditure budget are the items that are budgeted to be consumed/used during the specific period. Inventory on hand at year end is disclosed in the statement of financial position as current asset as it is available to still be consumed in the next financial period. Some of the inventory line items are included in "other expenditure" (e.g. Stationery, fuel and purification chemicals), whilst some inventory items (e.g. other materials) would be reflected as part of the repairs and maintenance budget.

1.5.1 EMPLOYEE RELATED COSTS

The norm range between 25% and 40% as per MFMA Circular 71, Employee related costs for the 2021/22 financial year equates to 33.77% of the total operating expenditure.

The Salary and Wage Collective Agreement for the period 01 July 2018 to 31 June 2021 has come to an end and a new agreement is under consultation, However, a 5% annual increase has been effected in the budget.

Personnel costs increases by R18 898 million based on the 2020/21 Adjustment Budget of R146 739 million. The allocation for the two outer years of the MTREF period is R173 583 million and R181 361 million respectively.

A detailed analysis is supplied with the discussion regarding employee related costs as set out in MBRR Tables SA22 - 24 in this document.

1.5.2 REMUNERATION OF COUNCILORS

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

The projected expenditure is R10 838mil for 2021/22 which is only 2% increase.

Further details regarding the remuneration of Councilors can be obtained on the Supporting Table SA22 and SA23

1.5.3 DEPRECIATION AND ASSETS IMPAIRMENT

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Budget appropriations in this regard total R60 375 million for the 2021/22 financial and represent 12.31% of the total operating expenditure. The indicative allocated amount for the two outer years of the MTREF period is R66 163 million and R69 141 million respectively.

1.5.4 FINANCE CHARGES

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and limited finance leases. The Municipality settled their Eskom account and there won't be any interest charged on the account. Finance Charges budget is R0 901 million for the 2021/22 budget year. The allocation for the two outer years of the MTREF period is R0940million and R0 982million respectively.

1.5.5 BULK PURCHASE WATER & ELECTRICITY

Bulk purchases are directly informed by the purchase of electricity from Eskom. Bulk purchases increased to the proposed amount of R120 750 million for the 2021/22 budget year. The allocation for the two outer years of the MTREF period is R128 151 million and R133 918 million respectively. Bulk purchases take up approximately 24.62% of the operating budget for 2021/22.

1.5.6 CONTRACTED SERVICES

Contracted Service budget is R44 530 million for the 2021/22 budget year. The allocation for the two outer years of the MTREF period is R58 484 million and R49 472 million respectively.

Description	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<i>Out sourced Services</i>	13 880	14 473	15 106
<i>Consult ants and Professional Service</i>	30 500	32 807	34 202
<i>Contractors</i>	150	11 204	164
Total contracted services	44 530	58 484	49 472

1.5.7 OTHER MATERIALS

The Other Materials budget is projected at R19 294Million in 2021/22. The allocation for the outer two years of the MTREF period is R19 890Million and R20 785 Million respectively

It should be noted that in terms of NT regulations and formats, repairs and maintenance is divided by other materials, contracted services and other expenditure.

During the compilation of the 2021/22 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the ageing of the Municipality's infrastructure. As part of the 2021/22 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. Our Roads are damaged by heavy floods in the past months and the Municipality also budgeted to fix and reseal the potholes in the next financial year. In relation to the total operating expenditure, repairs and maintenance comprises on average 3.8% of the budget over the respective financial years of the MTREF, even though the National Treasury guidelines provides for 8% of the total budget. The assumption may be that most of the infrastructure funded by MIG and other stakeholders could be perceived to be new and thus may not require huge maintenance in their early stages, but the expenditure may be increasing as time goes by. There are also SLP projects where Mines appoint contractors to do maintenance on our Electrical Network and also assist Municipality with funding to fix and patch potholes.

NC452 Ga-Segonyana - Supporting Table SA1 Supporting detail to 'Budgeted Fi

Description	2021/22 Medium Term Revenue & Expenditure Framework		
	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand			
Repairs and Maintenance			
by Expenditure Item			
Employee related costs			
Other materials	14 050 000.00	14 668 200.00	15 328 269.00
Contracted Services			
Other Expenditure	4 000 000.00	4 176 000.00	4 363 920.00
Total Repairs and Maintenance	18 050 000.00	18 844 200.00	19 692 189.00

1.6 CAPITAL EXPENDITURE

The capital budget has decreased by R44 755 million for the 2021/22 financial year to R123 275 million as compared to the approved Adjustment Budget of R178 030 million for the 2020/21 period. The projected capital expenditure budget for the two outer years of the MTREF period has been set at R87 289 million and R119 011 million respectively.

The budget is funded out of Government grants and subsidies. The Municipal Infrastructure Grant (MIG) remains the biggest source of the government grants and subsidies

The Capital Budget will be funded as follows

Vote Description		2021/22 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Capital Expenditure - Functional				
<i>Governance and administration</i>	2 807	5 508	–	–
Finance and administration	2 807	5 508		
<i>Community and public safety</i>	33 030	21 109	18 313	60 407
Community and social services	11 922		8 524	
Sport and recreation	2 019	5 109	9 789	60 407
Public safety	19 088	16 000		
<i>Economic and environmental services</i>	19 168	32 358	28 378	–
Planning and development		200		
Road transport	19 168	32 158	28 378	–
<i>Trading services</i>	123 025	64 300	41 138	58 604
Energy sources	51 051	34 000	11 138	16 354
Water management	71 974	30 300	30 000	42 250
Total Capital Expenditure - Functional	178 030	123 275	87 829	119 011
Funded by:				
National Government	153 769	114 267	87 829	119 011
Transfers and subsidies - capital (monetary allocations) (National /	14 840			
Transfers recognised - capital	168 609	114 267	87 829	119 011
Internally generated funds	9 421	9 008		
Total Capital Funding	178 030	123 275	87 829	119 011

TableSA36 provides a detailed breakdown of capital projects for 2021/22 MREF.

1.7 Annual Budget Tables

These tables present the main budget tables as required in terms of section 18 of the Municipal Budget and Reporting Regulations. These tables set out the Municipality 2021/22 budget and MTREF.

Table A1: Budget Summary

Table A2: Budget Financial Performance (standard classification)

Table A3: Budget Financial Performance (revenue and expenditure by municipal vote)

Table A4: Budget Financial Performance (revenue and expenditure)

Table A5: Capital Expenditure Budget by vote and funding
Table A6: Budget Financial Position
Table A7: Adjustments Budget Cash Flows
Table A8: Cash backed reserves/accumulated surplus reconciliation
Table A9: Asset Management
Table A10: Basic service delivery measurement

PART 2 SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget.

In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

Local government policy and legislation put great emphasis on municipalities developing a culture of community participation and the creation of appropriate and relevant community participation mechanisms, processes and procedures. The municipality strives to actively engage as many of its citizens as possible in its planning, budgeting, implementation and monitoring processes

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2020) a time schedule that sets out the process to revise the IDP and prepare the budget. The Mayor tabled in Council the required IDP and budget time schedule on 06 August 2020. Key dates applicable to the process are:

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Period	Activity	Coordinating Department	Responsibility	Legislative Requirement and Information	Target Date	Progress against targets and comments
	Ward Committee Meetings to review the prioritisation of community needs in approved IDP and discuss the process for developing Neighbourhood Plans: Communicate final approved 2021/22 Budget, Tariffs and IDP to Ward Committees.	Office of the Speaker	Speaker	MSA	September 2020	
	Convene IDP and Budget Steering Committee Meeting. Discussion of Public Participation Meeting Processes.	IDP& Budget Office	IDP & Budget Manager	MSA Ch 5	September 2020	
	IDP Public Participation Meetings. Communicate Capital Projects per Ward on 2020/21 budget, Reconfirm and review service delivery/development priorities.	IDP/PMS Office and Office of the Speaker	IDP Coordinator HOD's Ward Councillors Mayor	MS Ch5 29	Oct/Nov 2020	
	IDP Road shows in all Wards 1-14. Discuss, scrutinise and prioritize community needs as outcome of IDP/ Budget public engagement sessions. Escalate community needs relating to national/ provincial mandates to relevant organ(s) of state	IDP/PMS & Budget Office	Mayor, Municipal Manager and IDP/PMS & Budget Manager	MSA	Oct/Nov 2020	
	Capital Budget: Inputs	All Departments	HOD's	Internal Process	November 2020	

Period	Activity	Coordinating Department	Responsibility	Legislative Requirement and Information	Target Date	Progress against targets and comments
	from the different Departments to be returned to the Budget Office					
	Finalise departmental Plans and link to IDP	All Departments	IDP Manager and all HOD's	MSA	Jan 2021	
August 2020	Compile and submit section 72 reports and submit it council	CFO and PMS Manager	PMS Manager and all HODs	MFMA 72	January 2021	
	Management finalise the draft IDP & Capital Budget for referral to IDP & Budget Steering Committees	Office of the MM	Municipal Manager HOD's	Internal Process	February 2021	
	Tabling of 2020/2021 Mid-Year Assessment to Council	Office of the MM and CFO	Municipal Manager & HOD's	MFMA 72	January 2021	
	Final review of municipal strategies, objectives, KPA's, KPI's and targets	PMS Office	PMS Manager	Internal Process	February 2021	
	Review all budget related policies	BTO	CFO	MBRR 7	February 2021	
	Adjustment Budget: Finalise Capital and Operational budget projections for 2020/21	BTO	CFO	MBRR 21	February 2021	
	Budget and Performance engagement with Treasury	BTO & PMS	MM & CFO	MFMA 71(1) MSA 41	February 2021	
	Submit Annual Report to Auditor General, Provincial Treasury and COGHSTA	Office of the MM	Municipal Manager	MFMA (127) (5)(b)	February 2021	
	Ward Community Meetings: Discuss and brief Ward Committees about Council's revised strategic plan, Strategic Objectives and envisaged deliverables.	Director Corporate	Manager in the Political Office	Internal Process	February 2021	
	Review tariffs and charges and determine affordable tariffs and finalise income budget.	BTO	CFO	MFMA 20	February 2021	
September 2020	Table Adjustment Budget to Council for	Office of the MM & CFO	Municipal Manager	MBRR 23	February 2021	

Period	Activity	Coordinating Department	Responsibility	Legislative Requirement and Information	Target Date	Progress against targets and comments
	approval					
	Forward Adjustment Budget (hard and electronic copies) to National and Provincial Treasury after approval	BTO	CFO	MBRR 24	March 2021	
	Table draft IDP, Budget, SDBIP and Related policies and proposed schedule of Draft IDP Review and Budget Road shows. Public Meetings for IDP & Budget Feedback/Consultation Process to Council (Principal Approval)	IDP Manager, BTO and PMS Manager	Municipal Manager	MFMA 16	March 2021	
	Council adopts the 2019/2020 Annual and AG's Report	MM and CFO	Council	MFMA 129(1)	March 2021	
October 2020	Council to Consider and adopt the MPAC oversight report on 2019/2020 Annual Report	PMS & Office of the MM	Municipal Manager	MFMA 129(1)	31 March 2021	
	Public Consultation Meetings/ Road shows Feedback / Consultation on preliminary approved Draft IDP Review and Budget (Details as per Annexure A)	IDP Office	Mayor Municipal Manager HOD's IDP Office	MBRR 15	April 2021	
	Engagement with the NC Provincial Treasury on draft budget benchmark	CFO&BTO	Municipal Manager	MFMA Ch 5	April 2021	

Some of the activities did not take place due to lock down.

2.2 OVERVIEW OF ALIGNMENT OF BUDGET WITH IDP

The IDP is Ga-Segonyana LM's principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into planning statements covering the five-year objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

In compiling the IDP, the Municipality considered the 5 key performance areas for local government as determined by the National Cabinet, which are:

- I. KPA1: Institutional Development and Organizational Development;
- II. KPA2: Basic Service Delivery and Infrastructure Development;
- III. KPA3: Financial Viability and Financial Accountability;
- IV. KPA4: Local Economic Development;
- V. KPA5: Good Governance and Public Participation;

The IDP is reviewed annually to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to addressing the needs of the people and values the inputs from communities and stakeholders. The process plan specified timeframes, actions and procedures and appropriate mechanisms for public participation and alignment.

The figure as depicted in table below visually represents the link between the IDP and the Budget

NC452 Ga-Segonyana - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Current Year 2020/21		2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand						
KPA: Institutional Development and Organisational Development						
To integrate management system in order to provide consolidated and accurate information	Municipal Capacity and Infrastructure Development	800	800	831	866	904
To ensure that there is a healthy and safe workforce by implementing provisions of the Occupational Health and Safety Act.	Municipal Capacity and Infrastructure Development	1 356	1 356	1 409	1 468	1 533
To support the flow and access of information and develop and maintain ICT infrastructure	Municipal Capacity and Infrastructure Development	800	800	831	866	904
KPA: Local Economic Development						
To create a platform for economic growth opportunities and job creation through continuous promotion of Ga-Segonyana as an ideal investment destination	Create a conducive environment for prosperous investment	813	813	844	880	918
KPA: Good Governance and Public Participation						
Dissemination of information to the community and stakeholders on daily issues that affect community on the grounds and when needed	Foster Participative Cohesion and Collaboration	800	800	831	866	904
HIV/AIDS and other communicable diseases	Foster Participative Cohesion and Collaboration	5 791	5 791	6 017	6 270	6 545
To annually develop /review a credible IDP that is aligned to regional, provincial and national priorities and that addresses the needs of the community that we serve	Foster Participative Cohesion and Collaboration	800	800	831	866	904
KPA: Basic Service Delivery and Infrastructure Development						
To continuously comply to national building act and regulations	Develop and maintain infrastructural community services	7 619	7 619	7 917	8 249	8 612
Provision of basic level of services to households	Develop and maintain infrastructural community services	120 712	120 712	146 720	147 956	154 614
To upgrade 35.85k main gravel roads to paved standard by 2022	Develop and maintain infrastructural community services	8 404	8 529	13 392	12 937	13 519
To supply at least basic waste water management services to all households in the	Develop and maintain infrastructural community services	12 523	12 523	17 000	17 748	18 547
To supply at least basic water services to all households in the municipal area.	Develop and maintain infrastructural community services	27 145	27 145	36 000	36 540	38 184
To create platform for economic growth opportunities and job creation through continuous promotion of Ga-Segonyana as investment destination	Create a conducive environment for prosperous business investment	1 580	1 580	1 642	1 711	1 786
To establish fully functional disaster centre by 2020	Develop and maintain infrastructural community services	800	800	831	866	904
Ensure ongoing accessibility to reading and learning material and provide enabling environment for studies	Develop and maintain infrastructural community services	1 679	1 679	1 745	1 818	1 898
To provide weekly kerbside waste removal services to residential, schools, industrial and commercial sites (3 times a week) in Kuruman town, Wrenchville and Mothibstad	Develop and maintain infrastructural community services	10 490	10 490	12 217	12 755	13 329
KPA: Financial Viability and Accountability						
To compile a funded and realistic budget annually for approved by Council by the end of May each year.	Enhance revenue and financial management	107 314	107 314	111 499	116 182	121 294
To promote Financial Viability and accountability	Enhance revenue and financial management	19 765	19 765	20 536	21 399	22 340
Allocations to other priorities		102 800	141 635	112 180	131 600	118 390
Total Revenue (excluding capital transfers and contributions)		431 992	470 952	493 273	521 842	526 030

NC452 Ga-Segonyana - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Current Year 2020/21		2020/21 medium term revenue & expenditure framework		
	Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand					
KPA: Institutional Development and Organisational Development					
To integrate management system in order to provide consolidated and accurate information	3 000	3 000	3 117	3 248	3 391
To ensure labour peace and productivity by maintaining continuous engagements	250	250	260	271	283
To ensure that socio-needs of employees are met	215	215	223	233	243
Adherence to the skills development Act and related regulations at all times	250	250	260	271	283
To support the flow and access of information and develop and maintain ICT infrastructure		6 789	7 053	7 350	7 673
KPA: Local Economic Development					
To create a platform for economic growth opportunities and job creation through continuous promotion of Ga-Segonyana as an ideal investment destination		1 375	1 429	1 489	1 554
KPA: Good Governance and Public Participation					
Dissemination of information to the community and stakeholders on daily issues that affect community on the grounds and when needed	132	132	138	143	150
HIV/AIDS and other communicable diseases	525	525	545	568	593
KPA: Basic Service Delivery and Infrastructure Development					
Provision of basic level of services to households	2 500	2 500	2 598	2 707	2 826
To provide at least RDP standard and sanitation to all communities by 2022					
To supply at least basic water services to all households in the municipal area.	20 645	20 645	21 450	22 351	23 335
To create platform for economic growth opportunities and job creation through continuous promotion of Ga-Segonyana as investment destination	1 580	1 580	1 642	1 711	1 786
KPA: Financial Viability and Accountability					
To compile a funded and realistic budget annually for approved by Council by the end of May each year.	6 000	6 000	6 234	6 496	6 782
Allocations to other priorities	443 475	442 786	445 569	483 754	493 863
Total Expenditure	478 572	486 046	490 517	530 589	542 760

NC452 Ga-Segonyana - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)						
Strategic Objective	Goal	Current Year 2020/21		2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand						
KPA: Institutional Development and Organisational Development						
KPA: Local Economic Development						
KPA: Good Governance and Public Participation						
KPA: Basic Service Delivery and Infrastructure Development						
Provision of basic level of services to households	Develop and maintain infrastructural community services	33 985	33 985	34 000	11 138	16 354
To upgrade 35.85k main gravel roads to paved standard by 2022	Develop and maintain infrastructural community services	11 747	19 168	32 158	28 378	–
To promote Infrastructure Development	Develop and maintain infrastructural community services	20 233	20 233	5 109	18 313	60 407
To supply at least basic water services to all households in the municipal area.	Develop and maintain infrastructural community services	29 500	71 974	30 300	30 000	42 250
To establish fully functional disaster centre by 2020	Develop and maintain infrastructural community services	14 506	19 088	16 000	–	–
KPA: Financial Viability and Accountability						
Allocations to other priorities		21 518	13 582	5 708		
Total Capital Expenditure		131 489	178 030	123 275	87 829	119 011

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance, the municipality has developed performance management system for Section 56 & 57 Managers and Line managers.

NC452 Ga-Segonyana - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Institutional Development and Organisational Development				
Function 1 - Human Resource				
No of employees wellness campaigns conducted by 30 June	number	200.0%	200.0%	200.0%
No of works skill plan developed and submitted to LGSETA by 30th April	number	100.0%	100.0%	100.0%
Number of employment equity reports submitted to the Department of labour by 15th January	number	100.0%	100.0%	100.0%
Number of employees trained by 30 June	number	10800.0%	10800.0%	10800.0%
No of LLF meetings held by 30 June		400.0%	400.0%	400.0%
Number of Occupational Health and Safety Trainings conducted by 30 June		200.0%	200.0%	200.0%
Number of Section 54A Manager, Section 56 Manager, and Finance officials meeting the minimum competency level expressed as a % of the total number of Section 54A, Section 56 Manager and Finance officials employed by 30 June 2020	%	50.0%	50.0%	50.0%
Function 2 -ICT				
Number of ICT queries/incidents attended to within 24 hours expressed as a % of total number of requests received by 30 June	%	100.0%	100.0%	100.0%
Number of ICT queries/incidents resolved within 72 hours expressed as a % of total number of incidents/quires attended to by 30 June	%	90.0%	90.0%	90.0%
Number of ICT security breaches that occurred by 30 June	number	0.0%	0.0%	0.0%
KP Reports of MFMA section 75 documents uploaded on the Municipal website 30 June	number	400.0%	400.0%	400.0%
Number of newsletters developed by 30 June		400.0%	400.0%	400.0%
Function 2 - Legal Services				
Total number of litigation cases attended to expressed as a % of total number of litigations submitted by 30 June	%	80.0%	80.0%	80.0%
Number of fraud and corruption prevention awareness campaign conducted	number	200.0%	200.0%	200.0%
3 Number of contracts/SLAs signed expressed as % of the total number	%	100.0%	100.0%	100.0%
Number of grievance cases attended to within 30 days expressed as %	%	100.0%	100.0%	100.0%
Number of disciplinary cases finalised within 90 days expressed as a %	%	100.0%	100.0%	100.0%
Local Economic Development				
Number of businesses inspected for compliance by 30 June	number	16000.0%	16000.0%	16000.0%
Number of SMMEs trainings held by 30 June	number	400.0%	400.0%	400.0%
Number of tourism awareness campaigns conducted by 30 June	number	800.0%	800.0%	800.0%
Basic Service Delivery and Infrastructure Development				
Function 1 - Town Planning				
% of building completion certificates issued within 30 days by 30 June	%	100.0%	100.0%	100.0%
Number of notices served expressed as a % of contraventions reported by 30 June	%	100.0%	100.0%	100.0%

Number of building plans assessed within 30 days expressed as a % of total applications received by 30 June	%	100.0%	100.0%	100.0%
Number of community halls completed by 30 June	number	100.0%	100.0%	100.0%
Function 2 - Electricity				
Number of households provided with electricity connections expressed as a % of applications received by 30 June	%	100.0%	100.0%	100.0%
Function 3 - Roads				
Number of km of newly surfaced/paved roads completed	km	876.0%	876.0%	876.0%
Function 4 - Water				
Number of households provided with full water borne sewer expressed as a % of the total number of applications received by 30 June	%	100.0%	100.0%	100.0%
Number of households provided with new water yard connection by the municipality expressed as a % of applications received by 30 June	%	100.0%	100.0%	100.0%
Function 5 - Sanitation				
Number of new households provided with basic level of sanitation (VIP Toilets)		60100.0%	60100.0%	60100.0%
Function 6 - Fire				
Number of emergency incidents attended to within an hour expressed as a % of incidents reported by 30 June	%	195.0%	195.0%	195.0%
Function 7 - Library				
Number of participants attending library programmes	number	50100.0%	50100.0%	50100.0%
Function 8 - Traffic				
Total fines paid expressed as a % of total fines issued by 30 June	%	170.0%	170.0%	170.0%
Number of appointments for learners' licenses by 30 June	number	500000.0%	500000.0%	500000.0%
Number of appointments for drivers licenses by 30 June	number	200000.0%	200000.0%	200000.0%
Number of appointments for road worthy tests of vehicles by 30 June	number	200000.0%	200000.0%	200000.0%
Number of households provided with door-to-door waste collection by 30 June	number	500000.0%	500000.0%	500000.0%
Financial Viability and Accountability				
Function 1 - Budget				
2019/2020 budget tabled to council by end of council by the 31st of May	number	100.0%	100.0%	100.0%
Number of performance and budget reports submitted to council by 30 June	number	100.0%	100.0%	100.0%
Number of section 71 reports submitted within 10 days after a month by 30 June	number	100.0%	100.0%	100.0%
Annual Financial Statements submitted to the Auditor General by the 31st of August	number	100.0%	100.0%	100.0%
Function 2 - Asset				
Reports on asset verifications by June	number	100.0%	100.0%	100.0%
Asset reconciliations reports submitted to the Municipal Manager by end of June	number	300.0%	300.0%	300.0%
Good governance and Public Participation				
Number of meetings held per ward committee by 30 June	number	300.0%	300.0%	300.0%
Number of Imbizos held by 30 June 2019	number	200.0%	200.0%	200.0%
Number of Wards represented at IDP community participation meetings by 30 June	number	1400.0%	1400.0%	1400.0%
Number of IDP steering committee meetings held by 30 June	number	400.0%	400.0%	400.0%
Number of IDP Rep forum meetings held by 30 June	number	400.0%	400.0%	400.0%
Final IDP submitted and approved by council by 31 May	number	100.0%	100.0%	100.0%
And so on for the rest of the Votes				

2.3.1. Performance indicators and benchmarks

i. Borrowing management

Capital expenditure in local government can be funded by capital grants, own revenue and long-term borrowings. The municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position.

Increasing debt and declining collection rate could have a negative impact on the future borrowing of the municipality, in particular the municipality's ability to meet its borrowing obligations. Stringent measure must be put in place to curve the increasing debt.

ii. Liquidity

Current Ratio is a measure of the municipality's ability to pay short-term obligations with its short-term assets. The higher the ratio, the better the municipality's ability to adhere to its short-term obligations. National Treasury has set a current ratio minimum of 1.5 in circular 71. For the 2021/22 MTREF the ratio is expected to be 1.2

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Ga-Segonyana Municipality's liquidity ratio is at an average of 0.2

This includes consumer deposits and provisions which are not likely to be realized in the short term. Consideration should be given to exclude a vast portion of consumer deposits.

Revenue management

As part of the financial sustainability strategy, an aggressive revenue management and enhancement project has been embarked upon to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days.

iii. Creditors management

The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice.

iv. Other Indicators

- **Employee costs**

The employee related costs represent 33% of the total expenditure budget.

- **Repairs & Maintenance**

Repairs and Maintenance equate 3.8% of the total operating budget which is acceptable. The municipality strives to maintain its infrastructure assets to prolong useful life.

2.3.2. Free Basic Services: basic social services package for Indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For indigent households, the threshold to qualify for free basic services is an income of less than R4,120 per household.

In terms of the municipality's indigent policy, registered households are entitled to 6kl free water and 50 kWh of electricity, are fully subsidised for basic charge services. Further detail relating to the number of households receiving free basic services and cost thereof is contained in Table 26 MBRR A10 (Basic Service Delivery Measurement).

2.4 Overview of Budget related policies

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

- **Tariff Policy (Appendix B)**

The Municipal Systems Act requires a Municipality to have a Tariff Policy on the levying of fees for Municipal services provided by the municipality itself or by way of service delivery agreement, and which complies with the provisions of that Act, the Municipal Finance Management Act and other applicable legislation.

- **Credit control and Debt Collection Policy (Appendix C)**

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the credit control and debt collection policy for the 2021/22 financial year has been reviewed and the policy is to be adopted with the current budget

- **Property Rates policy (Appendix D)**

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1.

- **Budget and Virement Policy (Appendix E)**

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

- **Bulk Contribution Policy (Appendix F)**

This policy provides a framework for the determination of bulk service contributions on an equitable basis thereby allowing tariffs to be set at a more affordable level and shortening the period of recovery of the capital cost of bulk infrastructure, thus reducing long-term debt, improving the municipality's balance sheet and its credit rating and further enabling the municipality to develop a capital reserve for new and replacement bulk infrastructure.

- **Asset Management Policy (Appendix G)**

The objective of this policy is to ensure that assets of the Municipality are properly managed and accounted for.

- **Supply Chain Policy (Appendix H)**

This policy provides a framework for procuring goods or services, disposing goods no longer needed, selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies or selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act

for the provision of municipal services in circumstances contemplated in section 83 of that Act.

- **Travel and Subsistence Policy (Appendix I)**

The objective of this policy is to:

Ensure that all travel and subsistence costs incurred by the Municipality are done as efficiently and effectively as possible.

Ensure that councilors and officials are reimbursed fairly and consistently for the cost incurred while traveling to perform municipal duties.

- **Funding and Reserve Policy (Appendix J)**

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non – existent.

The municipality, however, recognizes the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

- **Borrowing Policy (Appendix K)**

This policy addresses all relevant principles and processes to be followed when obtaining short- and long-term Borrowing, to ensure sufficient management of Borrowing. The objectives of this policy are to ensure optimal performance with the lowest possible risk through managing the Borrowing, and to ensure accountability, responsibility and transparency throughout the process.

- **Cash Management and Investment Policy (Appendix L)**

The objectives of the policy are to ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality and to ensure transparency, accountability and appropriate lines of responsibility in the process.

2.5 Budget Assumptions

The budget assumptions are made taking into account the historical trends, current economic indicators, the political directions, developmental and service delivery needs of the municipality, including those of the community. Interest rates, information, grants gazetted and the collection rate form the basis of the budget assumptions.

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The assumptions and principles applied in the development of this budget are mainly based upon guidelines from National Treasury (inflation and growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA).

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury determines the ceiling of year-on-year increases in the total operating budget, whilst NERSA regulates electricity tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies

To fund its operational costs as well as make sustainable contribution to municipal infrastructure investment, the municipality relies on grants and subsidies made available by National Treasury for the execution of its capital plan. The funding strategy is reviewed annually to determine the most affordable level at which the municipality can operate optimally taking the fiscal overview, economic climate, National and Provincial influences, IDP and other legislative imperatives, internal governance and community consultation into account in its deliberations

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery, therefore various measures have been implemented to align IDPs as well as provincial and national strategies around priority spatial interventions

The following key assumptions underpinned the preparation of the medium-term budget:

MACROECONOMIC PERFORMANCE AND PROJECTION 2019-2023					
Fiscal Year	2019/20 Actual	2020/21 Estimate s	2021/22	2022/23 Forecast	2023/24 /20
CPI Inflation	4.10%	3.30%	3.90%	4.20%	4.40%

2.6 OVERVIEW OF BUDGET FUNDING

This gives an indication of the Municipality's overall budget as well as sources of funding.

OPERATING REVENUE

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

Revenue to be generated from property rates is R55 million in the 2021/22 financial year, which represents 11% of the operating revenue base of the municipality. Service charges related to electricity, water, sanitation, refuse removal and other in total constitute the biggest component of the Municipality's revenue basket, totalling R206 million for the 2021/22 financial year. For the 2020/21 financial year, service charges amount to 42% of the total revenue base.

Operational grants and subsidies amount to R194 million, or to 39% of operating revenue. The actual performance against the budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustment budget.

2.7 OVERVIEW OF THE FUNDING COMPLIANCE

National Treasury requires the municipality to assess its financial sustainability against different measures that look at various aspects of financial health of the municipality.

Support Table SA10 below sets to evaluate the budget as its compliance to Sections 18 and 19 of the MFMA. The following measures are discussed below.

2.7.1 Cash/Cash equivalent position

If the municipality's forecast cash position is negative, for any year of the Medium-term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with Section 45 of the MFMA, which deals with the repayment of short-term debt at the end of the financial year. The Municipality forecast a positive cash position as per the budgeted cash flow statement for 2021/22 MTREF. The forecasted cash and cash equivalent for the 2021/22 MTREF is R74 261 million.

2.8 EXPENDITURE ON GRANT ALLOCATIONS AND GRANT PROGRAMMES

The following grants allocated to the municipality in terms of the 2021/22 Division of Revenue Act have been included in the medium term budget:

NC452 Ga-Segonyana - Supporting Table SA18 Transfers and grant receipts			
Description	2021/22 Medium Term		
R thousand	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
RECEIPTS:			
Operating Transfers and Grants			
National Government:	192 540	216 295	206 802
Local Government Equitable Share	185 019	199 148	200 702
Finance Management	3 100	3 100	3 100
EPWP Incentive	1 421		
MUNICIPAL INFRASTRUCTURE GRANT(OPERATING)	3 000	14 047	3 000
Provincial Government:	1 511	1 511	1 511
Sport and Recreation	1 511	1 511	1 511
Total Operating Transfers and Grants	194 051	217 806	208 313
Capital Transfers and Grants			
National Government:	114 267	87 829	119 011
Municipal Infrastructure Grant (MIG)	53 267	46 691	60 407
WATER SERVICES INFRASTRUCUTRE GRANT	30 000	30 000	42 250
INTEGRATED NATIONAL ELECTRIFICATION PROGRAM	31 000	11 138	16 354
Total Capital Transfers and Grants	114 267	87 829	119 011
TOTAL RECEIPTS OF TRANSFERS & GRANTS	308 318	305 635	327 324

2.9 COUNCILLORS AND EMPLOYEE 'S BENEFITS

The general staff is remunerated in terms of the Tuned Assessment of Skills and Knowledge (TASK) with entry level being T3 and the highest level being T16, being middle management of the organisation.

The Directors and the Municipal Manager, being the Senior Management of the organisation, are remunerated in terms of the Upper Limits Gazette as adopted by Council with the concurrence of the MEC of COGHSTA in the province

Councilors are remunerated based on the upper limits gazette for the remuneration of public office bearers.

2.10 MONTHLY TARGETS FOR CASH FLOW

Indicated in the tables below is the monthly revenue, expenditure and cash flow targets which are based on the previous years' actual and other factors that influence these projections

2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

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

2.12 CAPITAL EXPENDITURE DETAILS

The **Capital Budget of R123 175million for 2021/22 is 31% less** when compared to the 2020/21 Adjustment Budget. The Capital Budget is largely driven by projects emanating from the IDP as identified by the community.

TableSA34a-c provides a detailed breakdown of capital projects for 2021/22
MTREF

2.13 Legislation Compliance Status

The promulgation of the Municipal Finance Management Act 56 of 2003) has without doubt, enhanced efficiency and control measures to local government in terms of budgeting monitoring and accounting of public funds.

The MFMA has created clear standards of operating for local government that complies or conforms to the International Standards of reporting. The municipality's reporting to Provincial Treasury has been substantially complied with.

➤ In- year reporting and Mscoa Compliance

Reporting to National Treasury in respect of the submission of data strings was fully complied with on a monthly basis. The publication of the monthly budget statement (MBS) on the municipality's website has progressively improved. Submission of audited data strings has been complied with and the status 2018/19 audited AFS data strings is closed. The 2020/21 budget verification to the A-schedule and to the data strings was successfully concluded. The conversion to version 6.4 for 2020/21 has been successfully concluded, including the use of A-schedules aligned to version 6.4

➤ Municipal Budget and Reporting Regulations

Budgeting in Gasegonyana LM is done in accordance with the MFMA: Municipal Budget and Reporting Regulations promulgated in 2009. Other directives from the National Treasury, for example in the form of budget circulars, are also taken into cognizance.

➤ Annual Report

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

➤ SDBIP

The detail SDBIP document is at a Final stage and will be finalized after approval of the 2021/22 budget, directly aligned and informed by the 2021/22 budget.

➤ Internship programme

The Municipality has been participating since 2007 actively in the Municipal Financial Management Internship Programme. The programme started with two interns undergoing training in various divisions of the Financial Services Department.

Five interns were appointed in February 2018 for a period of 36 months ending January 2020, Municipality appointed 2 interns permanently in October 2020. 3 Interns have been granted an extension. These interns are funded by National Treasury (NT) with a R120 000.00 per intern per annum

2.14 MFMA BUDGET CIRCULAR 107

2.16 Municipal Manager Quality Certificate



NATIONAL TREASURY

MFMA Circular No. 107

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2021/22 MTREF

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The purpose of the annual budget circular is to guide municipalities with their compilation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTRRF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (mSCOA); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, mSCOA is implemented correctly and that audit findings are addressed.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

The National Treasury projects real economic growth of 3.3 per cent in 2021, following an expected contraction of 7.8 per cent in 2020. Real GDP growth is expected to moderate to 1.7 per cent in 2022 and 1.5 per cent in 2023, averaging 2.1 per cent over the medium term.

South Africa experienced its largest recorded decline in economic output in the second quarter of 2020 due to the strict COVID-19 lockdown. Real GDP fell by 17.1 per cent relative to the previous quarter (or 51 per cent on a seasonally adjusted and annualised basis), with all major sectors except agriculture declining. The second-quarter results were weaker than expected in the June 2020 special adjustments budget, which projected a contraction of 7.2 per cent in 2020.

High-frequency data for the third quarter – such as the volume of electricity distributed, mining and manufacturing output, business confidence and the Absa Purchasing Managers' Index (PMI) – shows evidence of a limited economic rebound. Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, output is only expected to return to pre-pandemic levels in 2024.

The main risks to the economic outlook are weaker-than-expected growth, continued deterioration in the public finances and a failure to implement structural reforms. A second wave of COVID-19 infections, accompanied by new restrictions on economic activity, would have significant implications for the outlook. Government's fiscal position is a risk to growth: higher long-term borrowing costs and risk premiums have started to affect the broader economy.

In addition, recovery efforts will fail unless structural constraints (including in energy, infrastructure and competitiveness) are urgently addressed. While the reforms required in these areas do not immediately affect growth, they are critical for market confidence and investment.

Electricity remains a binding constraint on economic recovery, with power interruptions expected to continue into 2021. Private generation will only be able to plug the electricity gap to a limited extent over the next year.

Job creation is a top priority of the economic recovery plan that will guide policy actions over the medium term, supported by new infrastructure investment and large-scale public

employment programmes. In addition, targeted skills development will improve productivity and employment prospects.

Headline inflation is at the lower end of the 3 to 6 per cent target range. Goods and services inflation has broadly declined due to weak demand and falling oil prices. Inflation is forecast to fluctuate around the 4.5 per cent midpoint over the medium term in line with moderating inflation expectations.

In summary, the country's tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. There are measures in place to reduce expenditure to narrow the deficits.

The following macro-economic forecasts must be considered when preparing the 2021/22 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2016 - 2020

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Forecast		
CPI Inflation	4.1%	3.2%	4.1%	4.4%	4.5%

Source: Medium Term Budget Policy Statement 2020.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2021/22 budget process

2.1 Local government conditional grants allocations

Transfers to local government will be reduced by R17.7 billion, including R14.5 billion from the local government equitable share, R2.7 billion from the general fuel levy and R569 million in direct conditional grants over the 2021 MTEF period. The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the MTEF period.

Government will revisit underperforming programmes. For example, some cities receiving the Public Transport Network Grant (PTNG) have not launched their integrated public transport networks. Over the MTEF period, government will suspend at least two more poorly performing cities from this grant and the remaining cities will be required to reduce costs and demonstrate their effectiveness to remain funded.

The annual Division of Revenue Bill will be published in February 2021 after the Minister of Finance's budget speech. The Bill will specify grant allocations and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2020 Division of Revenue Act to compile their 2021/22 MTREF. In terms of the outer year allocations (2023/24 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2020 Division of Revenue Act for 2020/21. The DoRA is available at <http://www.treasury.gov.za/documents/national%20budget/2020/default.aspx>

Division of Revenue Second Amendment Bill, 2020: changes to local government allocations

Roll-over of funds - R390 million is rolled over in the Urban Settlement Development Grant (USDG) to fund commitments for bulk infrastructure related projects in Nelson Mandela Bay Metropolitan Municipality. R98 million is rolled over in the PTNG to continue with the rollout of the integrated public transport network (IPTN) for public and non-motorised infrastructure in Nelson Mandela Bay Metropolitan Municipality.

R307 million is rolled over in the Regional Bulk Infrastructure Grant (RBIG) for drought and COVID-19 water and sanitation interventions nation-wide.

Water Services Infrastructure Grant (WSIG) - R12 million has been reappropriated from the Department of Water Affairs' budget into the indirect component of WSIG for the implementation of various water services interventions.

Reductions to municipal conditional grants

In the Medium-Term Policy Budget Statement, the Minister of Finance indicated that R10.5 billion is required for the rescue plan for the South African Airways. Therefore, R613 million has been proportionately reduced across municipalities in respect of conditional grants while no reductions were made to the local government equitable share for the 2020/21 financial year.

These changes are shown in Schedule 4, Part B; Schedule 5, Part B and Schedule 6, Part B of the Bill.

Additional instruments to finance infrastructure in municipalities

Municipalities can access other instruments to finance the development of infrastructure that boosts economic growth beyond infrastructure grants. Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development. An update on development charges and borrowing reforms is summarised below:

- **Development charges** - Municipalities earn revenue from charging developers to connect new developments to municipal services. The draft Municipal Fiscal Powers and Functions Amendment Bill proposes new, uniform regulations in respect of these development charges, thereby strengthening the revenue-raising framework of municipalities. After processing comments, the National Treasury will submit the Bill to Cabinet and Parliament for consideration in 2021; and
- **Borrowing** - Creditworthy municipalities can also borrow in capital markets. The National Treasury has updated the original municipal borrowing policy framework, which guides this borrowing, and will shortly submit it to Cabinet for approval. The proposed changes aim to increase the term maturity of borrowing improve the secondary market for the trade of municipal debt instruments and define the role of development finance institutions to avoid crowding out the private sector.

3. 2021 Local Government Elections and the budget process

Local government elections are scheduled to take place in 2021, and the proposed date is yet to be determined. Elections are important events as we reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.

The following four risks need to be explicitly managed:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003)(MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1 July). This means that the municipal council must approve the relevant tariffs as part of the MTREF budget before the commencement of the financial year on 1 July. Failure to obtain council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution. Therefore, if the elections take place after the start of the financial year, the outgoing council will be responsible for approving tariffs for the 2021/22 MTREF and the newly elected council for the implementation thereof as section 28(6) of the MFMA does not allow the increase of tariffs in-year;
2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive **must** intervene. This provincial intervention may include dissolving the municipal council and appointing an administrator to run the municipality. Therefore, the outgoing council must ensure that they comply with the timeframes for approval of the budget;
3. The outgoing council may be tempted to prepare an 'election friendly budget' with unrealistically low tariff increases and an over-ambitious capital expenditure programme. The outcome of this approach will undoubtedly be an unfunded municipal budget that threatens their respective municipality's financial sustainability and service delivery; and
4. Given that the timing of election campaigning may coincide with the municipal public budget consultations, there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties. It is reiterated that transparency and public participation is an integral part of our constitutional democracy, hence municipalities must ensure that public and stakeholder consultation processes are adhered to as required by the legislative framework.

In the build-up to the 2021 local government elections, the financial sustainability of the municipality should be protected. Now, more than ever before, it is paramount for sound municipal decision-making so that the long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

Finances of some municipalities have been unstable for many years, and this was exacerbated by the financial impact of the COVID-19 pandemic. Therefore, there is severe pressure to maintain healthy cash flows and increase cost containment measures while sustaining efficient service delivery levels. It is therefore imperative that municipalities refrain from suspending credit control and debt collection efforts. Municipalities are also reminded of the regulatory framework set out in the Municipal Cost Containment Regulations insofar as it relates to the use of municipal funds to fund election campaigns and other non-priority issues as this might further impact the financial sustainability of municipalities.

Furthermore, as the current municipal leadership will be responsible for the compilation of the 2022/23 MTREF budgets, councils are advised to prioritise expenditure appropriations aligned to the policy intent as described in the integrated development plans (IDPs). Infrastructure provisioning for water, sanitation, roads and electricity remain key priorities.

In addition, the outgoing council is advised to critically consider the financial implications before entering into new long-term contracts that are not of priority to the municipality and avoid if possible, committing the incoming council. Municipalities should refrain from filling non-critical positions, purchasing cars, procuring new financial systems and from incurring any other expenditure at this stage that will financially burden the incoming council.

During this time of transition, all stakeholders should work together to ensure that municipalities continue to perform their functions efficiently and effectively. The Mayor and municipal manager should now be engaging in the process of the annual review of the fifth and last year of the IDP in terms of section 34 of the Municipal Systems Act (MSA) and the 2022/23 budget preparation process in terms of section 21 of the MFMA. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue seamlessly as these processes cannot be delayed in anticipation of the announcement of an election date.

In deciding on the schedule for the 2022/23 budget process, the Mayor and municipal manager must also note that the MFMA, read together with the Municipal Budget and Reporting Regulations, only allows for a 'main adjustments budget' to be tabled after the mid-year budget and performance assessment has been tabled in council, i.e. after 25 January 2022. In addition, the permitted scope of an adjustments budget is quite limited in that taxes and tariffs may not be increased (refer to section 28(6) of the MFMA) and any additional revenues may only be appropriated to programmes and projects already budgeted for (refer to section 28 of the MFMA). Therefore, the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

Though an IDP is a five-year strategic document of council, municipalities should note that when a new council takes office after a local government election, the norm has been that the new council implements the last adopted IDP during the first year of office. It is normally only in the second year of office that the newly elected council adopts a new IDP after thorough interrogation, extensive consultation and finalisation of a new five-year strategy.

In the absence of detailed information on the 2021 Local Government Elections, National Treasury will provide further guidance in the follow-up MFMA Budget Circular to be issued in March 2021.

4. Municipal Standard Chart of Accounts (MSCOA)

4.1 Release of Version 6.5 of the Chart

On an annual basis, the MSCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.5 is released with this circular.

Version 6.5 of the chart will be effective from 2021/22 and must be used to compile the 2021/22 MTRF and is available on the link below:
<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

4.2 Budgeting and Reporting for the COVID-19 pandemic and water inventory

In terms of the Annexure to MFMA Circular No. 99, MSCOA Circular No. 9, and GRAP 12, municipalities were advised to:

1. Record and ringfence all funding and expenditure pertaining to the COVID-19 pandemic for the 2020/21 MTRF when budgeting and transacting; and

2. Budget and account for bulk water purchases as inventory as per GRAP 12 (paragraph 07).

It is evident from the snapshots that were drawn from the Local Government Database based on the *mSCOA* data strings that were submitted by municipalities in terms of the monthly Section 71 reporting, that most municipalities have not budgeted or reported on COVID-19 related allocations and expenditure, nor bulk water inventory as per the guidance provided.

Although the regulated A1 Schedule will only be amended from the 2021/22 MTREF to align to GRAP 12 (as per MFMA Circular No. 98), municipalities should already record water inventory in the *mSCOA* chart. ***Municipalities must budget for water as inventory in the 2021/22 MTREF.*** This means that municipalities will no longer be able to budget for water bulk purchases as an expense on table A4. Municipalities must use bulk water purchases i.e. system input volume on table A6: inventory. This provides for three different water sources i.e. water treatment works, bulk purchases and natural sources. When water is issued through the billing/ distribution, the cost should be expensed through table A4: inventory consumed with the corresponding accounting transaction in the inventory account on table A6: current assets: water: authorised consumption.

Municipalities that did not adjust their 2020/21 MTREF budgets by 30 September 2020 to respond to the COVID-19 pandemic or budget for bulk water inventory are reminded to do so in the main adjustments budget process in February 2021.

It should also be noted that the National Treasury's reporting on COVID-19 will be drawn as per *mSCOA* Circular No. 9 and we will not be able to identify COVID-19 allocations and expenditure that have been ringfenced in another manner.

Municipalities must submit the adjustments budget and revised project list for 2020/21 in the format of a *mSCOA* data strings (ADJB and PRAR) uploaded to the Local Government (LG) Upload Portal within 10 working days after Council has adopted the adjustments.

4.3 Revised Municipal Property Rates Act Categories

By now all municipalities should be aware that section 8 of the Municipal Property Rates Act on the determination of categories of **rateable** properties has been revised through the Local Government Municipal Property Rates Amendment Act, 2014 ("the Amendment Act"). The new rateable property categorisation framework based on use (provided these property categories exist within the municipality) and consequently, all property categories that are based on ownership, geographic location or any other basis fall away.

Municipalities must implement the new property categorisation framework by not later than 1 July 2021. The *mSCOA* chart Version 6.5 makes provision for the new and the old framework. However, the old framework will be retired in the next version of the chart and municipalities are advised to implement the new property categorisation framework as legislated. Therefore, municipalities cannot use both frameworks to avoid duplication and overstatement of revenue from property rates.

4.4 Forbidden activities

The Item Assets segment of the *mSCOA* chart currently includes items such as staff loans as non-current receivables from non-exchange transactions. This is in contravention with Section 164(1)(c) of the MFMA that stipulates that a municipality may not make loans to councillors or officials of the municipality; directors or officials of the entity; or members of the public. Therefore, municipalities are advised not to use these items when budgeting as National Treasury may retire these items in the next version of the chart.

4.5 Independent Audits on Municipal Financial Systems

All municipalities and municipal entities had to comply with the *mSCOA* Regulations by 1 July 2017. MFMA Circular No. 80 provided guidance on the minimum business processes and system specifications for all categories of municipality (A, B and C). The Request for Proposal (RFP) issued on 4 March 2016 for the appointment of service providers for an integrated financial management and internal control system for local government (RT25-2016 published in Tender Bulletin No. 2906), provided further guidance on the requirements applicable to a specific category of municipality.

The National Treasury will conduct independent audits on all municipal financial systems in 2021 to determine to what extent the financial systems that are currently being used by municipalities comply with the minimum business processes and system specifications required in terms of *mSCOA*. These audits were initially planned for 2020, but due to restrictions on procurement processes and travel in terms of the COVID-19 pandemic it was postponed to 2021. The results of the audits will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2022. Until these audits have been concluded, and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that does not comply with the necessary *mSCOA* functionality requirements. However, should a municipality need to procure a new financial system, they must follow the processes set out in the MFMA read together with the Municipal Supply Chain Management Regulations and MFMA Budget Circulars No. 93, 98 and *mSCOA* Circulars No 5 and 6. In addition, National Treasury has not accredited any of the municipal financial systems available in the market and this should therefore not be advertised as a requirement in municipal tender documents.

It should be emphasised that the onus to ensure compliance with the *mSCOA* Regulations and minimum system specifications as per MFMA Circular No. 80 and its Annexure B rests with the municipality and not the system vendor. Municipalities must properly manage Service level agreements (SLA) with system vendors. Penalties, including the termination of the SLA in cases of persistent non-compliance, should be imposed if the system vendor does not meet the agreed upon milestones. Likewise, if a system vendor has delivered on the services agreed upon in the SLA, then the municipality should pay all money owing to the system vendor within 30 days of receiving the relevant invoice or statement, as per the requirements of Section 65(2)(e) of the MFMA. Lastly, municipalities must agree on the services that are to be provided by the system vendors and costs thereof in the SLA that is signed by the municipality and system vendor. Municipalities should consider the financial implications thereof and negotiate more favourable terms with the system vendor if necessary before signing the SLA. Once signed, the SLA is legally binding.

4.6 Regulation of Minimum Business Processes and *mSCOA* System Specifications

National and Provincial Treasuries held extensive engagements with key system providers during which the system functionality on the following were demonstrated: IDP and budget, supply chain management (SCM), asset management, annual financial statements, revenue management, cash flow and period control. These engagements provided National and Provincial Treasuries with an understanding of what functionality is available on each system and what the key system related challenges are.

It was evident from the engagements that municipalities are not using their financial systems optimally. Some of the challenges that were identified in this regard include the following:

- Some municipalities have not purchased all the modules of the core financial system or have not upgraded to the Enterprise Resource Planning (ERP) (*mSCOA* enabling) version of their financial systems;

- A few municipalities are not paying for the required licences to use system solutions and they are not upgrading and maintaining their servers, hardware and software to become and remain *mSCOA* compliant and to protect their data;
- Several municipalities are still transacting on their legacy systems that are not *mSCOA* enabling or they are using excel spreadsheets that are not incorporated in the functionality of their financial systems, while they are paying for maintenance and support for the *mSCOA* enabling system that was procured. This constitutes fruitless and wasteful expenditure; and
- Other municipalities are not using all the modules of the core financial system (using 3rd party systems) while they have procured these modules. This is once again fruitless and wasteful expenditure.

Municipalities should include the cost of the above in their 2021/22 MTREF budgets.

One of the key objectives of the *mSCOA* reform is to ensure that municipalities are budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. The manual correction of data strings by municipal officials or system vendors are not allowed in terms of the *mSCOA* Regulations.

National Treasury will expand and regulate the business processes and system specifications communicated in MFMA Circular No. 80 and its Annexure B in the 2021/22 MTREF to ensure that municipalities are using the functionality available on their financial systems. MFMA Circular No. 80 was issued in 2016, and several Regulations and best practises as per the MFMA Circulars have been introduced since then. The expansion of the requirements will accommodate these new developments.

4.7 Non-compliance with *mSCOA* requirements

If your municipality has not yet achieved the required level of *mSCOA* implementation, then it must provide a detailed action plan (road map) to the National and the respective provincial treasury to indicate how the municipality will fast track the implementation of *mSCOA*. The action plan should include the following priority areas, as applicable to the municipality:

- The functionality of the financial system, including the minimum system functionality and business process as per MFMA Circular No. 80 and Annexure B and functionality required in terms of Regulations and MFMA Circulars that was issued after 08 March 2016 (the date on which MFMA Circular No. 80 was issued);
- Integration of 3rd party sub-systems with the *mSCOA* enabling financial system as required in terms of MFMA Circular No. 80 and Annexure B;
- Change management initiatives to ensure that *mSCOA* is institutionalised as an organisational reform and not only a financial reform; and
- Training initiatives to ensure that all officials in the organisation are familiar with the *mSCOA* chart, basic accounting, balance sheet budgeting and movement accounting and the use of the *mSCOA* enabling financial system.

Importantly, the action plan must be drafted by the municipality and not the system vendor and the progress against it should be carefully monitored by the municipality's *mSCOA* Project Steering Committee (chaired by the Accounting Officer). Municipalities must present progress against the action plan at the 2020/21 Mid-Year Budget and Performance visits and Budget and Benchmark engagements with the National and the respective provincial treasury.

4.8 Extension and Procuring of Service Level Agreements (SLA) for Financial Systems

At least six (6) months prior to the expiry of the SLA for the support and maintenance of the financial system, the municipality should either:

- Extend the existing SLA with the same system vendor subject to the provisions of Section 33 and 116(3) of the MFMA (read in conjunction with MFMA Circular No. 62); or
- Approach the market to procure services for the support and maintenance of the financial system consistent with the Municipal Supply Chain Management Regulations and municipality's Supply Chain Management Policy.

Importantly, once the SLA has expired, it cannot be extended, and the municipality will have to embark on a new procurement process. In addition, when the contract for the support and maintenance of the financial system comes to an end, it does not mean that the municipality must procure a new financial system. It is only support and maintenance services pertaining to the financial system that needs to be procured. Municipalities need to properly document their systems and the system language used to ensure that system support can be procured in the local market when required.

4.9 Cash flow reconciliation

The population of the cash flow reconciliation in tables A7, B7 and C7 of the MBRR formats using mSCOA data strings has been a challenge in previous financial years. The main contributing factors to this were that:

- Municipalities were not using the mSCOA segments correctly to populate their cash flow information;
- A number of municipalities did not use the movement accounts correctly in the mSCOA chart which distorts the figures reported in the cash flow tables;
- Some municipalities did not budget, transact or report directly in or from their financial systems; and
- There were errors in the linkages of the MBRR cash flow tables to the mSCOA data strings in the segment item: asset and liabilities on the Local Government Database.

It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. National Treasury has provided guidance in this regard in MFMA Circular No. 98 and mSCOA Circular No. 10 and have also corrected the errors in the linkages of the MBRR cash flow tables to the mSCOA data strings. This has resulted in improvements in the section 71 cash flow data that were published at the end of quarter 1 of the 2020/21 MTRF. Further guidance on the application of the funding segment has also been issued in mSCOA Circular No. 11 on 4 December 2020.

4.10 mSCOA Calendar for 2021/22

Important dates pertaining to mSCOA related activities for the 2020/21 financial year is summarised below for planning purposes:

Activity		Time Frames
1.	Independent System Audits	February to December 2021
2.	Regulation of Minimum Business Processes and System Specifications	For comments and testing: October 2021
3.	mSCOA Virtual Training Sessions (various topics)	Monthly
4.	Roll out of eLearning mSCOA course through	July 2020

	National School of Governance	
5.	Issue proposed <i>m</i> SCOA chart changes for version 6.6	October 2021
6.	Annual <i>m</i> SCOA CIGFARO Budgeting Workshop	November 2021
7.	Issuing of transversal contract for provision of financial systems	March 2022

5. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. Even as demand for services rises, weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide for the servicing of their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

Municipalities are reminded that the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase, and it will become even more difficult to collect revenue. Household budgets are becoming increasingly under more pressure, and trade-offs might be applied when it becomes unaffordable to pay all household expenses on a monthly basis.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to ***justify all increases in excess of the projected inflation target for 2021/22*** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

5.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circular No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2021/22 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

It is therefore essential that municipalities pay attention to reconciling the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities are encouraged to undertake this exercise as a routine practice. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the Deeds Office registry. In accordance with the MFMA Circular No. 93,

municipalities are once more requested to submit the reconciliation of the valuation roll to the financial system to the National Treasury by no later than **05 February 2021**.

The above information must be emailed to linda.kruger@treasury.gov.za or must be uploaded by approved registered users using the LG Upload Portal at: <https://uploadportal.treasury.gov.za/>.

5.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011). Credible budgets are critical for local government to fulfil its mandate and to ensure its financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- An effective budget is one that is adequate to deliver a service of the necessary quality on a sustainable basis; and
- An efficient budget is one that delivers services at the lowest possible cost.

Municipalities are encouraged to utilise the tariff setting tool referenced in MFMA Circular 98, item 4.2. This tool will assist in setting tariffs that are cost-reflective and would enable municipalities to recover costs to fulfil its mandate. The National Treasury Municipal Costing Guide is also available on the link below on the National Treasury website.

<http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08>

5.3 Bulk Account Payments - Eskom Concessions

During 2018/19, intense work had been undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom was engaged on providing relieve in certain areas. Municipalities must be made aware that the following concessions were agreed upon:

- Reducing the interest rate charged on overdue municipal bulk accounts from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms being extended from 15 days to 30 days for municipal bulk accounts; and
- Payments received from municipalities will be allocated to capital first and then the interest.

These concessions are aligned to the MFMA and are meant to curb the growing debt levels by allowing municipalities a more conducive payment regime than what was previously employed. In addition, municipalities are encouraged to budget for bulk services and honour their current account payments religiously to avoid stringent application of the bulk suppliers' credit control policy.

5.4 Timeous allocations and clearing of the control accounts

Municipalities are encouraged to clear the control accounts on a monthly basis and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA. Implementing and enforcing the credit control policy of the municipality whilst payments are not cleared in the control account is negligent and irresponsible. Municipalities are warned against this bad practice, and this must be avoided at all costs.

5.5 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. In March NERSA approved a municipal tariff increase of 6.9 per cent effective 1 July 2020 (1.2 per cent lower than the tariff increase in Multi-Year Price Determination (MYPD) 4 period due to differences in municipal and national financial years).

Municipalities are advised to use the tariff increases previously (March 2019) approved by the Regulator of 5.2 per cent 2021/22, 8.9 per cent for 2022/23 and 8.9 per cent in 2023/24 (for 2023/24, an average annual tariff increase is used for the National Energy Regulator of South Africa's multi-year price determination period of 1 April 2019 to 31 March 2022). The outer year is anticipated to be the first year of the MYPD 5 period, which is yet to be published.

6. Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2021/22 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

6.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increases. It has been observed over the previous years that salary

increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGB. Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability as many municipalities that are already not in a position to afford the current wage cost would indeed have to apply no more than zero per cent increase in the 2021/22 MTRF and to exercise the option for exemption for any negotiated increase above the level of their affordability.

6.2 Remuneration of councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.

7. Conditional Grant Transfers to Municipalities

7.1 Non-compliance of in-year monitoring

In terms of Section 74(1) of the MFMA, municipalities must submit to the transferring officers, National and Provincial treasuries documents and monthly grant reports as may be prescribed or required. The MSCOA Regulations requires the uniform recording and classification of municipal budget and financial information at a transaction level in the form of a MSCOA data string that must be submitted to the LG Upload portal. Most municipalities are still not reporting on conditional grants as per the MSCOA requirements. As per MFMA Circular No 93, the National Treasury has only used MSCOA data strings as the source of data for publications on municipal financial performance from 1 July 2019. The MSCOA data strings will also be the main source of data that will be used to monitor the performance against grants and to inform decisions on the stopping and reallocation of conditional grants funding in the 2021/22 MTRF. The credibility of the MSCOA data strings reporting on grants will be closely monitored going forward.

Furthermore, section 12(2) of the Division of Revenue Act, 2020 (Act No. 4 of 2020) (DoRA) states that the municipality, as part of the report required in terms of section 71 of the MFMA, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant Transferring Officer.

Some municipalities have not been complying with the reporting requirements as stipulated above. Municipalities are reminded that the non-submission of monthly reports translates to non-compliance with the MFMA and DoRA. The National Treasury and Transferring Officer will be implementing stringent measures to municipalities that do not comply with the prescripts. This includes, but is not limited to, the stopping and reallocation of conditional grants funding of non-compliant municipalities. Municipalities are encouraged to comply with the reporting requirements to avoid withholding or stopping of an allocation.

In terms of performance reporting on conditional grants, municipalities and Transferring Officers are urged to pay particular attention to the contents of money spent against conditional grants. Government is not realising full value for money against the substantial investments it makes through grants.

8. The Municipal Budget and Reporting Regulations

8.1 Ensuring municipal sustainability through a funded budget

A budget is funded from realistically anticipated revenues to be collected, cash backed accumulated funds from the previous year as well as borrowed funds to be utilised for capital projects. A budget is realistic if it takes into account projected revenue for the current year based on the collection levels to date and actual revenue collected in the previous financial year. Municipal budgets must be prepared on this basis. The economic climate and the impact of COVID-19 pandemic had an effect on the ability of municipalities to collect arrear debt during levels 5, 4 and 3 of the national lockdown. This inability to exercise credit control measures during this period had decreased the collection rate in many municipalities.

Municipalities need to be proactive in exercising credit control measures to ensure that arrear debt is collected. Whilst collection rates decreased during the period mentioned above, municipalities must implement efforts to collect arrear debt and return collection rates to pre-COVID-19 levels. Whilst this unprecedented COVID-19 period is the exception, collection rates need to be maintained at 95 per cent in order to ensure the financial sustainability of municipalities. If collection rates have decreased, prudent financial management requires expenditure to be adjusted downward accordingly. This is to ensure that deficits are not realised and that realistically anticipated revenue based on projected collection rates funds expenditure. This will also ensure financial sustainability and avoid situations of financial distress in municipalities.

The Municipal Systems Act states that a municipal council must adopt, maintain and implement a credit control and debt collection policy that would be utilised for the collection of money that is due and payable to it. The municipal Councillors therefore are the custodians of the policy and responsible for its implementation. As a result, Councillors are required to encourage consumers in their municipal jurisdiction to pay for municipal services and to ensure that such debt that is due and payable to the municipality is collected. This would ensure compliance with the Act and ensure that a culture of payment is implemented in the municipal area. Council needs to play an active role in implementing their adopted policies to increase collection rates and ensure that funds are received to render services to the people.

Municipalities are reminded to develop a credible funding plan where the budget is unfunded. This plan must be tabled in and adopted by Council with the 2021/22 MTREF budget and submitted to the National and provincial treasuries when they submit their tabled and adopted budget in terms of Section 22(b)(i) and 24 (3) of the MFMA. Failure to approve a credible plan will result in the invoking of Section 216(2) of the Constitution.

8.2 Budgeting for indirect grant allocations

Some municipalities continue to budget for allocations not directly allocated to them as revenue in the Statement of Financial Performance. This results in revenue being overstated. Therefore, municipalities must refrain from budgeting for indirect grant allocations. A municipality must only budget for the allocations that are directly allocated and transferred to them.

8.3 Monthly reporting of debtors

National Treasury has observed through in-year monitoring that most municipalities are overstating debtors as they report on gross debtors instead of net. The format of the monthly debtors' data strings provides for a column to disclose provision for impairment as per council policy. Therefore, municipalities are urged to always reflect the provision for impairment in the column as indicated above for National Treasury to be able to reconcile the net debtors.

8.4 Schedule A - version to be used for the 2021/22 MTRRF

National Treasury has released Version 6.5 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.5 of the mSCOA classification framework and must be used when compiling the 2021/22 MTRRF budget.

It is imperative that all municipalities prepare their 2021/22 MTRRF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Therefore, there is no reason why the 2021/22 MTRRF budget must be done manually. National Treasury has protected the A1 schedule version 6.5, therefore manual population will not be allowed as the schedule must be extracted from the financial system.

ALL municipalities **MUST** prepare their 2021/22 MTRRF tabled and adopted budgets using the A1 schedule version 6.5. Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on A1 schedule version 6.5 is not allowed** in terms of the mSCOA Regulations.

The National Treasury has indicated in MfMA Circular No. 93 that municipalities must submit all A1 Schedules in PDF format only from the 2019/20 MTRRF. Given the fact that the mSCOA classification framework makes it possible to generate the financial data required in the A1 schedule directly from the data strings and that additional data needed must be obtained from sub-systems that integrate with the financial system, the National Treasury will only accept the prescribed data string containing the supporting data, populated and uploaded by each municipality. National Treasury published the layout for the data string on the website in MfMA Budget Circular No. 98 and an amended version to be used for the 2021/22 MTRRF forms part of this circular. The publication in the 2020/21 MTRRF of non-financial data will be done using the supporting data uploaded from these data strings.

The National Treasury will no longer gather supporting data from the MBR A1 Schedules but will expect each municipality to submit the prescribed supporting data strings containing the required data using the LG Upload Portal.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBR have also been aligned to the mSCOA chart version 6.5 changes. The revised MBR Schedules for the 2021/22 MTRRF and its linkages to the data string are available on the link below:

<http://cenvappsp10:31200/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Documents/Forms/A1items.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%2fDocuments%2f2020%2d21&FolderCTID=0x0120001860D4A2BD7AD042BF8427FC3BB59F67>

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

8.5 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
Buffalo City	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Free State	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
Johannesburg and Tshwane	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
eThekweni	Mpati Rakgwale		Mpati.Rakgwale@treasury.gov.za
	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Abigail Maila		Abigail.Maila@treasury.gov.za
Limpopo	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Stanley Malele		Stanley.Malele@treasury.gov.za
Northern Cape	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Phumelele Gulukunqu	012 315 5539	Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Cape Town	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
George	Willem Voigt and	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lqdataqueries@treasury.gov.za

National and provincial treasuries will analyse the credibility of the data string submissions.

8.6 Assessing the 2021/22 MTREF budget

National and provincial treasuries will assess the 2021/22 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

The **assessment period** of all municipal budget will therefore be from **31 May to 30 June**. In this one-month period, the National and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by the 10th working day of July each year. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of *m*SCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated**.

The previous verification process and timeframes (i.e. July to September) can no longer be applied as municipalities are already transacting against the adopted and locked budget from 01 July 2020.

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution, as well as a budget locking certificate (in the case of the adopted budgets) in accordance with the format specified in Regulation 31 of Schedule A of the MBR. The A1 schedule must be included as part of the budget documentation in pdf format.

The National Treasury would like to emphasise that where municipalities have adopted an unfunded budget without a credible funding plan, they will be required to correct the budget and go back to the Municipal Council to ensure they adopt and implement a funded budget as required in terms of Section 18 of the MFMA.

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.

9. Budget process and submissions for the 2021/22 MTRF

- ### 9.1 Submitting budget documentation and A1 schedules for 2021/22 MTRF
- To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2021**, the final date of submission of the electronic budget documents and corresponding mSCOA data strings is **Thursday, 01 April 2021**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that municipalities must submit the approved annual budget to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. E.g. if the council approves the annual budget on **31 May 2021**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 14 June 2020**.

Municipalities are no longer expected to submit hard copies of all required documents including budget-related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Hard copies must be submitted in pdf format to the LG Upload portal.

9.2 Expected submissions for 2021/22 MTREF

- The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA24 and any other information not contained in the financial data string) in the A1 in the prescribed mSCOA data string in the format published with Version 6.5 of the A1 schedule;
- The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- The draft and final IDP;
- The council resolution for the tabled and adopted budgets;
- Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- D Schedules specific for the entities; and
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

Budget-related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>. It should be emphasised that municipalities should submit all required documents to the LG Upload portal and not to lgdocuments@treasury.gov.za. National Treasury will retire lgdocuments@treasury.gov.za on 1 July 2021 to ensure that there is a single collection point of municipal financial data.

Also note that the LG Upload Portal does not have the same size restrictions encountered with lgdocuments@treasury.gov.za, but requires all documents to:

1. Be in PDF format only; and
2. Each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified clearly and uploaded separately.

Any problems experienced with the submission of documents can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

The 2020/21 MTREF and the preliminary Quarter 1 Section 71 results for the 2020/21 financial year that has recently been published, have indicated that the credibility of the mSCOA data strings is still a concern although we have observed a marked improvement in some areas. At the core of the problem is:

- The incorrect use of the mSCOA chart and segments, balance sheet budgeting, movement accounting and basic municipal accounting practices by municipalities;
- Some municipalities are not budgeting, transacting and reporting directly in/from their core financial systems; and
- Municipalities are not locking their adopted budgets and their financial systems at month-end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2020/21, the Local Government Database and Reporting System will lock all submission periods within the reporting period at the end of each quarter. The published period will NOT be opened again to ensure consistency between publications. System vendors were also requested to build this functionality into their municipal financial systems.

To improve the credibility of these data string, National and provincial treasuries are analysing the accuracy of the data strings and the use of the six regulated segments. The National Treasury has developed tools to analyse the segment/chart use and trained analysts from both National and provincial treasuries on the use thereof. To date, the analysis has highlighted that municipalities are not using the FUND, REGION and COSTING segments correctly. In many instances, these segments are simply defaulted which impedes the multi-dimensional reporting power of the mSCOA classification framework. Another common area of concern is that total capital expenditure do not balance to total funding. Currently, the expenditure is much higher than the available funding reported.

It needs to be noted that the single source for all analysis and publications will be the data strings submitted by the municipalities for the 2020/21 municipal financial year. It is therefore imperative that municipalities ensure the credibility and accuracy of the data strings before submission.

9.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

9.4 Communication by municipal entities to National Treasury

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh

Chief Director: Local Government Budget Analysis

04 December 2020

Choose name from list - Table A1 Budget Summary

Description	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousands										
Financial Performance										
Property rates	39 021	43 409	45 158	49 853	48 362	48 362	36 153	55 522	56 921	59 482
Service charges	139 836	136 277	158 678	170 871	170 871	170 871	106 336	211 937	214 999	224 674
Investment revenue	2 156	2 836	3 708	3 357	3 357	3 357	2 333	3 495	3 648	3 813
Transfers recognised - operational	138 567	161 689	177 154	183 601	224 477	224 477	213 131	194 051	217 606	208 313
Other own revenue	28 311	(6 530)	26 356	24 310	23 885	23 885	10 610	28 268	28 468	29 749
Total Revenue (excluding capital transfers and contributions)	347 891	337 682	411 054	431 992	470 952	470 952	368 563	493 273	521 842	526 030
Employee costs	119 121	131 462	124 376	156 254	146 739	146 739	94 438	165 637	173 583	181 361
Remuneration of councillors	9 362	9 815	9 861	10 456	10 543	10 543	6 612	10 838	11 293	11 779
Depreciation & asset impairment	57 180	74 352	59 109	42 959	42 959	42 959	38 497	60 375	66 163	69 141
Finance charges	16 299	18 253	6 345	6 065	1 851	1 851	665	901	940	982
Materials and bulk purchases	113 763	117 981	127 474	140 269	160 852	160 852	95 216	140 044	148 041	154 703
Transfers and grants	19	35	23	63	63	63	11	60	63	65
Other expenditure	72 881	171 480	105 394	122 505	124 336	124 336	69 917	112 662	130 506	124 728
Total Expenditure	388 625	523 379	432 581	478 572	487 343	487 343	305 356	490 517	530 589	542 760
Surplus/(Deficit)	(40 735)	(185 697)	(21 527)	(46 580)	(16 392)	(16 392)	63 207	2 756	(8 747)	(16 729)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	98 418	112 328	164 730	129 339	153 119	153 119	97 638	114 267	87 829	119 011
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	—	36 072	45 984	—	14 840	14 840	1 840	—	—	—
Surplus/(Deficit) after capital transfers & contributions	57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282
Capital expenditure & funds sources										
Capital expenditure	159 455	674 876	811 127	131 489	164 283	164 283	82 025	123 274	87 829	119 011
Transfers recognised - capital	184 326	673 561	799 890	129 339	154 959	154 959	88 518	114 267	87 829	119 011
Borrowing	—	—	—	—	—	—	—	—	—	—
Internally generated funds	—	1 645	(1 461)	2 150	9 324	9 324	3 658	9 007	—	—
Total sources of capital funds	184 326	675 206	798 428	131 489	164 283	164 283	92 176	123 274	87 829	119 011
Financial position										
Total current assets	111 190	113 981	183 383	271 053	259 119	259 119	305 358	260 020	314 936	365 347
Total non current assets	1 287 879	1 355 346	1 466 276	1 461 621	1 535 568	1 535 568	1 508 308	1 529 176	1 550 841	1 600 712
Total current liabilities	152 155	129 736	110 437	124 281	55 342	55 342	113 518	69 673	70 173	68 173
Total non current liabilities	62 180	66 131	58 862	69 675	53 485	53 485	57 101	58 862	55 862	55 862
Community wealth/Equity	1 175 292	1 310 755	1 291 142	1 538 718	1 685 860	1 685 860	1 480 361	1 660 661	1 739 742	1 842 024
Cash flows										
Net cash from (used) operating	347 609	801 592	973 764	128 195	(16 522)	(16 522)	318 819	141 266	117 552	121 880
Net cash from (used) investing	—	—	3 698	101 489	(37 105)	(37 105)	23 368	(123 274)	(98 876)	(119 011)
Net cash from (used) financing	—	—	—	—	3 500	3 500	—	(3 000)	(2 500)	(2 000)
Cash/cash equivalents at the year end	346 585	815 297	978 981	288 633	8 822	8 822	401 458	74 261	90 438	91 306
Cash backing/surplus reconciliation										
Cash and investments available	11 688	551	59 271	85 655	82 605	82 605	168 333	74 261	90 437	91 306
Application of cash and investments	(100 866)	(71 962)	(99 832)	(111 187)	(127 760)	(113 109)	(63 535)	(111 021)	(138 760)	(179 140)
Balance - surplus (shortfall)	112 554	72 513	159 103	196 841	210 365	195 714	231 868	185 282	229 197	270 446
Asset management										
Asset register summary (WDV)	1 166 045	1 249 260	1 329 566	1 491 621	1 513 167	1 513 167	1 513 167	1 529 176	1 550 841	1 600 712
Depreciation	—	68 615	59 109	42 959	42 959	42 959	42 959	60 375	66 163	69 141
Renewal and Upgrading of Existing Assets	941	536 652	627 963	52 776	74 892	74 892	74 892	36 639	38 167	—
Repairs and Maintenance	3 940	6 781	6 928	20 220	36 968	36 968	36 968	18 050	18 844	19 692
Free services										
Cost of Free Basic Services provided	—	—	—	—	—	—	—	—	—	—
Revenue cost of free services provided	—	—	—	—	—	—	—	—	—	—
Households below minimum service level										
Water:	6	26	27	28	28	—	—	—	—	—
Sanitation/sewerage:	4	4	4	4	4	—	—	—	—	—
Energy:	—	—	—	—	—	—	—	—	—	—
Refuse:	19	23	25	26	26	—	—	—	—	—

100ose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
thousand	1									
Revenue - Functional										
Governance and administration		60 276	81 504	81 268	84 320	82 452	82 452	91 845	94 774	98 9
Executive and council		5 886	41 985	6 851	6 991	6 991	6 991	7 284	7 649	7 9
Finance and administration		54 390	39 519	74 417	77 329	75 461	75 461	84 561	87 125	90 9
Internal audit		—	—	—	—	—	—	—	—	—
Community and public safety		18 579	22 895	21 588	49 403	76 096	76 096	34 739	32 487	75 1
Community and social services		7 391	10 746	3 877	14 974	44 539	44 539	3 324	11 930	3 4
Sport and recreation		598	4 990	8 027	11 489	4 033	4 033	8 402	13 231	64 C
Public safety		10 590	7 159	9 684	22 941	27 525	27 525	23 013	7 325	7 6
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
Economic and environmental services		68 160	39 734	46 350	34 092	40 975	40 975	55 331	49 924	22 3
Planning and development		11 728	11 700	14 391	16 661	16 276	16 276	21 255	19 540	20 2
Road transport		56 371	27 715	31 643	16 916	24 179	24 179	33 518	29 800	1 4
Environmental protection		60	319	316	516	521	521	558	584	6
Trading services		299 253	341 930	472 553	393 475	439 347	439 347	425 624	432 485	448 6
Energy sources		144 358	171 983	211 027	211 698	222 274	222 274	230 083	215 640	224 6
Water management		94 085	69 958	177 932	107 145	142 441	142 441	112 331	118 819	133 C
Waste water management		27 219	72 476	45 930	34 523	34 523	34 523	40 012	52 866	43 7
Waste management		33 591	27 514	37 664	40 109	40 109	40 109	43 199	45 161	47 1
Other	4	41	20	8	40	40	40	—	—	—
Total Revenue - Functional	2	446 309	486 082	621 768	561 331	638 911	638 911	607 540	609 671	645 0
Expenditure - Functional										
Governance and administration		181 776	281 017	190 595	210 104	205 385	205 385	234 600	250 883	262 0
Executive and council		13 520	14 699	14 028	17 583	16 268	16 268	17 335	18 076	18 8
Finance and administration		168 256	266 318	176 567	192 521	189 117	189 117	217 265	232 806	243 1
Internal audit		—	—	—	—	—	—	—	—	—
Community and public safety		35 340	32 966	36 431	42 604	55 322	55 322	43 608	46 571	48 6
Community and social services		12 428	9 574	10 049	11 352	25 152	25 152	12 860	13 426	14 C
Sport and recreation		7 865	7 703	8 551	11 299	10 363	10 363	10 737	11 209	11 7
Public safety		15 048	15 689	17 831	19 953	19 807	19 807	20 011	21 936	22 9
Housing		—	—	—	—	—	—	—	—	—
Health		(1)	—	—	—	—	—	—	—	—
Economic and environmental services		27 902	27 212	28 747	33 009	44 486	44 486	32 730	32 521	33 9
Planning and development		23 321	22 664	21 054	22 860	32 812	32 812	24 929	24 376	25 4
Road transport		4 423	4 355	7 497	9 925	11 456	11 456	7 591	7 925	8 2
Environmental protection		157	193	196	224	218	218	211	220	2
Trading services		143 607	182 185	176 803	192 822	182 145	182 145	179 579	200 615	198 0
Energy sources		89 245	95 433	122 608	118 381	111 231	111 231	112 496	119 534	124 9
Water management		38 461	33 326	29 276	40 975	43 229	43 229	36 498	38 104	39 8
Waste water management		5 734	23 946	12 057	12 346	9 023	9 023	10 417	21 922	11 3
Waste management		10 167	29 480	12 863	21 120	18 661	18 661	20 168	21 056	22 C
Other	4	1	—	5	31	6	6	—	—	—
Total Expenditure - Functional	3	388 625	523 379	432 581	478 572	487 343	487 343	490 517	530 589	542 7
Surplus/ (Deficit) for the year		57 684	(37 297)	189 187	82 759	151 567	151 567	117 023	79 082	102 2

References

Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes

Total Revenue by functional classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)

Total Expenditure by Functional Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)

All amounts must be classified under a functional classification. The GFS function 'Other' is only for Abbatoirs, Air Transport, Forestry, Licensing and Regulation, Markets and Tourism - and if used must be supported by notes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification.

Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Revenue by Vote										
Vote 1 - Vote 1 : Executive & Council	1	5 886	41 985	6 851	6 991	6 991	6 991	7 284	7 649	7 284
Vote 2 - Vote 2 : FINANCE AND ADMINISTRATION		54 390	39 519	74 417	77 329	75 461	75 461	84 561	87 125	90 125
Vote 3 - Vote 3 : COMMUNITY AND SOCIAL SERVICES		7 391	10 746	3 877	14 974	44 539	44 539	3 324	11 930	3 324
Vote 4 - Vote 4 : SPORTS & RECREATION		598	4 990	8 027	11 489	4 033	4 033	8 402	13 231	64 402
Vote 5 - Vote 5 : PUBLIC SAFETY		56	510	726	15 311	19 895	19 895	16 838	877	16 838
Vote 6 - Vote 6 : PLANNING AND DEVELOPMENT		11 728	11 700	14 391	16 661	16 276	16 276	21 255	19 540	20 255
Vote 7 - Vote 7 : ROAD TRANSPORT		66 905	34 363	40 601	24 545	31 808	31 808	39 693	36 249	8 249
Vote 8 - Vote 8 : ENVIRONMENTAL PROTECTION		60	319	316	516	521	521	558	584	584
Vote 9 - Vote 9 : ENERGY SOURCES		144 358	171 983	211 027	211 698	222 274	222 274	230 083	215 640	224 640
Vote 10 - Vote 10 : WATER MANAGEMENT		94 085	69 958	177 932	107 145	142 441	142 441	112 331	118 819	133 819
Vote 11 - Vote 11 : WASTE WATER MANAGEMENT		27 219	72 476	45 930	34 523	34 523	34 523	40 012	52 866	43 866
Vote 12 - Vote 12 : WASTE MANAGEMENT		33 591	27 514	37 664	40 109	40 109	40 109	43 199	45 161	47 161
Vote 13 - Vote 13 : Other		41	20	8	40	40	40	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	446 309	486 082	621 768	561 331	638 911	638 911	607 540	609 671	645 671
Expenditure by Vote to be appropriated										
Vote 1 - Vote 1 : Executive & Council	1	13 520	14 699	14 028	17 583	16 268	16 268	17 335	18 076	18 076
Vote 2 - Vote 2 : FINANCE AND ADMINISTRATION		168 256	266 318	176 567	192 521	189 117	189 117	217 265	232 806	243 806
Vote 3 - Vote 3 : COMMUNITY AND SOCIAL SERVICES		12 427	9 574	10 049	11 352	25 152	25 152	12 860	13 426	14 426
Vote 4 - Vote 4 : SPORTS & RECREATION		7 865	7 703	8 551	11 299	10 363	10 363	10 737	11 209	11 209
Vote 5 - Vote 5 : PUBLIC SAFETY		1 194	2 620	3 124	3 613	3 794	3 794	4 055	4 233	4 233
Vote 6 - Vote 6 : PLANNING AND DEVELOPMENT		23 321	22 664	21 054	22 860	32 812	32 812	24 929	24 376	25 376
Vote 7 - Vote 7 : ROAD TRANSPORT		18 277	17 424	22 204	26 264	27 469	27 469	23 547	25 627	26 627
Vote 8 - Vote 8 : ENVIRONMENTAL PROTECTION		157	193	196	224	218	218	211	220	220
Vote 9 - Vote 9 : ENERGY SOURCES		89 245	95 433	122 608	118 381	111 231	111 231	112 496	119 534	124 534
Vote 10 - Vote 10 : WATER MANAGEMENT		38 461	33 326	29 276	40 975	43 229	43 229	36 498	38 104	39 104
Vote 11 - Vote 11 : WASTE WATER MANAGEMENT		5 734	23 946	12 057	12 346	9 023	9 023	10 417	21 922	11 922
Vote 12 - Vote 12 : WASTE MANAGEMENT		10 167	29 480	12 863	21 120	18 661	18 661	20 168	21 056	22 056
Vote 13 - Vote 13 : Other		1	-	5	31	6	6	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	388 625	523 379	432 581	478 572	487 343	487 343	490 517	530 589	542 589
Surplus/ (Deficit) for the year	2	57 684	(37 297)	189 187	82 759	151 567	151 567	117 023	79 082	102 082

References

1. Insert 'Vote'; e.g. department, if different to functional classification structure
2. Must reconcile to Budgeted Financial Performance (revenue and expenditure)
3. Assign share in 'associate' to relevant Vote

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousand	1										
Revenue By Source											
Property rates	2	39 021	43 409	45 158	49 853	48 362	48 362	36 153	55 522	56 921	59 482
Service charges - electricity revenue	2	91 423	96 734	113 029	120 712	120 712	120 712	77 445	146 720	147 956	154 614
Service charges - water revenue	2	21 755	20 379	22 880	27 145	27 145	27 145	13 962	36 000	36 540	38 184
Service charges - sanitation revenue	2	17 914	11 035	13 826	12 523	12 523	12 523	8 698	17 000	17 748	18 547
Service charges - refuse revenue	2	8 744	8 129	8 943	10 490	10 490	10 490	6 231	12 217	12 755	13 329
Rental of facilities and equipment		1 689	1 712	2 321	2 091	2 051	2 051	1 355	2 074	2 165	2 263
Interest earned - external investments		2 156	2 836	3 708	3 357	3 357	3 357	2 333	3 495	3 648	3 813
Interest earned - outstanding debtors		5 617	(25 853)	7 642	7 343	6 903	6 903	3 410	7 912	8 260	8 632
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		1 120	1 756	4 975	3 155	3 070	3 070	151	1 572	1 641	1 715
Licences and permits		5 758	2 749	2 970	3 317	3 332	3 332	2 148	3 319	3 465	3 621
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		138 567	161 689	177 154	183 601	224 477	224 477	213 131	194 051	217 806	208 313
Other revenue	2	14 128	6 250	8 313	8 404	8 529	8 529	3 546	13 392	12 937	13 519
Gains		-	6 856	136	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		347 891	337 682	411 054	431 992	470 952	470 952	368 563	493 273	521 842	526 030
Expenditure By Type											
Employee related costs	2	119 121	131 462	124 376	156 254	146 739	146 739	94 438	165 637	173 583	181 361
Remuneration of councillors		9 362	9 815	9 861	10 456	10 543	10 543	6 612	10 838	11 293	11 779
Debt impairment	3	(13 009)	77 173	19 983	24 549	15 000	15 000	(329)	12 950	13 520	14 128
Depreciation & asset impairment	2	57 180	74 352	59 109	42 959	42 959	42 959	38 497	60 375	66 163	69 141
Finance charges		16 299	18 253	6 345	6 065	1 851	1 851	665	901	940	982
Bulk purchases	2	99 088	102 939	113 209	117 876	116 947	116 947	83 589	120 750	128 151	133 918
Other materials	8	14 675	15 042	14 265	22 393	43 905	43 905	11 628	19 294	19 890	20 785
Contracted services		24 892	51 619	46 031	44 674	51 817	51 817	32 743	44 530	58 484	49 472
Transfers and subsidies		19	35	23	63	63	63	11	60	63	65
Other expenditure	4, 5	60 290	42 688	34 617	53 282	57 519	57 519	27 319	55 182	58 503	61 128
Losses		709	-	4 763	-	-	-	10 183	-	-	-
Total Expenditure		388 625	523 379	432 581	478 572	487 343	487 343	305 356	490 517	530 589	542 760
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(40 735)	(185 697)	(21 527)	(46 580)	(16 392)	(16 392)	63 207	2 756	(8 747)	(16 729)
		98 418	112 328	164 730	129 339	153 119	153 119	97 638	114 267	87 829	119 011
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	36 072	45 984	-	14 840	14 840	1 840	-	-	-
Surplus/(Deficit) after capital transfers & contributions		57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		57 684	(37 297)	189 187	82 759	151 567	151 567	162 685	117 023	79 082	102 282

References

1. Classifications are revenue sources and expenditure type
2. Detail to be provided in Table SA1
3. Previously described as 'bad or doubtful debts' - amounts shown should reflect the change in the provision for debt impairment
4. Expenditure type components previously shown under repairs and maintenance should be allocated back to the originating expenditure group/item; e.g. employee costs
5. Repairs & maintenance detailed in Table A9 and Table SA34c
6. Contributions are funds provided by external organisations to assist with infrastructure development; e.g. developer contributions (detail to be provided in Table SA1)
7. Equity method (Includes Joint Ventures)
8. All materials not part of 'bulk' e.g. road making materials, pipe, cable etc.

Vote Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote 1 - Vote 1 : Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 : FINANCE AND ADMINISTRATION		-	-	-	-	-	-	-	-	-	-
Vote 3 - Vote 3 : COMMUNITY AND SOCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - Vote 4 : SPORTS & RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 5 - Vote 5 : PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 6 - Vote 6 : PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 7 - Vote 7 : ROAD TRANSPORT		-	-	-	-	-	-	-	-	-	-
Vote 8 - Vote 8 : ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9 : ENERGY SOURCES		-	-	-	-	-	-	-	-	-	-
Vote 10 - Vote 10 : WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 11 - Vote 11 : WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12 : WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13 : Other		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure, to be appropriated	2										
Vote 1 - Vote 1 : Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Vote 2 : FINANCE AND ADMINISTRATION		(28 826)	(55 157)	(45 231)	1 150	3 107	3 107	(8 899)	5 507	-	-
Vote 3 - Vote 3 : COMMUNITY AND SOCIAL SERVICES		136 414	133 949	133 582	11 387	11 272	11 272	947	-	8 524	-
Vote 4 - Vote 4 : SPORTS & RECREATION		3 300	58 930	64 564	8 845	1 069	1 069	886	5 109	9 789	60 407
Vote 5 - Vote 5 : PUBLIC SAFETY		-	-	-	14 506	19 088	19 088	3 575	16 000	-	-
Vote 6 - Vote 6 : PLANNING AND DEVELOPMENT		-	562	352	300	-	-	-	200	-	-
Vote 7 - Vote 7 : ROAD TRANSPORT		23 030	444 454	455 761	15 616	18 968	18 968	10 774	32 158	28 378	-
Vote 8 - Vote 8 : ENVIRONMENTAL PROTECTION		-	-	-	-	-	-	-	-	-	-
Vote 9 - Vote 9 : ENERGY SOURCES		4 693	29 492	72 356	39 485	39 305	39 305	29 682	34 000	11 138	16 354
Vote 10 - Vote 10 : WATER MANAGEMENT		20 899	29 971	95 898	40 200	71 474	71 474	45 059	30 300	30 000	42 250
Vote 11 - Vote 11 : WASTE WATER MANAGEMENT		(56)	32 677	30 095	-	-	-	-	-	-	-
Vote 12 - Vote 12 : WASTE MANAGEMENT		-	-	3 751	-	-	-	-	-	-	-
Vote 13 - Vote 13 : Other		-	-	-	-	-	-	-	-	-	-
Vote 14 - NULL		-	-	-	-	-	-	-	-	-	-
Vote 15 - NULL		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		159 455	674 676	811 127	131 489	164 283	164 283	82 025	123 274	87 829	119 011
Total Capital Expenditure - Vote		159 455	674 676	811 127	131 489	164 283	164 283	82 025	123 274	87 829	119 011
Capital Expenditure - Functional											
Governance and administration		(28 826)	(55 157)	(45 231)	1 150	3 107	3 107	(8 899)	5 507	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		(28 826)	(55 157)	(45 231)	1 150	3 107	3 107	(8 899)	5 507	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		139 714	192 678	198 146	34 738	31 429	31 429	5 408	21 109	18 313	60 407
Community and social services		136 414	133 949	133 582	11 387	11 272	11 272	947	-	8 524	-
Sport and recreation		3 300	58 930	64 564	8 845	1 069	1 069	886	5 109	9 789	60 407
Public safety		-	-	-	14 506	19 088	19 088	3 575	16 000	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		23 030	445 015	458 112	15 916	18 968	18 968	10 774	32 358	28 378	-
Planning and development		-	562	352	300	-	-	-	200	-	-
Road transport		23 030	444 454	455 761	15 616	18 968	18 968	10 774	32 158	28 378	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		25 536	92 139	202 100	79 885	110 779	110 779	74 741	64 300	41 138	58 604
Energy sources		4 693	29 492	72 356	39 485	39 305	39 305	29 682	34 000	11 138	16 354
Water management		20 899	29 971	95 898	40 200	71 474	71 474	45 059	30 300	30 000	42 250
Waste water management		(56)	32 677	30 095	-	-	-	-	-	-	-
Waste management		-	-	3 751	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	159 455	674 676	811 127	131 489	164 283	164 283	82 025	123 274	87 829	119 011
Funded by:											
National Government		184 326	673 561	796 139	129 339	153 119	153 119	86 678	114 267	87 829	119 011
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	3 751	-	1 840	1 840	1 840	-	-	-
Transfers recognised - capital	4	184 326	673 561	799 890	129 339	154 959	154 959	88 518	114 267	87 829	119 011
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	1 645	(1 461)	2 150	9 324	9 324	3 658	9 007	-	-
Total Capital Funding	7	184 326	675 206	798 428	131 489	164 283	164 283	92 176	123 274	87 829	119 011

References

1. Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).

2. Include capital component of PPP unitary payment. Note that capital transfers are only appropriated to municipalities for the budget year

3. Capital expenditure by functional classification must reconcile to the appropriations by vote

4. Must reconcile to supporting table SA20 and to Budgeted Financial Performance (revenue and expenditure)

6. Include finance leases and PPP capital funding component of unitary payment - total borrowing/repayments to reconcile to changes in Table SA17

7. Total Capital Funding must balance with Total Capital Expenditure

8. Include any capitalised interest (MFMA section 46) as part of relevant capital budget

House name from list - Table A6 Budgeted Financial Position

Description	###	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
thousand											
SETS											
Current assets											
Cash		11 188	838	59 271	85 655	82 605	82 605	168 333	74 261	90 437	91 100
Call investment deposits	1	500	(287)	0	—	—	—	0	—	—	—
Consumer debtors	1	41 703	41 128	55 567	136 059	103 379	103 379	58 123	79 204	105 921	142 100
Other debtors		57 668	15 541	(6 636)	—	2 500	2 500	2 252	32 111	44 134	56 100
Current portion of long-term receivables		—	—	—	—	—	—	—	—	—	—
Inventory	2	131	56 760	75 182	49 339	70 635	70 635	76 649	74 444	74 444	74 444
Total current assets		111 190	113 981	183 383	271 053	259 119	259 119	305 358	260 020	314 936	365 100
Non-current assets											
Long-term receivables		—	—	—	(30 000)	22 401	22 401	—	—	—	—
Investments		—	—	—	—	—	—	—	—	—	—
Investment property		12 067	28 100	20 432	33 491	20 549	20 549	20 443	20 549	20 549	20 549
Investment in Associate		—	—	—	—	—	—	—	—	—	—
Property, plant and equipment	3	1 273 806	1 325 344	1 443 588	1 457 883	1 490 678	1 490 678	1 485 608	1 506 687	1 530 008	1 579 100
Biological		—	—	—	—	—	—	—	—	—	—
Intangible		351	246	601	246	285	285	601	285	285	285
Other non-current assets		1 656	1 656	1 656	—	1 656	1 656	1 656	1 656	—	—
Total non-current assets		1 287 879	1 355 346	1 466 276	1 461 621	1 535 568	1 535 568	1 508 308	1 529 176	1 550 841	1 600 100
TOTAL ASSETS		1 399 069	1 469 326	1 649 659	1 732 674	1 794 686	1 794 686	1 813 666	1 789 196	1 865 777	1 965 200
LIABILITIES											
Current liabilities											
Bank overdraft	1	—	—	—	—	—	—	—	—	—	—
Borrowing	4	12 225	7 543	4 307	—	3 500	3 500	3 240	1 307	1 807	(1 807)
Consumer deposits		5 334	4 714	5 227	4 714	5 436	5 436	5 553	5 227	5 227	5 227
Trade and other payables	4	132 977	115 938	97 815	118 026	44 656	44 656	100 699	63 140	63 140	63 140
Provisions		1 619	1 541	3 088	1 541	1 750	1 750	4 025	—	—	—
Total current liabilities		152 155	129 736	110 437	124 281	55 342	55 342	113 518	69 673	70 173	68 100
Non-current liabilities											
Borrowing		20 601	16 042	11 942	3 543	8 442	8 442	10 182	11 942	8 942	8 942
Provisions		41 579	50 089	46 920	66 131	45 043	45 043	46 920	46 920	46 920	46 920
Total non-current liabilities		62 180	66 131	58 862	69 675	53 485	53 485	57 101	58 862	55 862	55 862
TOTAL LIABILITIES		214 335	195 868	169 298	193 956	108 827	108 827	170 620	128 535	126 035	124 100
TOTAL ASSETS	5	1 184 734	1 273 459	1 480 361	1 538 718	1 685 860	1 685 860	1 643 046	1 660 661	1 739 742	1 842 100
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 135 104	1 270 568	1 250 954	1 538 718	1 685 860	1 685 860	1 440 173	1 660 661	1 739 742	1 842 100
Reserves	4	40 188	40 188	40 188	—	—	—	40 188	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	5	1 175 292	1 310 755	1 291 142	1 538 718	1 685 860	1 685 860	1 480 361	1 660 661	1 739 742	1 842 100

References

Detail to be provided in Table SA3

Include completed low cost housing to be transferred to beneficiaries within 12 months

Include 'Construction-work-in-progress' (disclosed separately in annual financial statements)

Detail to be provided in Table SA3. Includes reserves to be funded by statute.

Let assets must balance with Total Community Wealth/Equity

oose name from list - Table A7 Budgeted Cash Flows

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
thousand											
SH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		43 698	36 332	39 210	44 868	43 600	43 600	32 469	47 665	48 875	39 100
Service charges		153 047	147 640	156 308	153 783	153 783	153 783	121 928	182 136	184 825	193 000
Other revenue		13 541	27 207	29 372	16 967	16 982	16 982	6 715	19 983	17 704	20 000
Transfers and Subsidies - Operational	1	121 151	140 786	167 045	183 601	224 477	224 477	211 481	194 407	218 178	208 000
Transfers and Subsidies - Capital	1	16 172	116 737	220 863	129 339	153 769	153 769	110 985	114 267	87 829	119 000
Interest		-	-	-	10 700	10 260	10 260	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		-	332 890	360 966	(404 999)	(617 543)	(617 543)	(164 760)	(417 192)	(439 859)	(459 000)
Finance charges		-	-	-	(6 065)	(1 851)	(1 851)	-	-	-	-
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
SH CASH FROM/(USED) OPERATING ACTIVITIES		347 609	801 592	973 764	128 195	(16 522)	(16 522)	318 819	141 266	117 552	121 100
SH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	14 840	14 840	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	(30 000)	(22 401)	(22 401)	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	3 698	131 489	(29 544)	(29 544)	23 368	(123 274)	(98 876)	(119 000)
SH CASH FROM/(USED) INVESTING ACTIVITIES		-	-	3 698	101 489	(37 105)	(37 105)	23 368	(123 274)	(98 876)	(119 000)
SH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Decrease (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		-	-	-	-	3 500	3 500	-	(3 000)	(2 500)	(2 000)
SH CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	3 500	3 500	-	(3 000)	(2 500)	(2 000)
SH INCREASE/ (DECREASE) IN CASH HELD		347 609	801 592	977 462	229 684	(50 127)	(50 127)	342 187	14 991	16 176	10 100
Cash/cash equivalents at the year begin:	2	(1 024)	13 705	1 519	58 949	58 949	58 949	59 271	59 270	74 261	90 000
Cash/cash equivalents at the year end:	2	346 585	815 297	978 981	288 633	8 822	8 822	401 458	74 261	90 438	91 100

Differences

Local/District municipalities to include transfers from/to District/Local Municipalities

Cash equivalents includes investments with maturities of 3 months or less

The MTREF is populated directly from SA30.

Local receipts		347 609	468 702	612 798	509 259	595 311	595 311	483 578	558 458	557 411	581 000
Local payments		-	332 890	364 664	(279 575)	(648 938)	(648 938)	(141 392)	(540 467)	(538 735)	(578 000)
		347 609	801 592	977 462	229 684	(53 627)	(53 627)	342 187	17 991	18 676	21 000
Borrowings & investments & c.deposits		-	-	-	-	-	-	-	-	-	-
Repayment of borrowing		-	-	-	-	3 500	3 500	-	(3 000)	(2 500)	(2 000)
		347 609	801 592	977 462	229 684	(50 127)	(50 127)	342 187	14 991	16 176	10 100
		-	-	-	-	-	-	-	(0)	(0)	-

oose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	346 585	815 297	978 981	288 633	8 822	8 822	401 458	74 261	90 438	91 100
Other current investments > 90 days		(334 897)	(814 746)	(919 710)	(202 978)	73 783	73 783	(233 125)	(0)	(0)	(0)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		11 688	551	59 271	85 655	82 605	82 605	168 333	74 261	90 437	91 100
Application of cash and investments											
Subsidised Water		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	(52 000)	(19 401)	(16 401)	-	-	(17 000)	(13 174)	(17 100)
Other working capital requirements	3	(100 866)	(71 962)	(47 832)	(93 327)	(113 109)	(113 109)	(63 535)	(94 021)	(125 586)	(161 100)
Other provisions		-	-	-	1 541	1 750	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(100 866)	(71 962)	(99 832)	(111 187)	(127 760)	(113 109)	(63 535)	(111 021)	(138 760)	(179 200)
plus(shortfall)		112 554	72 513	159 103	196 841	210 365	195 714	231 868	185 282	229 197	270 900

References

Must reconcile with Budgeted Cash Flows

For example: VAT, taxation

Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)

For example: sinking fund requirements for borrowing

Council approval required for each reserve created and basis of cash backing of reserves

Other working capital requirements

Debtors	100 866	71 962	47 832	93 327	113 109	113 109	63 535	94 021	125 586	161 100
Debtors due	-	-	-	-	-	-	-	-	-	-
Total	100 866	71 962	47 832	93 327	113 109	113 109	63 535	94 021	125 586	161 100

Debtors collection assumptions

Balance outstanding - debtors	99 371	56 669	48 930	106 059	128 280	128 280	60 376	111 315	150 055	199 200
Rate of debtors collection rate	101.5%	127.0%	97.8%	88.0%	88.2%	88.2%	105.2%	84.5%	83.7%	80.8%

Long term investments committed

Balance (Insert description; eg sinking fund)

Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-
Opening Balance	-	2 070	8 580	49 339	49 689	49 689	12 823	3 195	-	-
Acquisitions										
Issues										
Transfer (list)										
	-	2 070	8 580	49 339	49 689	49 689	12 823	3 195	-	-

Choose name from list - Table A9 Asset Management

Choose name from list - Table A9 Asset Management

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	158 514	138 224	183 164	78 713	89 391	89 391	86 635	49 662	119 011
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		4 642	27 569	69 872	38 985	34 711	34 711	31 000	11 138	16 354
Water Supply Infrastructure		-	-	-	2 840	14 424	14 424	25 519	30 000	42 250
Sanitation Infrastructure		(56)	(56)	(56)	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		4 586	27 514	69 816	41 825	49 135	49 135	56 519	41 138	58 604
Community Facilities		136 414	133 365	134 571	25 893	29 361	29 361	16 000	8 524	-
Sport and Recreation Facilities		-	-	-	8 845	-	-	5 109	-	60 407
Community Assets		136 414	133 365	134 571	34 738	29 361	29 361	21 109	8 524	60 407
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		51	43	601	500	2 754	2 754	3 000	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		51	43	601	500	2 754	2 754	3 000	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	(46 828)	(47 340)	100	100	100	-	-	-
Intangible Assets		-	(46 828)	(47 340)	100	100	100	-	-	-
Computer Equipment		13 015	9 044	9 290	250	2 147	2 147	-	-	-
Furniture and Office Equipment		-	4 454	2 288	1 100	1 360	1 360	4 192	-	-
Machinery and Equipment		3 903	4 074	3 629	200	700	700	1 815	-	-
Transport Assets		544	6 558	10 309	-	3 834	3 834	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	(42 385)	25 910	38 308	3 300	4 917	4 917	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		5 063	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	3 300	4 917	4 917	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		5 063	-	-	3 300	4 917	4 917	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	11 745	-	-	-	-	-	-
Non-revenue Generating		-	25 910	13 691	-	-	-	-	-	-
Investment properties		-	25 910	25 436	-	-	-	-	-	-
Operational Buildings		-	-	24	-	-	-	-	-	-
Housing		-	-	12 422	-	-	-	-	-	-
Other Assets		-	-	12 446	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		(47 448)	-	145	-	-	-	-	-	-
Intangible Assets		(47 448)	-	145	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	282	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-

Choose name from list - Table A9 Asset Management

Description		Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Total Upgrading of Existing Assets		6	43 326	510 742	589 655	49 476	69 975	69 975	36 639	38 167	-
Roads Infrastructure			23 030	444 454	455 761	15 616	18 968	18 968	32 158	28 378	-
Storm water Infrastructure			-	-	-	-	-	-	-	-	-
Electrical Infrastructure			-	-	-	-	-	-	-	-	-
Water Supply Infrastructure			20 296	30 568	97 024	33 860	49 939	49 939	4 481	-	-
Sanitation Infrastructure			-	32 732	28 510	-	-	-	-	-	-
Solid Waste Infrastructure			-	-	-	-	-	-	-	-	-
Rail Infrastructure			-	-	-	-	-	-	-	-	-
Coastal Infrastructure			-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure			-	-	-	-	-	-	-	-	-
Infrastructure			43 326	507 754	581 295	49 476	68 906	68 906	36 639	28 378	-
Community Facilities			-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities			-	2 988	8 360	-	1 069	1 069	-	9 789	-
Community Assets			-	2 988	8 360	-	1 069	1 069	-	9 789	-
Heritage Assets			-	-	-	-	-	-	-	-	-
Revenue Generating			-	-	-	-	-	-	-	-	-
Non-revenue Generating			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Operational Buildings			-	-	-	-	-	-	-	-	-
Housing			-	-	-	-	-	-	-	-	-
Other Assets			-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets			-	-	-	-	-	-	-	-	-
Servitudes			-	-	-	-	-	-	-	-	-
Licences and Rights			-	-	-	-	-	-	-	-	-
Intangible Assets			-	-	-	-	-	-	-	-	-
Computer Equipment			-	-	-	-	-	-	-	-	-
Furniture and Office Equipment			-	-	-	-	-	-	-	-	-
Machinery and Equipment			-	-	-	-	-	-	-	-	-
Transport Assets			-	-	-	-	-	-	-	-	-
Land			-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals			-	-	-	-	-	-	-	-	-
Total Capital Expenditure		4	159 455	674 876	811 127	131 489	164 283	164 283	123 274	87 829	119 011
Roads Infrastructure			23 030	444 454	455 761	15 616	18 968	18 968	32 158	28 378	-
Storm water Infrastructure			5 063	-	-	-	-	-	-	-	-
Electrical Infrastructure			4 642	27 569	69 872	38 985	34 711	34 711	31 000	11 138	16 354
Water Supply Infrastructure			20 296	30 568	97 024	40 000	69 279	69 279	30 000	30 000	42 250
Sanitation Infrastructure			(56)	32 677	28 454	-	-	-	-	-	-
Solid Waste Infrastructure			-	-	-	-	-	-	-	-	-
Rail Infrastructure			-	-	-	-	-	-	-	-	-
Coastal Infrastructure			-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure			-	-	-	-	-	-	-	-	-
Infrastructure			52 975	535 268	651 110	94 601	122 958	122 958	93 158	69 516	58 604
Community Facilities			136 414	133 365	134 571	25 893	29 361	29 361	16 000	8 524	-
Sport and Recreation Facilities			-	2 988	8 360	8 845	1 069	1 069	5 109	9 789	60 407
Community Assets			136 414	136 354	142 931	34 738	30 429	30 429	21 109	18 313	60 407
Heritage Assets			-	-	-	-	-	-	-	-	-
Revenue Generating			-	-	11 745	-	-	-	-	-	-
Non-revenue Generating			-	25 910	13 691	-	-	-	-	-	-
Investment properties			-	25 910	25 436	-	-	-	-	-	-
Operational Buildings			51	43	625	500	2 754	2 754	3 000	-	-
Housing			-	-	12 422	-	-	-	-	-	-
Other Assets			51	43	13 047	500	2 754	2 754	3 000	-	-
Biological or Cultivated Assets			-	-	-	-	-	-	-	-	-
Servitudes			-	-	-	-	-	-	-	-	-
Licences and Rights			(47 448)	(46 828)	(47 195)	100	100	100	-	-	-
Intangible Assets			(47 448)	(46 828)	(47 195)	100	100	100	-	-	-
Computer Equipment			13 015	9 044	9 290	250	2 147	2 147	-	-	-
Furniture and Office Equipment			-	4 454	2 288	1 100	1 360	1 360	4 192	-	-
Machinery and Equipment			3 903	4 074	3 629	200	700	700	1 815	-	-
Transport Assets			544	6 558	10 591	-	3 834	3 834	-	-	-
Land			-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals			-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class			159 455	674 876	811 127	131 489	164 283	164 283	123 274	87 829	119 011

Choose name from list - Table A9 Asset Management

Choose name from list - Table A9 Asset Management											
Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24	
R thousand											
ASSET REGISTER SUMMARY - PPE (WDV)	5	1 166 045	1 249 260	1 329 566	1 491 621	1 513 167	1 513 167	1 529 176	1 550 841	1 600 712	
Roads Infrastructure		23 030	453 182	455 199	(2 217)	1 135	1 135	1 320 756	1 507 878	1 499 943	
Storm water Infrastructure		-	-	(907)	-	-	-	-	-	-	
Electrical Infrastructure		4 642	24 360	58 992	36 469	32 195	32 195	27 438	7 419	12 468	
Water Supply Infrastructure		20 899	9 802	55 328	30 235	59 514	59 514	14 001	11 940	23 377	
Sanitation Infrastructure		976 711	986 321	975 382	(3 776)	(3 776)	(3 776)	(4 192)	(4 376)	(4 573)	
Solid Waste Infrastructure		-	(1 027)	(2 998)	(1 364)	(1 364)	(1 364)	(787)	(821)	(858)	
Rail Infrastructure		-	-	-	-	-	-	-	-	-	
Coastal Infrastructure		-	-	-	-	-	-	-	-	-	
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-	
Infrastructure		1 025 282	1 472 638	1 540 997	59 346	87 704	87 704	1 357 216	1 522 040	1 530 356	
Community Assets		88 966	85 495	94 595	1 402 069	1 397 760	1 397 760	20 989	18 188	60 276	
Heritage Assets		1 656	1 656	1 656	-	1 656	1 656	1 656	-	-	
Investment properties		12 067	28 100	20 432	33 491	20 549	20 549	20 549	20 549	20 549	
Other Assets		(8 907)	(381 213)	(372 011)	58	2 312	2 312	98 677	(1 492)	(1 633)	
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-	
Intangible Assets		351	246	601	246	285	285	285	285	285	
Computer Equipment		-	239	375	14	1 911	1 911	(342)	(357)	(373)	
Furniture and Office Equipment		13 015	13 095	15 130	(406)	(146)	(146)	7 172	(3 132)	(3 273)	
Machinery and Equipment		3 300	2 483	993	(302)	198	198	2 393	(437)	(457)	
Transport Assets		10 354	6 558	7 340	(2 896)	938	938	1 123	(4 801)	(5 018)	
Land		19 962	19 962	19 458	-	-	-	19 458	-	-	
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-	
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 166 045	1 249 260	1 329 566	1 491 621	1 513 167	1 513 167	1 529 176	1 550 841	1 600 712	
EXPENDITURE OTHER ITEMS		3 940	75 396	66 037	63 180	79 928	79 928	78 425	85 007	88 833	
Depreciation	7	-	68 615	59 109	42 959	42 959	42 959	60 375	66 163	69 141	
Repairs and Maintenance by Asset Class	3	3 940	6 781	6 928	20 220	36 968	36 968	18 050	18 844	19 692	
Roads Infrastructure		256	369	809	2 500	3 800	3 800	2 000	2 088	2 182	
Storm water Infrastructure		-	-	-	-	-	-	-	-	-	
Electrical Infrastructure		2 367	5 734	5 027	7 552	9 052	9 052	6 700	6 995	7 310	
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-	
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-	
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-	
Rail Infrastructure		-	-	-	-	-	-	-	-	-	
Coastal Infrastructure		-	-	-	-	5 196	5 196	-	-	-	
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-	
Infrastructure		2 624	6 103	5 836	10 052	18 048	18 048	8 700	9 083	9 492	
Community Facilities		-	-	-	-	-	-	-	-	-	
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-	
Community Assets		-	-	-	-	-	-	-	-	-	
Heritage Assets		-	-	-	-	-	-	-	-	-	
Revenue Generating		-	-	-	-	-	-	-	-	-	
Non-revenue Generating		-	-	-	-	-	-	-	-	-	
Investment properties		-	-	-	-	-	-	-	-	-	
Operational Buildings		290	249	279	1 092	11 469	11 469	760	793	829	
Housing		-	-	-	-	-	-	-	-	-	
Other Assets		290	249	279	1 092	11 469	11 469	760	793	829	
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-	
Servitudes		-	-	-	-	-	-	-	-	-	
Licences and Rights		-	-	-	-	-	-	-	-	-	
Intangible Assets		-	-	-	-	-	-	-	-	-	
Computer Equipment		-	-	-	-	-	-	-	-	-	
Furniture and Office Equipment		101	25	2	5 831	4 331	4 331	4 020	4 197	4 386	
Machinery and Equipment		984	404	181	2 045	1 920	1 920	3 370	3 518	3 677	
Transport Assets		(59)	-	630	1 200	1 200	1 200	1 200	1 253	1 309	
Land		-	-	-	-	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURE OTHER ITEMS		3 940	75 396	66 037	63 180	79 928	79 928	78 425	85 007	88 833	
Renewal and upgrading of Existing Assets as % of total capex		0.6%	79.5%	77.4%	40.1%	45.6%	45.6%	29.7%	43.5%	0.0%	
Renewal and upgrading of Existing Assets as % of deprecn		0.0%	782.1%	1062.4%	122.9%	174.3%	174.3%	60.7%	57.7%	0.0%	
R&M as a % of PPE		0.3%	0.5%	0.5%	1.4%	2.5%	2.5%	1.2%	1.2%	1.2%	
Renewal and upgrading and R&M as a % of PPE		0.0%	44.0%	48.0%	5.0%	7.0%	7.0%	4.0%	4.0%	1.0%	

References

1. Detail of new assets provided in Table SA34a
2. Detail of renewal of existing assets provided in Table SA34b
3. Detail of Repairs and Maintenance by Asset Class provided in Table SA34c
4. Must reconcile to total capital expenditure on Budgeted Capital Expenditure
5. Must reconcile to 'Budgeted Financial Position' (written down value)
6. Detail of upgrading of existing assets provided in Table SA34e
7. Detail of depreciation provided in Table SA34d

Choose name from list - Table A10 Basic service delivery measurement

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Household service targets	1									
Water:										
Piped water inside dwelling		5 587	5 587	5 878	6 142	6 142	-	-	-	-
Piped water inside yard (but not in dwelling)		4 516	4 516	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	8 970	8 970	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		19 073	19 073	5 878	6 142	6 142	-	-	-	-
Using public tap (< min.service level)	3	6 482	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	19 073	20 065	20 968	20 968	-	-	-	-
No water supply		-	6 482	6 819	7 126	7 126	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		6 482	25 555	26 884	28 094	28 094	-	-	-	-
Total number of households	5	25 555	44 628	32 761	34 236	34 236	-	-	-	-
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		4 152	4 152	4 368	4 564	4 564	-	-	-	-
Flush toilet (with septic tank)		702	702	739	772	772	-	-	-	-
Chemical toilet		282	282	297	310	310	-	-	-	-
Pit toilet (ventilated)		3 488	3 488	3 669	3 834	3 834	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		8 624	8 624	9 072	9 481	9 481	-	-	-	-
Bucket toilet		428	428	450	471	471	-	-	-	-
Other toilet provisions (< min.service level)		630	630	663	693	693	-	-	-	-
No toilet provisions		2 660	2 660	2 798	2 924	2 924	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		3 718	3 718	3 911	4 087	4 087	-	-	-	-
Total number of households	5	12 342	12 342	12 984	13 568	13 568	-	-	-	-
Energy:										
Electricity (at least min.service level)		-	10 033	10 555	11 030	11 030	-	-	-	-
Electricity - prepaid (min.service level)		-	23 382	24 598	25 705	25 705	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	33 415	35 153	36 734	36 734	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	33 415	35 153	36 734	36 734	-	-	-	-
Refuse:										
Removed at least once a week		5 072	10 033	10 555	11 030	11 030	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		5 072	10 033	10 555	11 030	11 030	-	-	-	-
Removed less frequently than once a week		113	-	-	-	-	-	-	-	-
Using communal refuse dump		1 114	23 382	24 598	25 705	25 705	-	-	-	-
Using own refuse dump		14 365	-	-	-	-	-	-	-	-
Other rubbish disposal		1 963	-	-	-	-	-	-	-	-
No rubbish disposal		1 200	1	1	1	1	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		18 755	23 383	24 599	25 706	25 706	-	-	-	-
Total number of households	5	23 827	33 416	35 154	36 736	36 736	-	-	-	-
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		-	-	-	-	-	-	-	-	-
Highest level of free service provided per household										
Property rates (R value threshold)		25 000	25 000	25 000	25 000	25 000	-	25 000	25 000	25 000
Water (kilolitres per household per month)	6	6	6	6	6	6	-	6	6	6
Sanitation (kilolitres per household per month)	-	-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	-	-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)	50	50	50	50	50	50	-	50	50	50
Refuse (average litres per week)	-	-	-	-	-	-	-	-	-	-
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (Impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		-	-	-	-	-	-	-	-	-
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total revenue cost of subsidised services provided	6	-	-	-	-	-	-	-	-	-

#REF!

1. Include services provided by another entity; e.g. Eskom
2. Stand distance <= 200m from dwelling
3. Stand distance > 200m from dwelling
4. Borehole, spring, rain-water tank etc.
5. Must agree to total number of households in municipal area (informal settlements receiving services must be included)
6. Include value of subsidy provided by municipality above provincial subsidy level
7. Show number of households receiving at least these levels of services completely free (informal settlements must be included)
8. Must reflect the cost to the municipality of providing the Free Basic Service
9. Reflect the cost to the municipality in terms of 'revenue foregone' of providing free services (note this will not equal 'Revenue Foregone' on SA1)

Description of economic indicator	Basis of calculation	2012/23 Medium-Term Revenue & Expenditure			
		2017/18 Outcomes	2018/22 Outcomes	2019/22 Outcomes	2022/23 Medium-Term Revenue & Expenditure 2020/21
Inf.	Basis of calculation	2017/18 Outcomes	2018/22 Outcomes	2019/22 Outcomes	2022/23 Medium-Term Revenue & Expenditure 2020/21

[illegible]

[illegible][illegible]

Choose name from list - Supporting Table SA11 Property rates summary

Description	Ref	2017/18	2018/19	2019/20	Budget Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Valuation:	1	31/12/2013		2019/20	2019/20					
Date of valuation:		2017/18	2018/19	Yes	Yes			Yes		
Financial year valuation used	2	Yes	Yes	No	Yes			Yes		
Municipal by-laws s6 in place? (Y/N)		No	No	Yes	NO			No		
Municipal/assistant valuer appointed? (Y/N)		Yes	Yes		0	0				
Municipal partnership s38 used? (Y/N)										
No. of assistant valuers (FTE)	3				-	-				
No. of data collectors (FTE)	3				-	-				
No. of internal valuers (FTE)	3			1	1	1				
No. of external valuers (FTE)	3	1	1		-	-				
No. of additional valuers (FTE)	4			Yes	Yes	Yes				
Valuation appeal board established? (Y/N)		Yes	Yes	12	6			Yes		
Implementation time of new valuation roll (mths)		12	12	10 591	10 381			6		
No. of properties	5	10 215	11 182		-	-		10 742		
No. of sectional title values	5	3			-	-		-	-	-
No. of unreasonably difficult properties s7(2)					2	2		-	-	-
No. of supplementary valuations		3	1	1	2	2		1	1	1
No. of valuation roll amendments				115	76	76		-	-	-
No. of objections by rate payers				32	-	-		-	-	-
No. of appeals by rate payers				61	21	21		-	-	-
No. of successful objections	8			12				-	-	-
No. of successful objections > 10%	8							-	-	-
Supplementary valuation		321 745								
Public service infrastructure value (Rm)	5				128	128		490	490	490
Municipality owned property value (Rm)										
Valuation reductions:										
Valuation reductions-public infrastructure (Rm)										
Valuation reductions-nature reserves/park (Rm)										
Valuation reductions-mineral rights (Rm)										
Valuation reductions-R15,000 threshold (Rm)										
Valuation reductions-public worship (Rm)										
Valuation reductions-other (Rm)										
Total valuation reductions:		-	-	-	-	-	-	-	-	-
Total value used for rating (Rm)	5									
Total land value (Rm)	5									
Total value of improvements (Rm)	5									
Total market value (Rm)	5									
Rating:										
Residential rate used to determine rate for other categories? (Y/N)	5	Yes	Yes	Yes	No			No		
Differential rates used? (Y/N)		Yes			Yes			Yes		
Limit on annual rate increase (s20)? (Y/N)		No			Yes	Yes		Yes	Yes	Yes
Special rating area used? (Y/N)		Yes			No			No		
Phasing-in properties s21 (number)					0			0		
Rates policy accompanying budget? (Y/N)		Yes			Yes			Yes		
Fixed amount minimum value (R'000)					25			25		
Non-residential prescribed ratio s19? (%)					0.0%			0.0%		
Rate revenue:										
Rate revenue budget (R'000)	6	40 065	44 477	48 917	51 314	51 314				
Rate revenue expected to collect (R'000)	6	38 408	35 409	40 396	44 868	44 868				
Expected cash collection rate (%)		95.0%	79.0%	83.0%	90.0%	190.0%				
Special rating areas (R'000)	7									
Rebates, exemptions - indigent (R'000)		2 325			100	100		232	232	232
Rebates, exemptions - pensioners (R'000)					460	460				
Rebates, exemptions - bona fide farm. (R'000)										
Rebates, exemptions - other (R'000)										
Phase-in reductions/discounts (R'000)										
Total rebates, exemptions, discounts (R'000)		2 325	-	-	560	560	-	232	232	232

References

1. All numbers to be expressed as whole numbers except FTEs and Rates in the Rand
2. To give effect to rates policy
3. Full Time Equivalent (FTE) should be expressed to one decimal place and takes into account full time and part time staff
4. Required to implement new system (FTE)
5. Provide relevant information for historical comparisons. Must reconcile to the total of Table SA12
6. Current and budget year must reconcile to Table A4 Budgeted Financial Performance (revenue and expenditure)
7. Included in rate revenue budget
8. In favour of the rate-payer

Choose name from list - Supporting Table SA12a Property rates by category (current year)

Description	Ref	Resi.	Indust.	Bus. & Comm.	Farm props.	State-owned	Muni props.	Public service infra.	Private owned towns	Formal & Informal Settle.	Comm. Land	State trust land	Section 8(2)(n) (note 1)	Protect Areas	National Monuments	Public benefit organs.	Mining Props.
Budget Year 2019/20																	
Valuation:																	
No. of properties		8 167	172	408	334	126	1 474									61	
No. of sectional title property values		-															
No. of unreasonably difficult properties s7(2)		-															
No. of supplementary valuations		1															
Supplementary valuation (Rm)		109 290 000															
No. of valuation roll amendments		1															
No. of objections by rate-payers		-															
No. of appeals by rate-payers		-															
No. of appeals by rate-payers finalised		-															
No. of successful objections	5	-															
No. of successful objections > 10%	5	-															
Estimated no. of properties not valued		-															
Years since last valuation (select)		2															
Frequency of valuation (select)		5															
Method of valuation used (select)		Market															
Base of valuation (select)		Land & impr.															
Phasing-in properties s21 (number)		0															
Combination of rating types used? (Y/N)		Yes															
Flat rate used? (Y/N)																	
Is balance rated by uniform rate/variable rate?																	
Valuation reductions:																	
Valuation reductions-public infrastructure (Rm)																	
Valuation reductions-nature reserves/park (Rm)																	
Valuation reductions-mineral rights (Rm)																	
Valuation reductions-R15,000 threshold (Rm)																	
Valuation reductions-public worship (Rm)																	
Valuation reductions-other (Rm)																	
Total valuation reductions:	2																
Total value used for rating (Rm)	6																
Total land value (Rm)	6																
Total value of improvements (Rm)	6																
Total market value (Rm)	6																
Rating:																	
Average rate	3																
Rate revenue budget (R '000)																	
Rate revenue expected to collect (R'000)																	
Expected cash collection rate (%)	4																
Special rating areas (R'000)																	
Rebates, exemptions - indigent (R'000)																	
Rebates, exemptions - pensioners (R'000)																	
Rebates, exemptions - bona fide farm. (R'000)																	
Rebates, exemptions - other (R'000)																	
Phase-in reductions/discounts (R'000)																	
Total rebates, exemptions, discounts (R'000)																	

References

1. Land & Assistance Act, Restitution of Land Rights, Communal Property Associations
2. Include value of additional reductions is 'free' value greater than MPRA minimum.
3. Average rate - cents in the Rand. Eg 10.26 cents in the Rand is 0.1026, expressed to 6 decimal places maximum
4. Include arrears collections
5. In favour of the rate-payer
6. Provide relevant information for historical comparisons.

Choose name from list - Supporting Table SA12b Property rates by category (budget year)

Description	Ref	Resi.	Indust.	Bus. & Comm.	Farm props.	State-owned	Muni props.	Public service infra.	Private owned towns	Formal & Informal Settle.	Comm. Land	State trust land	Section 8(2)(n) (note 1)	Protect. Areas	National Monuments	Public benefit organs.	Mining Props.
Budget Year 2019/20																	
Valuation:																	
No. of properties		8 501	179	425	334	126	1 415										
No. of sectional title property values		-															
No. of unreasonably difficult properties s7(2)		-															
No. of supplementary valuations		1															
Supplementary valuation (Rm)																	
No. of valuation roll amendments																	
No. of objections by rate-payers																	
No. of appeals by rate-payers																	
No. of appeals by rate-payers finalised	5																
No. of successful objections	5																
No. of successful objections > 10%																	
Estimated no. of properties not valued																	
Years since last valuation (select)																	
Frequency of valuation (select)																	
Method of valuation used (select)																	
Base of valuation (select)																	
Phasing-in properties s21 (number)																	
Combination of rating types used? (Y/N)																	
Fiat rate used? (Y/N)																	
Is balance rated by uniform rate/variable rate?																	
Valuation reductions:																	
Valuation reductions-public infrastructure (Rm)																	
Valuation reductions-nature reserves/park (Rm)																	
Valuation reductions-mineral rights (Rm)																	
Valuation reductions-R15,000 threshold (Rm)																	
Valuation reductions-public worship (Rm)																	
Valuation reductions-other (Rm)																	
Total valuation reductions:	2																
Total value used for rating (Rm)	6																
Total land value (Rm)	6																
Total value of improvements (Rm)	6																
Total market value (Rm)	6																
Rating:																	
Average rate	3	21 197	2 761	14 867	594	13 642	1 460										
Rate revenue budget (R'000)																	
Rate revenue expected to collect (R'000)																	
Expected cash collection rate (%)	4																
Special rating areas (R'000)																	
Rebates, exemptions - indigent (R'000)																	
Rebates, exemptions - pensioners (R'000)																	
Rebates, exemptions - bona fide fam. (R'000)																	
Rebates, exemptions - other (R'000)																	
Phase-in reductions/discounts (R'000)																	
Total rebates, exemptions, discounts (R'000)																	

References

1. Land & Assistance Act, Restitution of Land Rights, Communal Property Associations
2. Include value of additional reductions is 'free' value greater than MPPA minimum.
3. Average rate - cents in the Rand. Eg 10.26 cents in the Rand is 0.1026, expressed to 6 decimal places maximum
4. Include arrears collections
5. In favour of the rate-payer
6. Provide relevant information for historical comparisons.

Choose name from list - Supporting Table SA13b Service Tariffs by category - explanatory

Description	Ref	Provide description of tariff structure where appropriate	2017/18	2018/19	2019/20	Budget Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
							Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Exemptions, reductions and rebates (Rands)			25 000	25 000	25 000	25 000	25 000	25 000	25 000
General residential rebate									
Water tariffs									
Indigent Households with an income < R4 341.00		001 - 60d							
		70d-12d	9	10	11	11	12	12	13
		130d-350d	10	10	11	12	12	13	13
		360d>	10	10	11	12	12	13	13
RESIDENTIAL PROPERTIES									
		001 - 120d	9	10	11	11	12	12	13
		130d-350d	10	10	11	12	12	13	13
		360d>	10	10	11	12	12	13	13
SEWERAGE ADVICE / MAINTENANCE / NO PAID /		001 - 120d	7	7	8	8	9	9	10
		130d-350d	8	8	9	9	10	10	11
		360d>	9	9	9	10	10	11	11
NON-PROFIT ORGANISATION									
		001 - 120d	9	10	11	11	12	12	13
		130d-350d	10	10	11	12	12	13	13
		360d>	10	10	11	12	12	13	13
Basic Charge			27	28					
Per kiloliter usage			11	11					
ALL OTHER PROPERTIES NOT DEFINED ABOVE									
Basic Charge			56	59	65	68	71	74	77
Per kiloliter usage			16	17	19	20	20	21	22
Bulk water purchases (Commercial) Per /l			70	74	120	126	130	136	142
SEWER WATER IRRIGATION			190	200	221	231	240	250	261
Filling of swimmingpool + VAT			434	457	505	528	549	572	597
Swimming pool division			509	509	505	528	549	572	597
First Eye (Water)									

Choose name from list - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers		Ref	2019/20			Current Year 2020/21			Budget Year 2021/22		
Number		1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities											
Councillors (Political Office Bearers plus Other Councillors)			27		27	27		27	27		27
Board Members of municipal entities	4		–			–			–		
Municipal employees											
Municipal Manager and Senior Managers	3		5		5	5		5	5		5
Other Managers	7		20	20		20	20		23	23	
Professionals			68	61	7	68	61	7	70	67	3
Finance			59	53	6	59	53	6	61	58	3
Spatial/town planning			7	6	1	7	6	1	7	7	–
Information Technology			–			–			1	1	
Roads			–			–			–	–	
Electricity			1	1		1	1		1	1	
Water			1	1		1	1		–	–	
Sanitation									–		
Refuse									–		
Other									–		
Technicians			180	110	70	180	110	70	191	136	55
Finance											
Spatial/town planning			4	4		4	4		2	2	
Information Technology			4	4		4	4		2	2	
Roads			31	12	19	31	12	19	30	16	14
Electricity			16	15	1	16	15	1	15	15	
Water			12	11	1	12	11	1	17	13	4
Sanitation			17	16	1	17	16	1	18	16	2
Refuse			96	48	48	96	48	48	107	72	35
Other			–			–			–		
Clerks (Clerical and administrative)			100	74	26	100	74	26	100	84	16
Service and sales workers			48	30	18	48	30	18	47	38	9
Skilled agricultural and fishery workers			–			–			–		
Craft and related trades			–			–			–		
Plant and Machine Operators			22	22		22	22		32	22	10
Elementary Occupations			53	53		53	53		53	53	
TOTAL PERSONNEL NUMBERS	9		523	370	153	523	370	153	548	423	125
% increase						–	–	–	4.8%	14.3%	(18.3%)
Total municipal employees headcount	6, 10										
Finance personnel headcount	8, 10										
Human Resources personnel headcount	8, 10										

References

1. Positions must be funded and aligned to the municipality's current organisational structure
2. Full Time Equivalent (FTE). E.g. One full time person = 1FTE. A person working half time (say 4 hours out of 8) = 0.5FTE.
3. s57 of the Systems Act
4. Include only in Consolidated Statements
5. Include municipal entity employees in Consolidated Statements
6. Include headcount (number of persons, Not FTE) of managers and staff only (exclude councillors)
7. Managers who provide the direction of a critical technical function
8. Total number of employees working on these functions
9. Correct as at 30 June
10. Must account for all budgeted positions, as per the municipal organogram



**GA-SEGONYANA
LOCAL MUNICIPALITY
2021/22
DRAFT BUDGET
RELATED POLICIES**

ANNEXURE A

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

GA-SEGONYANA LOCAL MUNICIPALITY



INDIGENT SUPPORT POLICY

**MUNICIPAL INDIGENT SUPPORT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

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GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

1. DEFINITIONS

The following words and expressions shall have the meanings respectively assigned to them hereunder, unless such meanings are unacceptable to or inconsistent with the context in which they occur:-

- a) **Indigent:** means an indigent household whose total household income is as determined by Council annually during the budget process.

Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be.

- b) **Indigent support policy** means the policy for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council's policy relating to the following:

- (i) as determined by Council annually during the budget process, in line with National norms and guidelines;
- (ii) Free basic electricity
- (iii) Free basic water
- (iv) Subsidised sewerage, rates and refuse
- (v) Assisted arrear debt recovery programme as determined by Council annually during the budget process, in line with National norm and guidelines;

- c) **Indigent debtor** means the head of an indigent household, inclusive of destitute indigents and indigents, being old age pensioners, the unemployed and households with a total monthly income as determined in this policy:

- (i) who applies for the provision of services from the municipality;
- (ii) who makes application for indigent support in terms of this Policy;
- (iii) who shall be regarded as the representative of all members of his/her household; and
- (iv) which indigent household members shall not own any other fixed property other than the property for which the application is made, or hold fixed deposits and investments;

- d) **Indigent Households** shall include all individuals residing at the residential premises of the indigent debtor, inclusive of destitute indigents and indigents, by whom and for which application is made, which premises has access to municipal services;

- e) **Child-Headed Households** is deemed to be minor dependents of registered owner or tenant of property where due to death of parent(s) or legal guardian who is also registered owner or tenant, minor child is responsible for management of households. The age of a minor will be 18 years and younger

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

- f) **Municipality** means the Municipality of Ga-Segonyana, a local municipality established in terms of Section 12 of the Local Government: Municipal Structures Act, No 117 of 1998, and includes any political structure, political office bearer, councillors, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councillors, agent or employee;
- g) **Council** means the Council of the Municipality of Ga-Segonyana and includes any duly authorised political structure or office bearer as defined in the Local Government: Municipal Finance Management Act 56 of 2003 and/or any duly authorised official of the Council;
- h) **Household Income** means all sources of income being formal and/ or informal of nature including, but not restricted to, salaries, revenue generated, pensions, fixed deposits, investments and private financial support/contributions from outside the indigent household (must be same as Creditor Control & Debt Collection Policy). State child support grants/maintenance shall be excluded from household income.
- i) **Municipal Manager** means the Municipal Manager of the Ga-Segonyana Municipality or his/her nominee acting in terms of power delegated to him/her by the said Municipal Manager with the concurrence of the Council;
- j) **Poverty** is defined with reference to poverty line i.e. if a household earns gross income lower than a set amount that household and its members are deemed to be living in poverty.
- k) **Consumer** a person who purchases goods and services for personal use.
- l) A **household** is defined as all adults and children living on a single property.
- m) **Free basic service** is defined as the minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor households
- n) **Free basic service** is defined as the minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor households
- o) **Free basic service** is defined as the minimum amount of basic levels of services, provided on a day to day basis, sufficient to cover or cater for the basic needs of the poor

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

- p) **Income** is defined as the amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments.

Any household with a total income equals to or less than **R4 120** qualifies to be registered as indigent.

- q) **Pensioner** refers to a person who is 60 years of age or older with an individual monthly income of R1860.00

2. PREAMBLE/INTRODUCTION

- a) With reference to the Constitution in particular Chapter 7 Section 152, which states:

The objects of Local Government are –

- a) “to provide democratic and accountable government for local communities;
- b) to ensure the provision of services to communities in a sustainable manner;
- c) to promote social and economic development;
- d) to promote a safe and healthy environment and
- e) to encourage the involvement of communities and community organisations in the matters of local government.”

It is essential that the Municipality should strive within its financial and administrative capacity, to achieve the objectives quoted.

- b) The Indigent Support Policy is a legal imperative, a tool designed to ensure that persons and households classified as indigent have access to basic services as defined in the Constitution of the Republic of South Africa, Act No 108 of 1996. The policy is a result of continuous prevalence of indigence and poverty within communities. This policy therefore is a tool of intervention to alleviate the plight and to encourage indigent households to live within affordable consumption levels. The Indigent Support Policy is aimed at ensuring that the State fulfil its constitutional obligation contained in the Bill of Rights. This policy must be read in conjunction with the Credit Control Policy and applicable legislative frameworks.

3. POLICY BACKGROUND

- a) In its quest to achieve a constitutional mandate the Municipality finds itself

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

having to deliver yet other related (but not necessarily constitutional per se) services and objectives. Amongst those is the issue of indigents and how they have to be catered for within the spirit of co-operative governance.

- b) Due to the high level of unemployment and consequent poverty in the municipality, there are households which are unable to pay the normal tariffs for municipal services. The municipality accordingly adopts this Indigent Management Policy to ensure that these households have access to at least basic municipal services and is guided in the formulation of this policy by the national government's policy in this regard.
- c) The Council recognises its Constitutional obligation to give priority to the basic needs of the community, to promote the social and economic development of the community and to ensure that all residents and communities in the municipality have access at least to a basic level of municipal services.
- d) The Constitution entitles the municipality to an equitable share of nationally raised revenue, which will enable it to provide basic levels of essential services to the community and the Council commits its equitable share to the provision of basic services.

4. THE POLICY OBJECTIVES

The objective of this policy will be to ensure the following:

- a) The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council.
- b) Establish the framework for the identification and management of indigent households including an economic rehabilitation plan.
- c) The provision of procedures and guidelines for the subsidisation of basic charges to indigent households.

5. PRINCIPLES OF THE POLICY

- a) Section 74 (2) (c) of the Municipal Systems Act, Act 32 of 2000 stipulates inter alia the following:-

"poor households must have access to at least basic services through:

- (i) tariffs that cover only operating and maintenance costs;*
- (ii) special tariffs or life line tariffs for low levels of use or consumption of services for basic levels of service; or*
- (iii) any other direct or indirect method of subsidisation of tariffs for poor households;"*

- b) **The following are the guiding principles for the formulation of an**

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

Indigent Support Policy:

- (i) the Indigent Support Policy must be formulated in accordance with the Constitution of the Republic of South Africa, 1996, (Act No 108 of 1996 and other applicable legislation, amongst others, the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) which provides that everybody has a right to administrative justice that is lawful, reasonable and procedurally fair.
- (ii) relief must be provided by the Ga-Segonyana Municipality to registered residential consumers of services who are indigent.
- (iii) Council must, wherever possible, ensure that any relief is in accordance with the Constitution and is cost effective, sustainable, practical, fair, equitable and justifiable.
- (iv) the subsidising of minimum service levels should not result in the creation of a massive bureaucratic administration that would not be cost effective to implement.
- (v) differentiation must be made between those households who cannot afford to pay for basic services and those who do not want to pay for these services.
- (vi) other municipal services in addition to free basic services should, where possible, be affordable and beneficial to the indigents.
- (vii) the relief should be valid for a maximum period of 24 months.
- (viii) the Council may review and amend the qualification criteria for indigent support.
- (ix) the joint gross income of all the household occupants will be taken into account in determining the validity of indigent support application.
- (x) the indigent data-base shall be updated on an annual basis.
- (xi) misuse of any support or grant or supply of invalid information will lead to punitive action by Ga-Segonyana Municipality against indigent support beneficiaries.
- (xii) Ga-Segonyana Municipality reserves the right to verify new applications and existing approved indigents against any relevant external data source, which may include but not limited to, lifestyle audits, ITC checks etc. to assist in ascertaining the eligibility of each applicant.
- (xiii) the Council must/may use external services and/or references to verify the information provided by the applicants.

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6. SCOPE OF POLICY APPLICATION

- a) The Indigent Support Policy shall be applicable within the areas of jurisdiction of the Ga-Segonyana Local Municipality.
- b) The Indigent Support Programme must be accessible to all qualifying indigent persons.

7. LEGISLATIVE FRAMEWORK AND GUIDELINES

- Constitution of the Republic of South Africa, Act No 108 of 1996.
- Local Government Municipal Systems Act, Act No 32 of 2000.

Guidelines

- ✓ Framework for Municipal Indigent Policies: Towards a basket of services for the poor dated May 2007.
- ✓ Free Basic Strategy and guidelines prepared by the Department of Water Affairs and Forestry.
- ✓ Electricity Basic Support Tariff (free basic electricity) Policy prepared by the Department of Minerals and Energy.

8. QUALIFICATION CRITERIA FOR THE SELECTION OF INDIGENTS

- a) Child headed households will be declared indigents upon reporting the death status of the parents at the Municipality. The following documents are required:
 - ✓ Certified copies of death certificates of parents or breadwinner
 - ✓ Certified copies of identity documents of parents or breadwinner.
 - ✓ An affidavit that states that the oldest child is responsible for other children.
 - ✓ Outstanding debt as at date of death of the last parent should be written off as irrecoverable.

The criteria for the approval and registration as indigent household are as follows:

a. The applicant and beneficiaries must be South African citizens.

b. The applicant, must be –

2.1. The registered owner of the property; or

2.2. An occupier of a child-headed household where the property is registered in the name of the deceased parent or deceased parents; or

2.3. The party to whom the property is awarded in the event of a divorce; or

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- 2.4. Where a deceased estate has not been wound up a letter of authority / executorship is needed;
- 2.5. 4.1.4.1 In the case of a deceased estate, in whose name the property is registered, any heir to whom the registered property has been bequeathed; or
- 2.6. A surviving spouse, where the surviving spouse was married in community of property / registered customary to the deceased, and where the property is registered in both spouses' names and the surviving spouse is the sole heir; or
- 2.7. A surviving spouse, who was married in community of property / registered customary to the deceased, together with any other heirs, if any, where the property is registered in the name of that deceased.

The combined gross income of a household for qualification as an indigent be determined as equal or less than R4120.00 per month excluding: Child support, foster care and disability grants

- b) The Executive Committee will however consider merit cases on an individual basis for approval. The subsidy paid will only be applicable in respect of sewerage, water, electricity and refuse charges with the provision that the subsidy cannot be guaranteed up front as it will be funded with a grant from the National Government to the Municipality. Therefore, should no grant or a reduced grant be received from the National Government, then none or fewer consumers will receive a subsidy in part or in whole in respect of certain services.
- c) If an applicant however falls under the following category his/her application must first be approved by the Executive Committee:
 - (i) Consumers that became unemployed during the 3 months before his/her application.
 - (ii) Consumers that had received lump sums from their past employer or pension funds.
 - (iii) Consumers that has more than one property and that rents out the other properties.
 - (iv) Any other applications identified by the Council.
- d) Arrears on water, sewerage and refuse up to the date of registration of an indigent consumer will be written off as per Council Resolution and Management must report back to Council on a quarterly basis. (stringent measures to monitor and control water usages must be in place)
- e) For a household to qualify for subsidies or rebates on the major service charges (**see section 15 below**), the registered indigent must be the full-

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time occupant of the property concerned, and if not also the owner of the property concerned, may not own any other property, unless approved by the Executive Committee, whether in or out of the municipal area.

9. APPLICATION PROCESS

To apply for indigent subsidy the following must be met:

- a) In order for households to qualify for a subsidy from date of registration, applications will have to be completed and submit Indigent Application forms obtained to Ga-Segonyana Local Municipality Budget & Treasury Office.
- b) If an application is approved, the assistance will only be valid for the period of one (1) financial year, with no guarantee of renewal. The onus will be on account holders to re-apply for relief within the last 2 months towards the end of the year, failing which the assistance will cease immediately.

Required documents for registration:

- 1. Proof of gross income: This must not exceed R4 120.00 per household per month.
 - 2. Ownership status / proof of residence: The applicant must be the registered owner of the property or proof of account liability in case a child headed household where the property is registered in the name of the deceased parent/s.
 - 3. Certified copy of ID of all member of the household.
 - 4. Pension certificate or card in case of a pensioner.
- c) In addition, applicants will be required to submit a sworn affidavit from the Commissioner stating the unemployment status and to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared.
 - d) Council reserves the right to send officials or its agents to premises/households receiving relief for the purpose of conducting an on-site audit of the details supplied.
 - e) The account holder must apply in person and must present the following documents upon application:
 - The latest Municipal account in his/her possession
 - The account holder's identity document
 - An application form indicating the names and identity numbers of all

GA-SEGONYANA LOCAL MUNICIPALITY INDIGENT POLICY 2021/22

occupants/residents over the age of 18 years, who reside at the property.

➤ Documentary proof of income or sworn affidavit.

- f) If the status of an indigent change, the Financial Manager should be immediately informed by the ward councillor.
- g) Misusers of the system will be deregistered and be suspended for a period of three years when incorrect information was supplied.
- h) Council reserves the right to verify the information supplied on the application form against any institution (e.g. SARS, Credit bureau, banks, etc.)

10. RIGHT TO APPEAL

- a) An applicant who is the registered household owner living within the municipal jurisdiction and therefore feels aggrieved by a decision taken in respect of his/her application may lodge an appeal in terms of section 62 of the Municipal Systems, Act 32 of 2000.

11. REGISTERING INDIGENTS

The following steps are used to register indigents and indigent households from time to time:

- a) Accessible registration points identified by Council, which are made publicly known.
- b) Completion of an official registration form by the indigents on which the onus lies to submit the form at the identified registration points.
- c) The required documentation, i.e. proof of income/affidavit must be attached where applicable for example letter from employer, salary advice, pension card, UIF card.
- d) The municipality relies on indigent committee for approvals and disapprovals

12. ADMINISTRATIVE PROCEDURES

- a) The Free Basic Officer will capture the indigent form signed by the ward councillor and the Revenue manager will approve the application and arrange the implementation of the indigent subsidy to the account holder.
- b) The approval will be valid for a financial year, provided funds are available and the circumstances of the household are unchanged.

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- c) Indigent households where the Municipality is providing basic services will be obliged to apply any time during the financial year at the Municipality offices.
- d) Indigent households where the Municipality is not providing basic services will be obliged to register any time during the financial year at the ward councillor's office.
- e) The subsidy will not apply to households owning more than one property and receiving rental income that when is combined with other income of the family exceeds R4 120.

13. CHILD-HEADED HOUSEHOLD

- a) Child-headed household means a household headed by a child as defined in section 28(3) of the Constitution, i.e. a household in which:
 - (i) the parents of the household has died,
 - (ii) a minor has assumed the role of care giver in respect of another minor in the household,
 - (iii) such minors reside permanently on the property, and
 - (iv) the situation pertaining to the household has been verified by a social worker.
- b) Child-headed households will be treated as special cases subject to the following conditions:
 - (i) they occupy the property as his/her normal residence;
 - (ii) the account of the deceased parents is closed;
 - (iii) not be older than 18 years of age;
 - (iv) still be a scholar or jobless
 - (v) be in receipt of a total monthly household income from all sources not exceeding an amount equal to R4120;
 - (vi) The situation pertaining to the household must be verified in writing by a Registered Social Worker and Ward Councillor.
 - (vii) In the case where an executor of the estate is appointed and has jurisdiction over the minor children, the executor would be required to make provision for payment of the consolidated account. The consolidated account may continue in the name of the deceased parent/s until the estate is transferred to the heir or heirs of the estate.
 - (viii) the oldest child signs the user agreement assisted by appointed legal guardian;
 - (ix) property is not occupied by any member other than minor dependent children of deceased owner and or tenant;
 - (x) the status of the household is reviewed in terms of this policy at least on three monthly basis.

14. EXCLUSIONS – REGISTERED HOUSEHOLDS

Indigent relief will NOT be granted where the applicant, household, occupants/ residents and/or dependants residing on the property, as the case may be, -

- a) receive significant benefits or regular monetary income that is above the indigent qualification threshold;
- b) where the applicant is not registered as consumer of services and tribal areas in the records of Council;
- c) where the applicant own/s more than one (1) property, registered individually or jointly;
- d) where the applicant rent/s or subleases his property or part thereof to any third party during the duration of the grant period; or
- e) applicant tampers or illegally connects or reconnects services prior to this application, until such time as the total costs, penalties, other fees, illegal consumption and any applicable tariffs and rates due to the Council have been paid in full.

15. APPLICATION OF THE POLICY

- a) The subsidies on the specified service charges will be determined as part of each annual budget and in terms of the municipality's policies on property rates and tariffs.
- b) In respect of water, a 100% subsidy up to 6 kl per household per month will apply; however, if consumption exceeds 6 kl per metering period (month) the consumer will be charged at normal tariffs for actual consumption on the quantity exceeding 6 kl.
- c) In respect of electricity, a 100% subsidy up to 50 kWh per household per month will apply.
- d) In respect of sewerage charges and charges for household refuse removal, the relief granted shall not be less than a rebate of 100% on the monthly amount billed for the service concerned.

16. NON-COMPLIANCE OF HOUSEHOLDS REGISTERED AS INDIGENT

- a) When a property owner or account holder who has registered as an indigent fails to comply with any arrangements or conditions materially relevant to the receipt of indigence relief, such person will forfeit his or her status as a registered indigent with immediate effect, and will thereafter be treated as an ordinary residential property owner or accountholder for the financial year concerned.

- b) The onus is on each registered indigent to advise the municipal manager of such

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failure to comply but ward committee, ward councillors may also advise municipal manager of such non-compliance.

- c) It may happen that even with the introduction of the indigent support policy, certain households may fall into arrears in respect of the amounts due by them. The property owner or accountholder concerned will have to make immediate arrangements with the municipal manager to pay off these arrears owing within a reasonable time determined by the municipal manager in terms of the municipality's credit control and debt collection policy. If these arrangements are not made, no subsidies will be paid or free services provided, and services may be terminated in terms of the municipality's credit control and debt collection policy.
- d) The relief to indigents may be withdrawn at the discretion of the municipal manager if:
 - a registered indigent who qualifies for such relief fails to keep to the terms of the policy agreement; or
 - any tampering with the installations of the municipality is detected.
- e) If a registered indigent is found to have provided fraudulent information to the municipality in regard to any material condition for registration as an indigent, such person shall immediately be removed from the register of indigents, and shall be liable to repay to the municipality with immediate effect all indigence relief received from the date of such fraudulent registration. Moreover, such person may not again be considered for indigence relief for a period extending for 5 (five) years beyond the financial year in which the offence is detected.

17. MONITORING AND EVALUATION

- a) The Chief Financial Officer with the assistance of Revenue Manager shall be responsible for the monitoring and evaluation of implementation of the free basic subsidy and report monthly to the Accounting Officer.
- b) The municipal manager shall report on a quarterly basis to the executive committee for the month concerned and by municipal ward:
 - the number of households registered as indigents and a brief explanation of any movements in such numbers;
 - the monetary value of the actual subsidies and rebates granted;
 - the budgeted value of the subsidies and rebates concerned; and
 - the above information cumulatively for the financial year to date.
- c) The executive committee shall submit the above reports on a quarterly basis to the council and to the municipality's ward committees, or monthly frequently to any ward committees if so requested.

18. TERMINATION OF INDIGENT SUPPORT

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Indigent Support will be terminated under the following circumstances:

- a) Upon death of the account-holder or the head of the household where no accounts are rendered
- b) At the end of the (12) twelve months cycle, except in the case of pensioners and disabled. Pensioners may not be required to submit a new indigent application form, but must provide an affidavit annually, confirming their status as pensioners and receiving no other income.
- c) Upon sale of the property in respect of which support is granted.
- d) When circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded
- e) If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply;
 - All arrears will become payable immediately;
 - Stringent credit control measures will apply; and
 - The applicant will not be eligible to apply for indigent support for a period of 5 years;
- f) Upon death of the indigent, If the indigent had dependents the dependents will need to re-apply for the support as subsidies are not transferable
- g) When the indigent's circumstances change or the indigent criteria for approval changes to the extent that approval no longer applies.
- h) If the indigent fails to pay the account of his/her consumption or use of a municipal service in excess of the subsidized service or fails to honour any arrangements made by him/her for payment for outstanding accounts

19. BUDGET FOR THE INDIGENT SUPPORT

- a) The Municipality accepts the principle of uniform tariff structures and that the equitable share is there to provide basic services but also accept the responsibility to ensure that the poor receive basic services by tailoring affordable tariffs.
- b) The Municipality will utilise transparent cross-subsidies within and between services as well as equitable share allocations to enable poor households to gain access to at least basic services through tariffs that cover only operating and maintenance costs.
- c) Indigent households qualify for exemption from assessment rate payment, refuse removal, sewerage basic charges and services and grave fees but only upon registration as indigents.

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20. INDIGENT EXIT PROGRAMME

Ward councillors are encouraged to inform individuals who have been on the indigent register for a long time to apply for contract workers positions and EPWP and LED projects to assist in poverty alleviation that will result in the indigent moving away from poverty trap.

21. COLLECTION OF OUTSTANDING ARREARS AMOUNTS

The conditions of the Debt Collection Policy and By-law will prevail for the collection of any arrears amount to be collected from an indigent household.

22. COMMUNICATION OF THE POLICY

- a) Details of the Indigent Policy must be communicated in an easily understandable manner to the communities of Ga-Segonyana Local Municipality.
- b) This policy will be published on the municipal website and be made available at the municipal office for access to the community members.

23. LIST OF STAKEHOLDERS

- The following stakeholders were present during the draft and review of the indigent support policy:
 - Mayor, Speaker and Councilors
 - Ward Committees
 - Municipal Manager
 - Community members
 - Traditional Leaders
 - Municipal Officials

24. REVIEW OF THE POLICY

- The indigent support policy shall be reviewed annually.

25. RESPONSIBILITY FOR MANAGING INDIGENT REGISTER.

- a) Indigent register will be managed in the Budget and Treasury Office and indigent support policy will be applied in line with credit control and debt collection policy.
- b) All clarity seeking question of the policy can be directed to the Revenue Manager or the Chief Financial Officer

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26. APPLICATION FORM

GA-SEGONYANA MUNICIPALITY

Application Form for Household Indigence Subsidy

In an effort to assist the needy population of Ga-Segonyana in the payment of municipal services for **Indigence Households**, the Municipal Council has agreed to a subsidy scheme whereby households **earning equal to or less than R4 120 per month** would have certain services fully or partially subsidized. If you feel that you do qualify, fill in the details of all the occupants of your household as at the date of this application, together with their respective gross monthly income in the space below (hand in the form personally at any Treasury pay point):

PERSONAL PARTICULARS OF ALL OCCUPANTS EARNING AN INCOME

Ward Number:		Stand number:		Municipal Account Number:		
				Prepaid Electricity Meter Number:		
Street Address:						
Identity Number	Initials	Surname	Employed (Yes/No)	Employer	Gross Monthly Income	Source of Income
1						
2						
3						
4						
5						
6						
7						

❖ **Note:** The applicant's name should be in the number one shaded space above.

DECLARATION BY THE APPLICANT:

I, the undersigned, who reside at the address indicated above and is the account holder, hereby apply for the Household Indigence Subsidy determined in relation to the income indicated above, and solemnly declare that:

- All particulars furnished in this form, including the total gross income of myself and all occupants of the premises, are to the best of my knowledge and belief, true and correct;
- If particulars furnished in this form should change for any reason, I will immediately notify the Council;

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- **I, or any other occupant, do not own any other property in the Republic of South Africa, apart from the property indicated on the account for which the application is made;**
- I agree that Council Officials and/or the Social Worker may conduct an on-site audit to verify the information supplied on this declaration;
- I agree that the supply of water to my premises may be restricted by a flow control washer or any other method the Council may deem fit if the balance of my services is not paid in full at the cost of the account holder (applicant);
- **If you don't pay the previous month's Account you are going to forfeit the free basic services for the next month.**
- I am aware that I must be a South African citizen and older than 18 years (Child headed families younger than 18 years).
- If any information submitted should be found to be untrue, I would automatically be disqualified from receiving any subsidy, will be liable for the immediate repayment of any subsidy payments received, and may have criminal proceedings instituted against me as the Council may deem fit.
- **IMPORTANT:** To prevent the misuse of services and possible fraudulent activities by indigents of the Indigent Policy, Council is obliged to establish the following Free Basic consumption levels for indigent households per month:

Water consumption: 6 kl	Electricity consumption: 50 kWh
100% free Refuse removal	100% free sanitation

I am conversant with the contents of the declaration and understand it. I have no objection to taking this oath. I regard the Prescribed Oath as binding to my conscience.

Signature (Declarant): Name (Declarant)

.....
Signature (Ward Councilor)

I certify that the above declaration has been administered by me and that the declarant acknowledged that he/she is conversant with the contents and understands it. This declaration has been made upon oath and the declarant's signature has been applied in my presence on

(Date)At (Venue)

(Commissioner of Oaths): No: Rank:

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ADDENDUM

CONSENT TO THE SOUTH AFRICAN REVENUE SERVICE (SARS) IN TERMS OF SECTION 69(6) (b) OF THE TAX ADMINISTRATION ACT NO 28 OF 2011 (TAA).

I/we*, the undersigned Applicant(s), hereby give consent to SARS to disclose my/our information to the Municipality [*name of municipality*] and the National Department of Cooperative Governance (COGTA) for purposes of verifying the details of my/our income levels that I/we* have disclosed to the Municipality in support of my/our* application for a municipal indigent grant.

Particulars of Indigent Applicant

Municipality Name	
Name and surname (including maiden name, if applicable)	
Identity number	
Date of birth	
Taxpayer reference number	
Marital status	
Spouse's name and surname	
Spouse's identity number	
Spouse's date of birth	
Spouse's taxpayer reference number	
Residential address/ stand number / erf number	

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Particulars of other household member(s) earning an income**

Name and surname	
Identity number	
Date of birth	
Taxpayer reference number	

Name and surname	
Identity number	
Date of birth	
Taxpayer reference number	

Signed by: _____ [Applicant's name] on this
_____ day of _____ at _____.

[Applicant's signature]

Applicant's household member's name: _____

Signature: _____ [Applicant's household member's signature]

Date: _____

GA-SEGONYANA LOCAL MUNICIPALITY



PROPERTY RATES POLICY

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GA-SEGONYANA LOCAL MUNICIPALITY

PROPERTY RATES POLICY

1. LEGISLATIVE CONTEXT

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

2. DEFINITIONS

- 2.1. "**Act**" means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 2.2. "**Agent**", in relation to the owner of a property, means a person appointed by the owner of the property-
- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
 - (b) to make payments in respect of the property on behalf of the owner;
- 2.3. "**Agricultural purpose**" means property that is used primarily for agricultural purposes but, without derogating from section 9 of MPRA, excludes any portion thereof that is used

commercially for the hospitality of guests, and excludes the use of [a] the property for the purpose of eco-tourism or for the trading in or hunting of game

- 2.4. **"Annually"** means once every financial year;
- 2.5. **"Appeal board"** means a valuation appeal establishment in terms of section 56 of the Act
- 2.6. **"Category"**
- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
 - (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.
- 2.7. **"Child-headed household"** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.
- 2.8. **"Definitions, words and expressions"** as used in the Act are applicable to this policy document where ever it is used;
- 2.9. **"Land reform beneficiary"**, in relation to a property, means a person who -
- (a) acquired the property through -
 - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
 - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
 - (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);
 - (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;
- 2.10. **"Land tenure right"** a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991);
- 2.11. **"Municipality"** means the Local Municipality of Ga-Segonyana;
- 2.12. **"Newly Rateable property"** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –
- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - (b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;

2.13. **"Owner"-**

- (a) in relation to a property referred to in paragraph (a) of the definition of "property", means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name the right is registered;
 - (i) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;
 - (ii) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);
 - (iii) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of "property", means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled",

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

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

2.14. **"Privately owned towns serviced by the owner"** means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township

establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

2.15. **“Property”** means -

- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) public service infrastructure.

2.16. **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:

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

2.17. **‘Public Service Purposes’**, in relation to the use of a property, means property owned and used by an organ of state as—

- (a) hospitals or clinics;
- (b) schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) national and provincial libraries and archives;
- (d) police stations;

- (e) correctional facilities; or
- (f) courts of law, but excludes property contemplated in the definition of 'public service infrastructure

2.18. **'Ratio'**, in relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category

2.19. **"Residential property"** means improved property that:-

- (a) is used predominantly (60% or more) for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.
- (b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes.
- (c) Is owned by a share-block company and used solely for residential purposes.
- (d) Is a residence used for residential purposes situated on property used for or related to educational purposes.
- (e) Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

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

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

2.18 **"state trust land"** means land owned by the state-

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

3. POLICY PRINCIPLES

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

3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates. The

municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.

- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 16 of this policy.
- 3.4 In accordance with section 3(3) of the Act, the rates policy for the municipality is based on the following principles:
- (a) Equity
The municipality will treat all ratepayers with similar properties the same.
 - (b) Affordability
The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.
 - (c) Sustainability
Rating of property will be implemented in a way that:
 - i. it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;
 - ii. Supports local, social and economic development; and
 - iii. Secures the economic sustainability of every category of ratepayer.
 - (d) Cost efficiency
Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage disposal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

4. SCOPE OF THE POLICY

- 4.1 This policy document guides the annual setting (or revision) of property rates tariffs. It necessarily make specific property rates tariff proposals. Details pertaining to the application of the various property rates tariffs are annually published in the Provincial Gazette municipality's schedule of tariffs, which must be read in conjunction with this policy.

5. APPLICATION OF THE POLICY

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

6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES

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

(a) Trading services

- i. Water
- ii. Electricity

(b) Economic services

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

(c) Community and subsidised services

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

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

7. CATEGORIES OF PROPERTY

- 7.1 Subject to section 19 of the Act, a municipality may, in terms of the criteria set out in it, levy different rates for different categories of rateable property, determined in subsection (7.3), which must be determined according to the—

- a) use of the property;
- b) permitted use of the property; or
- c) a combination of (a) and (b).

7.2 A municipality must determine the following categories of rateable property in terms of subsection (7.1): Provided such property category exists within the municipal jurisdiction:

- a) Residential properties;
- b) industrial properties;
- c) business and commercial properties;
- d) agricultural properties;
- e) Vacant land
- f) properties owned by an organ of state
- g) public service infrastructure properties;
- h) properties owned by public benefit organisations and used for specified public benefit activities;
- i) properties used for multiple purposes, subject to section 9; or
- j) any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the *Gazette*.

7.3 In addition to the categories of rateable property determined in terms of subsection (7.2), a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of subsection (7.2).

7.4 (a) Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in subsection (7.2), a municipality must apply to the Minister in writing for authorisation to create one or more of such sub-categories.

(b) Such application must—

- (i) be accompanied by a motivation for such sub-categorisation;
- (ii) demonstrate that such sub-categorisation is not in contravention of section 19; and

8. CATEGORIES OF OWNERS

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

- (a) Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;
- (b) Those owners who do not qualify as indigents in terms of the adopted indigent policy of the municipality but whose total monthly income is less than the amount annually determined by the municipality in its budget;
- (c) Owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii. serious adverse social or economic conditions.

- b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

11. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The Executive mayor must approve the Service Delivery and Budget Implementation Plan in the required format not later than 28 days after the approval of the Budget by Council.

12. CAPITAL BUDGET

- a) Expenditure of a project shall be included in the capital budget if it meets the asset definition.
- b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
- e) Before approving a capital project, the Council must consider:
 - i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- f) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- g) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- h) The capital expenditure shall be funded from the following sources:

12.1 REVENUE OR SURPLUS

If any project is to be financed from revenue this financing must be included in the:

- cash budget to raise sufficient cash for the expenditure.

If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

12.2. EXTERNAL LOANS

- External loans can be raised only if it is linked to the financing of a capital expenditure/asset;
- A capital project to be financed from an external loan can only be started if the loan has been secured.
- The loan redemption period should not exceed the estimated life expectancy of the asset.
- Interest payable on external loans shall be included as a cost in the operating budget;
- Finance charges relating to such loans shall be charged to the service/segment to which the projects relate.

12.3 GRANT FUNDING

- Non capital expenditure funded from grants must be budgeted for as part of the operating budget;
- Expenditure must be reimbursed from the funding creditor and transferred to the operating budget for as such;
- Capital expenditure must be budgeted for in the capital budget;
- Grant funding should be secured before spending can take place.

13. OPERATING BUDGET

a) The municipality shall budget in each annual and adjustments budget for the contribution / payment of:

- i. provision for accrued leave
- ii. unauthorized / over and other expenditure
- iii. provision for bad debts
- iv. provision for the obsolescence and deterioration of stock
- v. Depreciation and finance charges.

- b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- c) The impact of such increases shall be assessed on the basis as required by National Treasury.

14. FUNDING OF CAPITAL AND OPERATING BUDGET

- a) The budget may be financed only from:
 - i. realistically expected revenues, based on current and previous collection levels;
 - ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
 - iii. borrowed funds in respect of the capital budget only.
 - iv. grant funding

15. UNSPENT FUNDS / ROLL OVER OF BUDGET

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, except for external funds relating to capital expenditure.
- b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- c) Conditions of the grant fund shall be taken into account in applying for such rollover of funds
- d) Application for rollover of funds shall be forwarded to the budget office by the 15th of August each year to be included in next year's Adjustment budget for adoption by Council in February.
- e) Projects funded from the Capital Replacement Reserve can be rolled over to the next budget year only if confirmed by the Budget and Treasury Office.
- f) No unspent operating budget shall be rolled over to the next budget year.

16. BUDGET TRANSFERS AND VIREMENTS

- a) Budget transfers within the same department shall be recommended by a Senior Manager and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Office.
- b) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer.
- c) Virements should be based on sound risk and financial management.
- d). Virements amount shall be limited to 20% of the original budget line item where the money is being transferred from. Virements above 15% will be treated as unauthorised expenditure and can only be condoned through a special adjustment budget approved by Council. Expenditure related to that expenditure will only be processed after approval by Council through an adjustment budget.
- e) Virements to or from the following categories is not permitted: bulk purchasing, provision for bad debts, depreciation and revenue.
- f) Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses etc.) within the department and service which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same department and service, but limited to the 20% above with the approval of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department.
- g) Virements of conditional grant funds to purpose outside of that specified in the relevant conditional grant framework is not permitted.
- h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- i) Virements should not result in adding new projects to the Capital Budget.
- j) Virements will be processed through completing a Virement Form (please see attached) which must be signed by the relevant Director and the budget accountant and approved by the Chief Financial Officer. All completed and signed Virement Forms must be forwarded to the Budget Office for processing or amending budget line items accordingly. This will ensure that all virements performed during the year can be tracked down.

17. ADJUSTMENT BUDGET

17.1 Formats of adjustments budgets

An adjustments budget and supporting documentation of a municipality must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

17.2 Funding of adjustments budgets

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

17.3 Timeframes for tabling of adjustments budgets

- 1) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of each year.
- 2) Only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case sub regulation (3) applies.
- 3) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2) (b) of the Act in the municipal council to appropriate these additional revenues.
- 4) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred and within the time period set in section 29(3) of the Act.
- 5) An adjustments budget contemplated in section 28(2)(g) of the Act may only authorize unauthorized expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –
 - a) dealt with as part of the adjustments budget contemplated in sub regulation (1); and
 - b) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a)(i) of the Act.

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenditure.

- a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- b) Council may revise its annual budget by means of an adjustments budget as regulated.
- c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- d) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- e) The Council should also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- f) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- g) Unauthorized expenses may be authorized in an adjustments budget.
- h) In regard to unforeseen and unavoidable expenditure, the following apply:
 - i. the Executive mayor may authorize such expenses in an emergency or other exceptional circumstance;
 - ii. these expenses must be reported by the Executive mayor to the next Council meeting;
 - iii. the expenses must be appropriated in an adjustments budget; and
 - iv. Council must pass the adjustments budget within sixty days after the expenses were incurred.

17.4 Submission of tabled adjustments budgets

- 1) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b) (i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.
- 2) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form –
 - a) the supporting documentation referred to in section 28(5) of the Act 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.
- 3) 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.

17.5 Approval of adjustments budget

- 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.
- 2) A municipal council may approve an adjustments budget dealing with matters referred to in section 28(2)(c) of the Act only if the expenditure was recommended by the mayor in accordance with the framework prescribed in Chapter 5 of these Regulations.

18. IN-YEAR REPORTS OF MUNICIPALITIES

18.1 Format of monthly budget statements

The monthly budget statement of a municipality must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

18.2 Publication of monthly budget statements

- 1) The monthly budget statement of a municipality must be placed on the municipality's website.

18.3 Quarterly reports on implementation of budget

- 1) The mayor's quarterly report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52(d) of the Act must be –
 - a) in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
 - b) consistent with the monthly budget statements for September, December, March and June as applicable; and
 - c) submitted to the National Treasury and the relevant provincial treasury within five days of tabling of the report in the council.

18.4 Format of a mid-year budget and performance assessment

A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

18.5 Publication of mid-year budget and performance assessments

- 1) Within five working days of 25 January each year the municipal manager

must make the mid-year budget and performance assessment public by placing it on the municipal website.

18.6 Submission of mid-year budget and performance assessments

The municipal manager must submit to the National Treasury and the Relevant provincial treasury, in both printed and electronic form –

- a) the mid-year budget and performance assessment by 25 January of each year; and
- b) any other information relating to the mid-year budget and performance assessment as may be required by the National Treasury.

19. BUDGET IMPLEMENTATION

19.1 Monitoring

a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

b) The Accounting officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.

20. CONCLUSION

The Accounting Officer must place on the municipality's official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;

ANNEXURE F

GA-SEGONYANA LOCAL MUNICIPALITY

BULK SERVICES CONTRIBUTION POLICY: WATER, SANITATION AND ELECTRICITY





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1. DEFINITIONS

- 1.1 **"Average monthly demand"** means the average estimated or measured demand by any user or consumer in respect of any Service during any continuous period of 12 months or such other period as may be determined by the Municipality;
- 1.2 **"Bulk infrastructure"** means the public infrastructure by means of which water, sewerage and electricity are generated, collected, stored, purified, conveyed and disposed of, as the case may be, and which connects to the reticulation system which in turn distributes services to or from end users;
- 1.3 **"Bulk services contribution"** means a monetary contribution levied by the municipality and recovered from developers as a connection fee in respect of a development;
- 1.4 **"Cost of capital"** means the cost of capital expressed as an effective annual interest rate at which the Bulk Infrastructure is financed by any Financier;
- 1.5 **"Demand model"** means a model utilised by the Municipality to project over a specified period of time the demand (peak and monthly average) needed for specific services to be provided to accommodate development.
- 1.6 **"Development"** means any new or extended building, office complex, office park, retail centre or other commercial development, factory or industrial development or park, mine, township, subdivision, division, consolidation, rezoning, consent use or enhanced use rights of whatever nature granted on land by the municipality;
- 1.7 **"Gross lettable area" or "GLA"** means that portion of a development, which can be occupied for its intended use;
- 1.8 **"Individual residential dwelling"** for purposes of sanitation services, means any individually metered residential dwelling where its sewage is



water-borne and which is further classified in terms of the following categories:

- 1.8.1 Low capacity unit: featuring 1 toilet per unit or erf;
 - 1.8.2 Medium capacity unit: featuring 2 toilets per unit or erf;
 - 1.8.3 High capacity unit: featuring 3 or more toilets per unit or erf.
- 1.9 **"Peak demand"** means the highest estimated or measured demand by any user during any continuous period of 24 months or such shorter period as may be determined by the municipality;
- 1.10 **"Unit contribution"** means a bulk service contribution, expressed as a monetary amount payable in respect of a defined component of a development (such as a residential unit or a unit of usable space);
- 1.11 **"Present value" or "PV"** means the value of an amount of money which is to be spent over an extended period expressed at its current value, after taking into account the projected change in the value of money;

2. OBJECTIVE OF THE POLICY

- 2.1. The municipality recovers the cost to it of bulk infrastructure by providing for a portion thereof in the tariffs for the service in question as well as by means of bulk service contributions.
- 2.2. This policy provides a framework for the determination of bulk service contributions on an equitable basis thereby allowing tariffs to be set at a more affordable level and shortening the period of recovery of the capital cost of bulk infrastructure, thus reducing long-term debt, improving the municipality's balance sheet and its credit rating and further enabling the municipality to develop a capital reserve for new and replacement bulk infrastructure.



- 2.3. The municipality is entitled to levy bulk infrastructure contributions as a condition of approval of a development, in terms of section 42, Land Use Planning Ordinance (Cape) 15/1985.
- 2.4. It is accepted that existing property owners already contributed to some extent to the capital cost of bulk infrastructure at the time of their respective developments in the past and additional contributions will be applicable only on extension of existing structures or for increased use rights.
- 2.5. The municipality will levy bulk service contributions when it approves a new development, specific extensions to existing building structures or grants increased use rights for an existing development to account for the projected impact the development or alterations thereto will have on the municipality's bulk infrastructure, accordingly enabling it to fulfil its constitutional mandate to provide sustainable municipal services.

3. JUST ADMINISTRATIVE ACTION

- 3.1. The Constitution entitles everyone to administrative action which is lawful, reasonable and procedurally fair and to be given reasons for any such action which affects them.
- 3.2. The Promotion of Administrative Justice Act 3/2000 is the legislation required by the Constitution to give effect to the right to just administrative action and to promote an efficient administration and good governance and to create a culture of accountability, openness and transparency in public administration or in the exercise of a public power or the performance of a public function.
- 3.3. This policy incorporates the above principles by providing parameters and procedures to guide the municipality and its officers in implementing it, and thereby exercising a public power through a series of administrative actions. In so doing, this policy seeks to provide certainty on the part of those affected by it with regard to how the municipality will act in the



circumstances covered by the policy and uniformity of action on the part of its officers.

- 3.4. The municipality commits itself and its officers to act fairly and justly in an open and transparent manner in implementing this policy.

4. METHODOLOGY

- 4.1. In the case of water and sanitation infrastructure systems, the municipality must plan to provide bulk infrastructure capable of delivering the peak demand thereon (in the case of water) or peak flow therein (in the case of sewerage) over a defined planning period.
- 4.2. The municipality has developed a demand model for these two services, assessing the period 2010 to 2030 and has projected the increased peak demand and flow, respectively, for that period, resulting from developments, enabling it to reflect this increase as a percentage of system capacity.
- 4.3. Bulk services contributions in the form of connection fees are calculated to recover a similar percentage of the current bulk infrastructure budget.
- 4.4. In order to ensure an equitable spread of contributions, the connection fees for residential water users will be determined by reference to connection and meter size, which define low, medium and high capacity users.

The demand model enables the expected total peak demand for each category to be determined and accordingly a proportionate connection fee to be set, thus allowing developers to contribute according to the impact each category of user in their developments will have on bulk infrastructure (and in turn to recover appropriately from end-users).

- 4.5. In similar fashion, in terms of the demand model, the expected peak flow of sewerage can be calculated for each category (this being directly proportional to water use), which are accordingly defined by reference to water connection and meter size.



- 4.6. For both the water and sewerage services, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered are calculated on the basis of a fee per set unit of gross lettable area and the policy provides for the calculation, where necessary, of a connection fee based on actual peak demand, in the case of potentially extraordinarily high capacity users.
- 4.7. With regard to electricity, again the demand model enables the increase in peak demand resulting from developments to be determined over the planning period and said increase to be reflected as a proportion of current capital spend. Contributions are calculated to recover the amount arrived at.

In order to ensure an equitable spread of contributions, individual contributions are calculated by reference to connection size (given that smaller capacity connections have a significantly lower expected maximum demand than medium and high capacity connection users).

- 4.8. As with water and sewerage, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered, is based on a fee per set unit of gross lettable area.

In the case of potentially extraordinarily high peak demand users, the policy provides for an individually calculated connection fee to be calculated based on actual peak demand.

5. WATER SERVICE

- 5.1. The municipality's demand model reveals that peak water consumption will increase from 12.5MI per day in 2010 to 28.1MI per day in 2030. This equates to $\pm 46\%$ of the bulk system capacity.
- 5.2. Applying the methodology in paragraph 4, an amount equivalent to 46% of the current expenditure for bulk water infrastructure must be recovered



from connection fees, being an amount of R183 million (per Feasibility Study dated November 2010).

It is recognised that only $\pm 25\%$ of the increase in demand will be due to construction of new dwellings whilst the balance will be due to upgrade of service levels. This forecast a recovery of $\pm R46$ million from new developments.

- 5.3. Connection fees on existing dwellings/structures will be applicable to extension of existing structures or for increased use rights.
- 5.4. The following unit connection fees are accordingly determined with effect from the 2011/2012 financial year, for typical, individually metered residential units, to be paid by a developer per unit in a development:

Capacity	Connection Size	Meter Size	Fee (Rand)
Intermediate LOS (e.g. yard connection)	20mm	15mm	R1 950
Low	20mm	15mm	R4 200
Medium	25mm	20mm	R8 200
High	40mm	32mm	R15 750
High	50mm	40mm	R15 750

- 5.5. For typical commercial, industrial and non-individually metered residential developments, a fee of R7 500, per 100m² of bulk, or 100m² GLA, whichever is most appropriate, is set.
- 5.6. In respect of exiting dwellings, a 30% discount will be applicable if the applicant pays the connection fee upfront.
- 5.7. Notwithstanding the above, if the municipality receives an application for approval of a development which, because of its size or the water intensive nature of the activities to be conducted therein, is likely to achieve a peak demand in excess of the expected levels in the demand model, the municipality is entitled as a condition of approval to require the developer to



pay a bulk contribution calculated on the basis of the expected peak demand for that development over the planning period.

In this regard, the Municipal Manager shall consider any reports commissioned by him, consult with the developer and determine a contribution.

The provisions of section 62, Local Government: Municipal Systems Act 32/2000 shall apply with regard to any such determination.

- 5.8. The Council will annually consider a report from the Municipal Manager on actual recoveries from connection fees against expected fees as reflected in the demand model as well as the calculated impact of any approved developments and adjust the connection fees in accordance with the methodology in 3 above to ensure adequate recovery over the study period or any adjustment thereof from time to time.

6. SANITATION SERVICE

- 6.1. The municipality's demand model predicts an increase in peak flow between 2010 and 2030 from 8 MI per day to 22.9 MI per day. This increase represents 66% of the 2030 capacity and will need capital input of R 137 million. (November 2010 feasibility study)
- 6.2. It is recognised that approximately 40% of the increase in demand will be due to construction of new dwellings and an amount of ±R55 million should be recovered from these developments.
- 6.3. Expected peak sewage flow per residential type is directly proportional to peak water consumption.

Accordingly, a more equitable division of unit contributions is achieved by categorising residential types by reference to the size of the water supply connections to a unit, rather than the standardised size of sewerage connection.



- 6.4. The following unit connection fees are determined for implementation from the 2011/2012 financial year, for typical residential units, individually metered for water and business/commercial developments (to be paid by a developer per unit in a development):

Capacity	Typical number of toilets	Water connection size	Connection Fee(R)
Low	1	20 mm	R5 400
Medium	2	25 mm	R8 840
High	3 or more	40 & 50 mm	R12840

- 6.5. For typical commercial, industrial and non-individually metered residential developments, a fee of R9 920 per 100m² of bulk, or 100m² GLA, whichever is most appropriate, is set.
- 6.6. The provisions of paragraph 5.6 and 5.8 shall mutatis mutandis apply in respect of the sewerage service.
- 6.7. The provisions of paragraph 5.7 shall mutatis mutandis apply in respect of the capital contribution to bulk sewerage infrastructure by a developer in relation to a development referred to therein.

7. ELECTRICITY SUPPLY

- 7.1. The municipality's demand model for electricity predicts an increase in demand from 2010 to 2030 from 310 Mwh/d to 645 Mwh/d and this increase represents 52% of the 2030 capacity. (November 2010 feasibility study)
- 7.2. The capital need for this amount to R124.3 million and it is recognised that approximately 70% (R87 million) of this is due to construction of new dwellings whilst the balance is contributing to upgrade of service levels.
- 7.3. The contribution will be based on the capacity utilised which is also determined by the connection size which is the most accurate predictor of expected maximum demand. K



- 7.4. The following connection fees are determined for typical residential units, individually metered, for electricity, for the financial year 2011/2012, to be paid by a developer for each unit in a development:

Capacity	Size of connection (Amps)	Connection fee (R)
LOS	10	R4 000
Low	20	R8 000
Medium	40	R16 000
High	60 (single & 3 phase)	R24 000

- 7.5. For typical commercial, industrial and non-individually metered residential developments a fee of R16 000 per 100 m² of bulk or 100 m² of GLA, whichever is the most appropriate, is set.
- 7.6. The provisions of paragraph 5.6 and 5.8 shall mutatis mutandis apply in respect of the electricity service.
- 7.7. The provisions of paragraph 5.7 shall mutatis mutandis apply in respect of a development as referred to therein.

8. OTHER MATTERS

- 8.1. The Municipal Manager shall be entitled to negotiate a discount to a maximum of 30% on Bulk service contributions payable on developments in a category or area determined by the Council from time to time, to facilitate development.
- 8.2. Bulk service contributions calculated and levied in terms of this Policy will be payable upon any of the following events:
- 8.2.1. Approval of the township by the Municipality in the case of a new development. The Bulk service contributions will be quantified in terms of the services agreement between the Municipality and the relevant Developer(s) and must be paid before the township register can be opened at the deeds office;



- 8.2.2. Approval of a rezoning application in terms of an existing development: The Bulk service contributions will be quantified in the relevant motivation to the Council and must be paid before any building plans are approved;
- 8.2.3. Submission of an application for the amendment of building plans in respect of an individual residential dwelling or another building and where the proposed modification(s), changes or extension as the case may be, will lead to an increase in demand for services: Payment in full of the additional Bulk service contributions is required prior to final approval of the plans.

9. CONTRIBUTIONS RING-FENCED

- 9.1. Contributions received by the municipality pursuant to this policy must be separately identified and recorded in the financial records of the municipality (with in its Capital Replacement Reserve) and only utilised for the purposes of supporting capital projects relating to the upgrade, maintenance or extension of a capital infrastructure of the service in question.

10. MUNICIPAL MANAGER IS THE RESPONSIBLE AND ACCOUNTABLE OFFICER

- 10.1. The Municipal Manager is responsible and accountable for the implementation of this policy and shall report annually to the Council on the applicability of the fees set herein and the extent to which the policy is achieving its objectives.
- 10.2. The Municipal Manager is hereby delegated all the necessary power and authority to fulfil the obligation interms of this policy, with authority to supper delegate to the appropriate level.

ANNEXURE G

GA-SEGONYANYA LOCAL MUNICIPALITY



Asset Management Policy

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1. INTRODUCTION

This policy for the management of assets has been designed to assist management and officials of the Ga-Segonyana Municipality with the description of management procedures for Property, Plant and Equipment, Investment Property, Agricultural Assets and Intangible Assets. It also should assist with the capacity to differentiate between activities, which are acceptable in terms of general authorization, supervisory responsibilities and limits of authority to the management of assets and functions of the organisation.

This policy will provide certainty with respect to the handling of asset management procedures undertaken within the organization and will ensure that management and employees understand their respective responsibilities and duties.

For the purpose of this policy, assets exclude inventory and monetary assets such as debtors.

This policy replaces all asset management procedures/instructions and memoranda that have been previously issued.

Failure to comply with this policy will result in the institution of disciplinary procedures in terms of the stipulated human resource policies and procedures of the Municipality.

2. OBJECTIVE

The objective of this policy is to ensure that assets of the Municipality are properly managed and accounted for by:

- The accurate recording of essential asset information;
- The accurate recording of asset movements;
- Exercising strict physical controls over all assets;
- Treating the assets correctly in the Municipality's financial statements;
- Providing accurate and meaningful management information;
- Compliance with the Council's accounting policies and Generally Recognised Accounting Practices;
- Adequate insuring of assets;
- Maintenance of Council's assets;
- Ensuring that managers are aware of their responsibilities with regard to the assets; and
- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss.

3. STATUTORY FRAMEWORK

The statutory framework for this policy is:

- The Constitution of the Republic of South Africa, Act 108 of 1996;
- Local Government: Municipal Structures Act, No 117 of 1998;
- Local Government: Municipal Systems Act, No 32 of 2000;
- Local Government: Municipal Finance Management Act, No. 56 of 2003;
- Regulation No. 31346 of 2008;
- Municipal Supply Chain Management Regulations No. 27636;
- Generally Recognised Accounting Practice.

4. ACCOUNTING STANDARDS

This document constitutes a policy statement and shall not take precedence over the standards specified by the Accounting Standards Board. The relevant accounting standards include:

- GRAP 1 – Presentation of Financial Statements;
- GRAP 13 – Leases;
- GRAP 16 – Investment Property;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 100 - Non – current Assets Held for Sale and Discontinued Operations;
- GRAP 101 - Agricultural;
- GRAP 102 – Intangible Assets; and
- IAS 36 - Impairment of Assets

Other relevant accounting standards are:

- GRAP 12 on Inventories
- GRAP 11 on Construction Contracts

5. DEFINITIONS

Every effort has been made to use definitions established through legislation, standards of accounting and other guidance on asset management. Should uncertainty arise regarding a specific definition the definition as per the relevant original legislation or standard of accounting shall be referred to.

“Accounting Officer” means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and being the head of administration and accounting officer in terms of Section 60 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

“Agricultural Activity” is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

“Active market” is a market in which all the following conditions exist:

- The assets traded within the market are homogeneous;
- Willing buyer and seller can normally be found at any time; and
- Prices are available to the public.

“Agricultural Produce” is the harvested product of the entity’s biological assets.

“Amortisation” is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

“Assets” are resources controlled by the Municipality as a result of past events and from which future economic benefit or service potential are expected to flow. However for the purpose of this policy exclude inventory and other monetary assets.

“Asset categories” are the six main asset categories defined as follows:

- **Infrastructure assets** – are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewage purification and trunk mains, transport terminals and car parks.
- **Community assets** – are defined as any asset that contributes to the community’s well-being. Examples are parks, libraries and fire stations.
- **Heritage assets** – are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
- **Investment properties** – are defined as properties that are acquired for economic and capital gains. Examples are office parks and under-developed land acquired for the purpose of resale in future years.
- **Intangible assets** – are identifiable assets without physical substance.
- **Other assets** – are defined as assets utilized in normal operations. Examples are plant, equipment, motor vehicles and furniture and fittings.

“Asset’s Life-Cycle” is the cycle of activities that an asset goes through – including planning, design, initial acquisition and/or construction, cycle of operation and maintenance and capital renewal and finally disposal.

“Asset Manager” is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the Municipality’s assets in accordance with the entity’s standards, policies, procedures and relevant guidelines.

“Asset Register” is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.

“Biological Asset” is a living animal or plant.

“Biological Transformation” comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes to a biological asset.

“Carrying amount” is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

“Chief Financial Officer” means an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

“Class of property, plant and equipment” means a grouping of assets of a similar nature or function in a municipality’s operations, which is shown as a single item for the purpose of disclosure in the financial statements.

“Commercial service” means a service other than a municipal service

- (a) rendered by a private sector party or organ of state to or for a municipality or municipal entity on a commercial basis; and
- (b) which is procured by the municipality or municipal entity through its supply chain management policy.

“Community Assets” – are defined as any asset that contributes to the community’s well-being. Examples are parks, libraries and fire stations.

“Cost” – is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of Standards of GRAP.

“Depreciation” – is the systematic allocation of the depreciable amount of an asset over its useful life.

“Depreciable Amount” – is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

“Depreciated replacement cost”, in relation to capital assets, means an amount equivalent to the cost to replace the capital assets on the date of transfer adjusted by a deemed depreciated cost at the date of the transfer taking into account the age and condition of the assets.

“Disposal”, in relation to capital assets, includes –

- (a) the demolition, dismantling or destruction of the capital assets; or

- (b) any other process applied to capital assets which results in loss of ownership of the capital assets otherwise than by way of transfer of ownership.

“Disposal management system” means the system contemplated in regulation 40 of the Municipal Supply Chain Management Regulations, published by General Notice No. 868 of 2005.

“Enhancements / Rehabilitation” is an improvement or augmentation of an existing asset beyond its original recognized service potential for example useful life, capacity, quality and functionality.

“Fair Value” – is the amount for which assets could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

“GRAP” is Standards of Generally Recognised Accounting Practice

“Head of department / senior manager” – means a manager referred to in section 56 of the Municipal Systems Act.

“Heritage Assets” – are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

“Historical cost” - means the original purchase price or cost of acquisition of the capital assets at the time the assets were acquired

An **“impairment loss”**– of cash generating assets is the amount by which the carrying amount of assets exceeds its recoverable amount.

An **“impairment loss”**- of non-cash generating assets is the amount by which the carrying amount of assets exceeds its recoverable service amount.

“Infrastructure assets”- are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

“Intangible assets”- are identifiable non-monetary assets without physical substance.

“Investment Properties” – are defined as property (land or a building-or part of a building-or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production and supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

“Municipality” means the Ga-Segonyana Municipality.

“Other Assets” – are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

“Property, Plant and Equipment” (PPE) – are tangible assets that:

- are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- are expected to be used during more than one period.

“Realisable value” means the amount of cash or cash equivalents that could currently be obtained by transferring the capital assets, less the estimated cost of completion and the estimated costs necessary to make the transfer.

“Recoverable Amount” – is the amount that the Municipality expects to recover from the future use of assets, including its residual value on disposal.

“Recoverable service amount” is the higher of a non-cash-generating asset’s fair value less costs to sell and its future value in use.

“Residual Value” – of assets is the estimated amount that an entity would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and condition expected at the end of its useful life.

“Right to use, control or manage” means a right to use, control or manage the capital assets for a period exceeding one calendar month without ceding legal ownership in the assets. In other words, where the granting of such rights do not amount to the transfer or permanent disposal of the assets, for example when a right is acquired through a leasing, letting or hiring out arrangement.

“Senior Manager” is a manager referred to Section 57 of the Municipal Systems Act (MSA) being someone reporting directly to the municipal manager.

“Service provider”–

- (a) in relation to a municipal service, means a private sector party or organ of state appointed by a municipality in terms of Chapter 8 of the Municipal Systems Act to perform a municipal service in accordance with that Act; or
- (b) in relation to a commercial service, means a private sector party or organ of state appointed in terms of the supply chain management policy of a municipality or municipal entity to render a commercial service to or for the municipality or entity as an independent contractor.

“Supply chain management policy” means the supply chain management policy which a municipality or municipal entity is required to have in terms of Chapter 11 of the Act.

“The Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

“Transfer”, in relation to a capital or subsidiary asset, means transfer of ownership in the asset as a result of a sale or other transaction.

“Useful Life” – is either:

- the period of the time over which an asset is expected to be used by the Municipality, or
- the number of production or similar units expected to be obtained from the asset by the Municipality.

6. BACKGROUND

The utilization and management of PPE, investment property, intangible assets and agricultural assets is the prime mechanism by which the Municipality can fulfil its constitutional mandates for:-

- Delivery of sustainable services;
- Social and economic development;
- Promoting safe and healthy environments; and
- Fulfilling the basic needs to the community.

As trustees on behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in assets.

The policy for the management of assets deals with the Municipal rules required to ensure the enforcement of appropriate stewardship of assets. Stewardship has two components being the:-

- Financial administration by the Chief Financial Officer; and
- Physical administration by the relevant managers.

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposals by local government.

Accounting standards have been approved by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment, investment property, intangible assets and agricultural assets. The requirements of these new accounting standards include:-

- The compilation of asset registers covering all assets controlled by the Municipality.
- Accounting treatment for the acquisition, disposal, recording and depreciation / amortisation of assets.
- The standards to which financial records must be maintained to comply with the new accounting standards.

7. DELEGATION OF POWERS

This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as

between the Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

In accordance with the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA), the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/her. The Municipal Manager is therefore accountable for all transactions entered into by his/her designates.

The overall responsibility of asset management lies with the Municipal Manager. However, the day to day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing.

8. RESPONSIBILITY

8.1 Municipal Manager

The Municipal Manager is responsible for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets. He/she must ensure that:-

- The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality.
- The Municipality's assets are valued in accordance with standards of Generally Recognized Accounting Practice (GRAP).
- The Municipality has and maintains a system of internal control of assets, including an asset register.
- Senior managers and their teams comply with this policy.

8.2 Chief Financial Officer

The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the Municipality's assets is safeguarded and maintained. He/she may delegate or otherwise assign responsibility for performing these functions but he/she will remain accountable for ensuring that these activities are performed. He/she must ensure that:-

- Appropriate systems of financial management and internal control are established and carried out diligently.
- The financial and other resources of the Municipality assigned to him/her are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented.
- The systems, processes and registers required to substantiate the financial values of the Municipality's assets are maintained to standards sufficient to satisfy the requirements of effective management.
- Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.

- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.
- Ensure implementation of the approved Asset Management Policy;
- Verify assets in possession of the Council three times a year;
- Receive from the Asset Management Section a detailed "outcome report" on the assets verification exercise;
- Keep a complete and balanced record of all assets in possession of the Council;
- Report in writing all asset losses to the Council;
- Ensure that the asset register of the Council is balanced quarterly.
- The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.

8.3 Senior Managers

The Senior Managers must ensure that:-

- Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility.
- The Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful utilization and losses resulting from criminal or negligent conduct are prevented.
- Their management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- They are able to justify that their plans, budgets, purchasing, maintenance and disposal decisions for assets optimally achieve the Municipality's strategic objectives.

The senior managers may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring that these activities are performed.

Each senior manager should report to the Municipal Manager on issues that will significantly impede the item of asset capabilities to provide the required level of service or economic benefit.

The responsibility for the physical control of assets rests with the relevant senior manager to whom the responsibility was delegated to in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003.

Each senior manager shall ensure that assets entrusted to him / her are adequately maintained, properly used and insured and ensure that section 78 of the Municipal Finance Management Act, No 56 of 2003, is adhered to.

No amendments, deletions or additions to the asset register shall be made other than by the Asset Manager or by an official acting as the Asset Manager and must be authorized by the Chief Financial Officer.

Upon the resignation / retirement of an employee, the applicable senior manager must inform the Chief Financial Officer and Administration Department in writing that the asset items entrusted to that employee to

execute his / her duties are in good order and returned. When necessary the applicable senior manager must inform the Administration Department of any losses and the value of such losses. The ultimate responsibility of any losses lies with the relevant senior manager.

9. ASSET REGISTER

The Municipal Manager shall ensure that the municipality maintains a fixed asset system which shall be operated in conjunction with its computerized fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the Chief Financial Officer and other Senior Manager, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

The asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- the location of the asset
- the responsible senior manager and department(s) or vote(s) within which the assets will be used
- the title deed number, in the case of property
- the stand number, in the case of property
- where applicable, the identification number
- the measurement based used (Cost or Fair Value)
- the original useful life
- the revised useful life
- the residual value
- the original cost, or the revalued amount or the fair value if no costs are available
- the (last) revaluation date of the assets subject to revaluation
- the revalued value of such assets
- who did the (last) revaluation
- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- method of calculating recoverable amount (when impairment test are required in terms of GRAP)
- increases or the decreases resulting from revaluations (if applicable)

- the source of financing
- condition of the asset
- the current insurance arrangements
- whether the asset is required to perform basic municipal services
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such
- security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

All heads of department under whose control any asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

An asset shall be capitalised, that is, recorded in the asset register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset. An asset shall remain in the asset register for as long as it is in physical existence.

The Asset Manager must ensure that reconciliations are performed on a monthly basis between the general ledger values and the asset values and to be submitted to the Chief Financial Officer.

The Chief Financial Officer must check and authorize the reconciliations as correct.

Depreciation methods and rates used must be approved by the Chief Financial Officer and included in the approved accounting policy.

The Asset Manager should allocate depreciation rates and methods to each asset class, and ensure that depreciation calculations are correctly applied and posted in the general ledger.

10. CLASSIFICATION OF ASSETS

In compliance with the requirements of the National Treasury, the Chief Financial Officer shall ensure that all assets are classified under the following headings in the Fixed Assets Register, and Heads of Departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

10.1 Property, Plant and Equipment (PPE)

- Land (not held as investment assets).
- Infrastructure assets (assets which are part of a network of similar assets).

- Community assets (assets contributing to the general well-being of the community).
- Heritage assets (culturally significant assets).
- Other assets (ordinary operational assets).
- Housing (rental stock or housing stock not held for capital gain).

Save for land and buildings other assets shall be classified under the following headings:

- Computer equipment;
- Office equipment;
- Furniture and fittings;
- Radio Equipment;
- Plant and machinery;
- Motor Vehicles; and
- Emergency Equipment.

10.2 Investment Property

Investment assets (resources held for capital or operational gain and which are not used by the Municipality). Properties occupied by the Municipality, Councilors or officials are classified as owner-occupied property and are therefore not classed as investment property

Investment properties will be treated in accordance with GRAP 16 and will separately be classified in the Statement of Financial Position. Investment properties will not be depreciated but will be revalued on quadrennial basis by a professional valuer in line with the MPRA valuation cycle.

Management assesses the investment property on an annual basis to detect material changes from the last reporting date.

Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

An expert valuer shall be engaged by the municipality to undertake such valuations.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

10.3 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance.

Intangible assets will be treated in accordance with GRAP 102 and will separately be classified in the Statement of Financial Position. Intangible assets shall be valued at cost less any accumulated amortization and any impairment losses.

10.4 Agricultural Assets

Agricultural Assets will be treated in accordance with GRAP 101 and will separately be classified in the Statement of Financial Position,

10.5 Assets Treated as Inventory

Any land or buildings owned or acquired by the Municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the Municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the Municipality's statement of position.

Such inventories shall, however, be recorded in the asset register in the same manner as other fixed assets, but a separate section of the asset register shall be maintained for this purpose.

The Chief Financial Officer shall use the classifications indicated in the Appendix A on estimated lives of assets, as a guideline and in the case of an item of assets not appearing in the Appendix A shall use the classification applicable to the asset most closely comparable in the Appendix A.

11. CAPITALISATION CRITERIA

11.1 PPE and Intangible Assets

All assets may only be acquired in terms of Council's Supply Chain Management Policy and in terms of the budgetary provisions. The responsibility for the purchase of assets would be delegated in terms of Council's Delegation Framework and Supply Chain Management Policy. Depending on the cost of the asset to be purchased the following procedure for purchasing an asset must be followed:

- Senior managers shall at all times ensure that there are enough funds in their departmental budgets before requesting approval to any requisition to purchase an asset;
- Senior managers shall ensure that the correct vote and expenditure line item are used and recorded on the requisition requesting approval to purchase an asset;
- Tenders or quotations as required in terms of Council's Supply Chain Management policy should be obtained and where required submitted to Council's tender committee for approval;
- The tender committee resolution of the approved tender or recommended quotation should be attached to the requisition signed by the relevant head of department;

- The order would then be generated by the Supply Chain Management Unit;
- Once delivered the asset must be labeled / bar-coded by the Supply Chain Management Unit before such asset is put into use;
- The senior manager should endorse receipt of the asset on the invoice and forwarded it for payment to the Supply Chain Management Unit; and
- The Revenue and Expenditure Unit would then generate payment.

The completion of any immovable asset by or under control of every head of department should promptly be declared to the Chief Financial Officer in writing stating the full details required for recording in the assets register.

All PPE and intangible assets shall be carried in the asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation or amortisation in the case of intangible assets.

The original cost of an item of PPE or intangible assets may include:

- Cost price;
- Financing costs (MFMA section 46(4));
- Import tax;
- Non-claimable purchase tax; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When payment for an item of PPE or intangible assets is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as an interest expense over the period of credit.

When an item of PPE is acquired to be exchanged or partly exchanged for a dissimilar item of PPE or other asset, the cost of such item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents paid additional. For the purpose hereof, "fair value" shall be determined by the Council with due regard to the definition ascribed to fair value in paragraph 2 hereof.

The only exceptions to this rule shall be revalued items of PPE (see part 7.9 below) and heritage assets in respect of which no depreciation is recorded in the asset register.

Subsequent expenditure relating to an asset that has already been capitalized, should only be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the Municipality.

11.2 Investment Property

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of purchased investment property includes all directly attributable expenditure (professional fees for legal services, property transfer taxes and other transaction costs).

When payment for an investment property is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as an interest expense over the period of credit.

When investment property is acquired to be exchanged or partly exchanged for a dissimilar investment property or other asset, the cost of such item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents paid additional. For the purpose hereof, "fair value" shall be determined by the Council with due regard to the definition ascribed to fair value in paragraph 2 hereof.

After initial recognition investment property will be measured at fair value. A gain or loss arising from a change in fair value shall be recognized as a profit or loss in the Statement of Financial Performance in the period in which it arises. The fair value of investment property shall reflect market conditions at reporting date.

In terms of GRAP 16 transfers to and from investment property shall be made when there is a change in use:

- (a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) Commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) End of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

When an investment property is transferred to inventory or owner-occupied property, the property's deemed cost is the fair value of the property at the date of the change in use.

For a transfer from inventories to investment property, that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the Statement of Financial Performance.

11.3 Reinstatement, Maintenance and Other Expenses

Only expenses incurred in the enhancement of an asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of an asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of an asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses, which are reasonably ancillary to the bringing into operation of an asset, may be capitalised as part of such asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, instalation, assembly and communication costs.

11.4 Intangible Assets

Assets that meet the criteria of GRAP 102 (Intangible Assets) shall be recognized as Intangible Assets at cost.

11.5 Heritage Assets

If no original costs or fair values are available in the case of one or more or all heritage assets, the Chief Financial Officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the asset register without an indication of the costs or fair value concerned.

For Statement of Financial Position purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

11.6 Donated Assets

Where an asset is donated to the Municipality, or an asset is acquired by means of an exchange of assets between the Municipality and one or more other parties, the asset concerned shall be recorded in the asset register at its fair value, as determined by the Chief Financial Officer.

12. DEPRECIATION

12.1 Depreciation of PPE

All PPE, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which PPE is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on an annual basis against the appropriate line item in the department or vote in which the item of PPE is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which an item of PPE is acquired or – in the case of construction works and plant and machinery – the day following the day in which the item is

brought into use, until the end of the year concerned. Thereafter, depreciation charges shall be calculated monthly.

Each Head of Department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable PPE controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other PPE.

12.2 Rate of Depreciation and Amortisation

The Chief Financial Officer shall assign a useful operating life to each depreciable item of PPE recorded on the Municipality's asset register. In determining such a useful life the Chief Financial Officer shall use to the useful lives set out in the Appendix A to this document as a guideline.

In the case of an item of PPE which is not listed in this Appendix A, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the Head of Department who shall control or use the item in question, and shall be guided in determining such useful life by the likely pattern in which the item's economic benefits or service potential will be consumed.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other PPE.

12.3 Method of Depreciation

The Chief Financial Officer shall allocate the depreciable amount of all depreciable PPE and intangible on a systematic basis over its useful life.

The residual value and useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the changes shall be accounted for as a change in accounting estimate in accordance with GRAP 3.

13. AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF PPE

Only the Chief Financial Officer may amend the useful operating life assigned to any PPE, and when any material amendment occurs the Chief Financial Officer shall inform the Council of such amendment.

The Chief Financial Officer shall amend the useful operating life assigned to any item of PPE if it becomes known that such item has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially

affects the pattern in which the item's economic benefits or service potential will be consumed.

If the value of an item of PPE or intangible assets has been diminished to such an extent that it has no or a negligible further useful operating life or value such item shall be fully depreciated or eradicated in the financial year in which such diminution in value occurs.

Similarly, if an item of PPE has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the item has physically ceased to exist, it shall be written off in the asset register.

In all of the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the item of PPE or intangible asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable item of PPE, and such item has been capitalised at a value other than a purely nominal value, such item shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable item of PPE, and the department or vote controlling or using the item in question shall bear the full depreciation expenses concerned.

Additional depreciation not budgeted for as a result of unforeseeable or unavoidable circumstances must be provided for in an adjustments budget and, if such circumstances arises close to the end of the financial year and there will not be time for Council to consider the adjustments before the end of the financial year, may in advance be approved by the Mayor in terms of Section 29 of the MFMA, provided that any other provisions of the MFMA be complied with.

14. IMPAIRMENT OF ASSETS

The accounting treatment relating to impairment losses is outlined in IAS37.

The carrying amount of an item or a group of identical items of PPE and intangible assets should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognised as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Reserve.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to the recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification works is used for the same purpose. In such circumstances, the carrying amount of each of the related

assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of the recoverable amount.

The following may be indicators that an asset is impaired:

- The asset has been damaged.
- The asset has become technologically obsolete.
- The asset remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilized for subsidized housing developments, where the subsidy is less than the purchase price.

The following steps will have to be performed regularly during the year to account for impairment losses:

- Departments will identify and inform the Chief Financial Officer of assets that:
 - Are in a state of damage at year end.
 - Are technologically obsolete at year end.
 - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
 - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts.
- The recoverable amounts of these assets need to be determined by calculating the net selling price per asset as defined above.
- The impairment loss per asset is the difference between the net selling price and the carrying value of the asset.
- The impairment loss needs to be accounted for by identifying the relevant funding source.

15. REVALUATION OF ITEMS OF PPE

All land and buildings recorded in the municipality's fixed asset register shall be revalued every four years. Under such circumstances a sworn valuer will be appointed to perform a valuation of all land and buildings.

Land and buildings are stated at revaluated amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the items as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the land and buildings concerned.

The Chief Financial Officer shall also, where applicable, create a revaluation reserve for each such item equal to the difference between the value as recorded in the valuation roll and the carrying value of the item before the adjustment in question.

The buildings concerned shall thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the buildings in question.

The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) annual depreciation expense and the depreciation expenses determined in respect of such buildings before the revaluation in question is transferred each year from the revaluation reserve to the Municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary.

If the amount recorded by the valuer is less than the carrying value of the item of land or buildings recorded in the asset register, the Chief Financial Officer shall adjust the carrying value of such item by increasing the accumulated depreciation of the item in question by an amount sufficient to adjust the carrying value to the value as recorded by the valuer. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such item, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the item of land or building in question.

Revalued land and buildings shall be carried in the asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

16. ACQUISITION OF ASSETS

16.1 Pre-acquisition Planning

Before a capital project is included in the budget for approval, the Chief Financial Officer must demonstrate that he/she has considered the following:

- The projected cost over all the financial years until the project is operational;
- The future operational costs and revenue on the project, including the tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- The physical and financial stewardship of that asset through all stages of its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of the capital project in the Integrated Development Plan and future budgets; and

- Alternatives to the capital purchase.

The heads of department are accountable to ensure that the Chief Financial Officer receives all reasonable assistance, guidance and explanation to enable him to achieve his planning requirements.

16.2 Approval to Acquire Assets

Money can only be spent on a project if:

- The money has been appropriated in an approved capital budget;
- The project, including the total cost has been approved by the Council;
- The Chief Financial Officer confirms that funding is available for that specific project; and
- Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed.
- The Supply Chain Management Policy is adhered to.

Authorization for the acquisition of assets should be as per this Municipality's delegation of authority and payment for assets shall be in accordance with financial policies and regulations of this Municipality.

16.3 Funding of Capital Projects

Within the Municipality's on-going financial, legislative or administrative capacity, the Chief Financial Officer must establish and maintain the funding strategies that optimise the Municipality's ability to achieve its strategic objectives as stated in the Integrated Development Plan. The acquisition of assets may not be funded over a period longer than the useful life of that asset.

17. PURCHASE OR HIRE OF IMMOVABLE PROPERTY

The Municipality may acquire by purchase, or by hire, immovable property within- or outside the municipal boundary provided it complies with the requirements of the MFMA and the Supply Chain Management policy and subject to the following:

- The cost of the purchase or hire had been budgeted for; and
- The intention to buy or hire the immovable property had been advertised for public comment.
- After consideration of any public comments/objections the Council will:
 - In the case of the following paragraph complies with the requirements of that paragraph; and
 - In the case of all other immovable property, finally resolve to continue with the purchase or hire and apply the supply chain management processes
- The Council will not continue with the purchase or hire of any immovable property where:

- The price is in excess of the market value thereof as assessed by an appraiser; or
- The rental which, when calculated per annum in the case of:
 - Immovable property hired for agricultural purposes, exceeds six percent; and
 - Immovable property hired for any other purpose, exceed twelve percent of the market value of the property, as assessed by an appraiser.

The Council may accept a gift or conveyance of immovable property either for the Municipality or in trust for charitable or other public purposes not connected with public worship, and hold the same in such trust or for such purpose as may be declared by such donors and may administer, utilize and improve such property.

The trustees of any immovable property held in trust for any township village of settlement which has become a municipality or part of a municipality may transfer such property to the Council, subject to any special trusts in their deeds of title and upon conditions not at variance therewith.

18. GUIDELINE PROCEDURES FOR ADDITIONS TO ASSETS

The Asset Manager must ensure all additions to assets are in accordance with an approved capital budget. Additions must be updated on a monthly basis in the Municipality's Asset register. All additions must be approved by the Chief Financial Officer.

19. FUNDING OF ASSETS AND RESERVES

Within the municipality's on-going financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the integrated development plan. The acquisition of assets will not be funded over a period longer than the useful life of that asset.

Type of funding may comprise of the following:

19.1 EXTERNAL LOANS

- Long term; and
- Short term.

19.2 Government Grants/ Public Contributions and Donations

- National Government;

- Provincial Government; and
- Other stakeholders.

19.3 REVENUE

Revenue arising from the following transactions and events:

- The sale of goods;
- The rendering of services; and
- Exercising of legal powers and duties.
 - a. The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.
- The use by others of municipal assets thereby yielding interest, royalties and dividends.

19.4 Capital Replacement Reserve

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof as part of the budget process. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

20. ALIENATION OF ASSETS

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any item of PPE shall be fair, equitable, transparent, competitive and consistent with the Municipality's supply chain management policy and the Municipal Asset Transfer Regulations

Every head of department shall report in writing to the Chief Financial Officer on 30 April of each financial year on all assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender.

The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the Municipal Manager of the Municipality, as the case may be, recommending the process of alienation to be adopted.

The Council shall delegate to the Municipal Manager the authority to approve the alienation of any moveable asset with a carrying value less than R50 000 (filthy thousand rand). The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004..

In terms of Section 14 of the Municipal Finance Management Act, 2004 the Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of assets needed to provide the minimum level of basic municipal services.

The Municipality may transfer ownership or otherwise dispose of assets other than one contemplated above, but only after the Council, in a meeting open to the public:-

- has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- has considered the fair market value of the item and the economic and community value to be received in exchange for the asset.

The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be subsequently reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.

Once the assets are alienated, the Chief Financial Officer shall treat the disposal of the items in terms of GRAP and amend the relevant records of the asset register. If the proceeds of the alienation are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned.

If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

Transfer of assets to other municipalities, municipal entities (whether or not under the Municipality's sole or partial control) or other organs of state shall take place in accordance with the Municipal Asset Transfer Regulations.

21. GUIDELINE PROCEDURES FOR THE DISPOSAL OF ASSETS

The Senior Manager must submit a motivation for the disposal of an asset under his/her control to the Chief Financial Officer.

The Chief Financial Officer must authorize, by signature the motivation and submit the motivation to the Accounting Officer for his/her approval.

Before computer equipment is disposed the Chief Financial Officer must consult the IT section.

All combined motivations must be submitted to the Asset Manager to update the asset register of the Municipality and the book of accounts regarding the sale.

The following information should be updated in the asset register:

- Reason for disposal;
- Information relating to the buyer;
- Individual requesting disposal;
- Cost, book value and proposed selling price of the asset;
- Date of sale;
- Method of payment;
- Receipt number; and
- The relevant asset information

22. OTHER WRITE-OFFS OF PPE

An item of PPE, even though fully depreciated, shall be written off when it can no longer be used, in consultation with the Head of Department controlling or using the item concerned.

Every Head of Department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any item of PPE which such Head of Department wishes to have written off, stating in full the reason for such recommendation.

The Chief Financial Officer shall consolidate all such reports, and shall promptly notify the Council on the PPE to be written off.

The only reasons for writing off PPE, other than the alienation of such item of PPE, shall be the loss, theft, and destruction or material impairment of the PPE in question.

If an item of PPE must be written off as a result of an occurrence out of the control of the Municipality, such as malicious damage, theft or destruction, the municipal manager must determine whether a third party or an employee was involved in the loss and take all reasonable steps to recover such loss, including reporting the incident to the South African Police Services and the Auditor General, the insurance as well as institute disciplinary steps against any employee who might have been involved in such incident.

In every instance where a not fully depreciated item of PPE is written off, the Chief Financial Officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the item concerned.

23. MANAGEMENT AND OPERATION OF ASSETS

23.1 Accountability to manage assets

Each Senior Manager is accountable to ensure that Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This will include:

- Developing appropriate management systems, procedures, processes and controls for managing assets;
- Providing accurate, reliable and up to date account of assets under their control; and
- The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the Municipality's strategic objectives.

23.2 Contents of a strategic management plan

Senior Managers need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost. To achieve this, the Senior Manager will need to develop strategic asset management plans that cover:-

- Alignment with the Integrated Development Plan;
- Operational guidelines;
- Performance monitoring;
- Maintenance programs;
- Renewal, refurbishment and replacement plans;
- Disposal and Rehabilitation plans;
- Operational, financial and capital support requirements, and
- Risk mitigation plans including insurance strategies

The operational budgets are the short to medium term plan for implementing this strategic asset management plan.

General Requirements

Items purchased, with an expected life span of more than one year, will be reported by the department doing the purchasing to the Asset Control Section to ensure recording in the asset register. In order to record items the Asset Control Section must be notified by the department doing the purchasing **within 14 days** of any of the following possible movements:

- Purchases;
- Donations;
- Additions/Improvements;
- Departmentally manufactured items;
- Auctions;
- Loss or damage;
- Transfers;
- Resignations; and
- Land Sales.

23.3 Reporting of Emerging Issues

Each Functional Manager should report to the Municipal Manager on issues that will significantly impede the item of asset capabilities to provide the required level of service or economic benefit.

23.4 Verification of Assets

Stock taking will ensure that all new assets are bar-coded and created on the system. Every employee will be notified within 10 days in advance of the stock taking process and time. Stock taking will ensure that all the new assets are bar-coded and created on system timely and accurately. It will be the responsibility of the Asset Control Section to organise and coordinate the stock taking process. Stock taking will take place once a year. After the physical stock taking the following reports will be generated for the Chief Financial Officer:

- **“Assets not yet Verified”**:Assets which are created on the asset system, but not found during stock take;
- **“Assets missing from Asset System”**:Assets which are scanned during stock take, but not created on the asset system; and
- **“Assets where locations differ”**:Assets found in a different office than in which it was registered on the asset system.

Duplicate inventory lists will be produced and handed to every employee assigned to an office. The inventory lists will be verified by that specific employee and signed. One inventory list will be handed to the Asset Control Section and the other one will be attached to the back of the employees' office door. If there are any inaccuracies on the list it will immediately be rectified.

23.5 Movement of Assets

Every Head of Department shall promptly and fully report in writing to the Chief Financial Officer, in the format determined by the Chief Financial Officer, all transfers from its original location of assets (including minor assets items) within 5 working days after transfer of such item.

23.6 Purchase of New Asset

All new assets will receive a bar code number and description before being captured to the Asset System.All documentation regarding the purchase of the asset must be received by the Asset Control Section:

- cheque number,
- copy of order,
- invoice and
- other detail.

A copy of the documentation received will then be filed suitably.

24. MAINTENANCE

24.1 Maintenance Plans

Every Head of Department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.

If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The Head of Department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July or the earliest Council meeting thereafter, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the item concerned.

24.2 Deferred Maintenance

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the annual financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using such item, and shall recalculate the increased annual depreciation expenses accordingly.

24.3 General Maintenance of Assets

Every Head of Department shall be directly responsible for ensuring that all assets are properly maintained and in a manner which will ensure that such item attain their useful operating lives.

25. REPLACEMENT STRATEGY

The Municipal Manager, in consultation with the Chief Financial Officer and other Heads of Departments, shall formulate norms and standards for the replacement of all normal operational assets. Such norms and standards shall be incorporated in a formal strategy, which shall be submitted to the Council for approval. This strategy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items.

Such strategy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain.

26. TRANSFER OF ASSETS

When assets are transferred to other Government Departments or municipalities, a document with specific authorization should be tied to the asset to ensure the validity of the transfer.

The document should also include:

- Asset description;
- Cost of the asset;
- Date of acquisition;
- Unique asset number;
- Effective date of transfer;
- Quantity; and
- Authorization by both transferor and transferee.

The asset manager must then effect the transactions in the book of accounts of the Municipality on the day the asset is transferred to the transferee.

27. PHYSICAL SECURITY OF ASSETS

Every Senior Manager shall be directly responsible for the physical safekeeping of any asset controlled or used by their department.

In exercising this responsibility, every Senior Manager shall adhere to directives issued by the Chief Financial Officer with regard to the control and safekeeping of the Municipality's assets.

Every Senior Manager shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

All assets should be kept in a secure location, maintained regularly, insured against theft or destruction, utilized economically and efficiently.

When it is suspected that an employee is abusing assets, this fact should be reported to the Chief Financial Officer within 48 hours. Such an employee should be subject to the disciplinary procedures as described in terms of the Standard Conditions of Service.

All items of PPE lost, stolen or damaged must be reported to the Chief Financial Officer within 48 hours after discovery for further investigation and reporting required by the Municipal Finance Management Act No. 56 of 2003.

At the resignation of an employee the applicable Senior Manager or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department. This form is a statement that the asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary.

28. INSURANCE OF ASSETS

The Accounting Officer must ensure that all movable assets are insured at least against fire and theft, and municipal buildings and infrastructure are insured at least against fire and allied perils.

The Accounting Officer shall recommend, after consultation with the Chief Financial Officer, the basis of insurance cover to be applied: either the carrying value or the replacement value of the assets. Such a recommendation shall take due cognizance of the budgetary resources of the Municipality.

Any theft, loss or damage to an asset should immediately be reported to Council's insurance brokers by the relevant head of department under whose responsibility the asset falls. Each such case must be reported for investigation to the Health and Safety Committee and the outcome be reported to the Municipal Manager to institute disciplinary steps and / or recovery. A copy of the insurance claim submitted should be forwarded to the Chief Financial Officer. All insurance claims must be recorded in an insurance register and all outstanding insurance claims reported on a monthly basis to the Chief Financial Officer. It is the responsibility of the relevant head of department to ensure that all documents / information for the completion of the claim is forwarded to Council's insurance brokers and that copies thereof is forwarded to the Chief Financial Officer. The head of department should in writing request the replacement of the asset which can only be authorized, if sufficient provision for the replacement of the asset is on the capital budget, by the Municipal Manager after consultation with the Chief Financial Officer. If sufficient provision is not on the capital budget the asset can only be replaced if provision for the replacement is made on an Adjustments budget. In the case where an asset must be replaced as an emergency measure, the Mayor may authorise such expenditure, subject to compliance with Section 29 of the MFMA.

Third-party (insurance) pay-outs must be treated as revenue when the amount is certain and may not be offset against the cost of replacing the item. The carrying value of items lost, stolen or damaged beyond repair must be treated as impairment against the relevant department or vote. The full cost of the replacement item must then be capitalised.

If the Municipality operates a self-insurance reserve, the Chief Financial Officer shall annually determine the premiums payable by the departments or votes after having received a list of the assets and insurable values of all relevant assets from the heads of departments concerned.

The municipal manager shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance to

be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

The Chief Financial Officer shall annually submit a report to the Council of the Municipality on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

29. SHORT TITLE

This policy shall be called the Asset Management Policy of the **Ga-Segonyana Municipality**.

APPENDIX A

SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS

	<u>ASSET LIFE</u>		<u>ASSET LIFE</u>
INFRASTRUCTRE ASSETS			
ELECTRICITY:			
Power stations	30	GAS:	
Cooling towers	30	Meters	20
Transformer kiosks	30	Main supply	20
Meters	10-20	Storage tanks	20
		Supply and reticulation networks	20
Load control equipment	20		
Switchgear	20	SEWERAGE:	
Supply and reticulation networks	20-60	Sewer mains	20
Main supply	20	Outflow sewers	5-50
		Sewerage purification works	15-60
ROADS:		Sewerage pumps	15-60
Motorways and road structures	10-50	Sludge machines	15
Other roads	10		
Traffic islands	10	PEDESTRAIN MALLS:	
Traffic lights	15-20	Footways	20
Street lights	10-25	Kerbing	20-30
Bridges	30-80	Paving	20-30
Stormwater drains	20-60		
Bridges, subways, kerbing and culverts	30-50	AIRPORTS:	20-60
Car parks	20	Taxiways	20
Bus terminals	20	Runways	20
Parking bays	10-15	Aprons	20
		Airport and radio beacons	20
WATER		SECURITY	
Meters	15	Fencing	3
Mains	20	Security systems	5
Rights	20	Access control systems	5
Supply and reticulation networks	20-60		
Boreholes	15-60		
Reservoirs and storage tanks	15-50		
COMMUNITY ASSETS		COMMUNITY ASSETS	
RECREATIONAL FACILITIES		BUILDINGS	
Bowling greens	20	Ambulance stations	100
Tennis courts	20	Aquariums	100
Swimming pools	20-30	Beach developments	100
Golf courses	20	Care centres	100
Jukskei pitches	20	Cemeteries	100
Outdoor sport facilities	20-30	Civic theatres and community centres	100
Organ	20	Clinics and hospitals	100
Lakes and dams	20	Game reserves and rest camps	100
Fountains	20	Stadiums and indoor sports	100
Flood lights	20	Museums and galleries	100

Parks and public conveniences	100
Recreational centres and zoo	100

SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS

OTHER ASSETS

BUILDINGS

Abattoirs	100
Asphalt plant	100
Cable stations	100
Caravan Parks	100
Bioscope	100
Compacting stations	100
Hostels for public / tourists	100
Hostels for employees	100
Housing schemes	100
Kilns	100
Laboratories	100
Perimeter protection	20
Storage containers	20-30
Markets	100
Nurseries	100
Office buildings	60-100
Old age homes	100
Quarries	100
Tip sites	100
Training centres	100
Transport facilities	100
Workshops and depots	100

OFFICE EQUIPMENT

Computer hardware	3-5
Computer software	3-5
Office machines	3-5
Air conditioners	5-7

FURNITURE AND FITTINGS

Chairs	3-15
Tables and desks	3-15
Cabinets and cupboards	3-15
Sundry	3-15

BINS AND CONTAINERS

Household refuse bins	5
Bulk refuse containers	10-20

OTHER ASSETS

EMERGENCY EQUIPMENT

Other fire fighting equipment	15
Ambulances	5-10
Fire hoses	5
Emergency lights	5

MOTOR VEHICLES

Fire engines	20
Buses	15
Motor vehicles	5-7
Motorcycles	3
Trucks and light delivery vehicles	5-7

AIRCRAFT

15

WATERCRAFT

15

PLANT AND EQUIPMENT

Graders	10-15
Tractors	10-15
Mechanical horses	10-15
Farm equipment	5
Lawn mowers	2
Compressors	5
Laboratory equipment	5
Radio equipment	5
Firearms	5
Telecommunication equipment	5
General	5
Cable cars	15
Irrigation systems	15
Cremators	15
Lathes	15
Machining equipment	15
Conveyors	15
Feeders	15
Tippers	15
Pulverising mills	15

ANNEXURE H



GA- SEGONYANA LOCAL MUNICIPALITY

SCM POLICY

SUPPLY CHAIN MANAGEMENT

POLICY

Policy for adoption by municipalities in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003, and the Municipal Supply Chain Management Regulations.

Instructions:

Review this policy to ensure it meets the needs and requirements of the municipality amend where required.

2. Insert the name of municipality and other variable information where required throughout the policy.
3. The accounting officer is responsible for implementing the policy and must ensure it is promptly prepared and submitted to council (regulation 3).
4. If the accounting officer submits a draft policy to the council that differs from this policy, the accounting officer must ensure that such draft policy complies with the regulations. The accounting officer must report any deviation from this policy to the National Treasury and the relevant provincial treasury (regulation 3).
5. The accounting officer must at least annually review the policy and where necessary submit proposals for amendment to the council.

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 Date of adoption:
September 2007 council meeting

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the municipality.

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SUPPLY CHAIN MANAGEMENT SYSTEM

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Definitions

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

“Accounting officer” means the Accounting Officer referred to in section 60 of the Municipal Finance Management Act, No. 56 of 2003, in relation to a municipal entity, means the official referred to in section 93, and includes a person acting as the accounting officer.

“Accredited Agent” means a provider who is authorized to deliver certain goods / services and can be trading in a specific area, however, an accredited agent is not a sole provider.

“accredited” means goods / services that are officially recognized, are generally accepted or having a guaranteed quality;

“B-BBEE” means broad-based black economic empowerment as defined in section 1 of the Broad-Based Economic Empowerment Act;

“black designated groups” has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Black Economic Empowerment Act;

"black people" is as generic term which means Africans, Coloureds and Indians as defined in the Broad-Based Black Empowerment Act (No. 53 of 2003);

"Broad-Based Black Economic Empowerment Act" means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

"CSD" means the national central supplier database for Government.

"co-operative" means a co-operative registered in terms of section 7 of the Co-operatives Act, 2005 (Act No. 14 of 20016);

"competitive bid" means a bid in terms of a competitive bidding process;

"competitive bidding process" means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

"emergency procurement" emergency cases are cases where immediate action is necessary in order to avoid dangerous or risky situation (life threatening) or disaster.

"exceptional / urgent cases" exceptional cases are cases where early delivery is of critical importance and the invitation of competitive bids is either impossible or impractical. However a lack of proper planning should not be constituted as an urgent case subject to the approval of the Accounting Officer. The nature of the urgency and the details of the justifiable procurement must be recorded and the AO to approve.

"EME" means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

"final award", in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

"formal written price quotation" means quotations referred to in paragraph 12 (1) (c) of this Policy;

"Fruitless and wasteful expenditure"- is defined in section 1 of the MFMA as follows: expenditure made in vain and would have been avoided had reasonable care been exercised;

"Functionality" means the ability of the tendered to provide goods or services in accordance with specifications as set out in the tender documents;

"in the service of the state" means to be -

- (a) a member of -
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or an employee of Parliament or a provincial legislature;

"Irregular expenditure" means-

- [a] expenditure incurred by a municipality or municipal entity in contravention of, that is not in accordance with, a requirement of the MFMA, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170;
- [b] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- [c] expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (ACT No. 20 of 1998); or
- [d] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy; and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure."

In this context "expenditure" refers to any use of municipal funds that is in contravention of the following legislation:

- (ii) Municipal Finance Management Act, Act 56 of 2003, and its regulations
- (iii) Municipal Systems Act, Act 32 of 2000, and its regulations
- (iv) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- (v) The municipality's supply chain management policy, and any by-laws giving effect to that policy.

"long term contract" means a contract with a duration period exceeding one year;

"list of accredited prospective providers" means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

"military veteran" has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

"Municipality" means the Ga-Segonyana Local municipality

"Municipal entity" has the meaning assigned to it by Section 1 of the Municipal systems Act, 2000.

"people with disabilities" has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 1 of 1998);

"price" includes all applicable taxes less all unconditional discounts;

"proof of B-BBEE status level of contributor" means-

- a) the B-BBEE status level certificate issued by an authorised body or person;
- b) the sworn affidavit as prescribed by the B-BBEE code of Good Practice; or
- c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

"QSE" means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

"Rand value" means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

"rural area" means-

- a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or

- b) an area including a larger settlement grants for survival, and may have traditional land tenure system;

"other applicable legislation" means any other legislation applicable to municipal supply chain management, including -

- a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- c) the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);

"senior manager" means a director appointed in terms of section 56 of the Municipal Systems Act, 2000 or an acting director appointed by the Accounting Officer.

"sole provider" means a provider of specialized or exclusive goods/services who has a sole distribution / patent / manufacturing rights and copy rights.

"stipulated minimum threshold" means the minimum threshold stipulated in terms of regulation 8(1)(b);

"the Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

"the regulations" means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

"township" means an urban living area that any time from late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

"Transversal contract" means a contract arranged for more than one department/municipality or for more than one level of government e.g. National and Provincial Government.

"Treasury guidelines" means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

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

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the municipality otherwise than in accordance with the MFMA.

"Unforeseen and unavoidable expenditure" is discussed in section 29 of the MFMA and reads as follows:

1. The mayor of a municipality may in emergency or other exceptional circumstances authorise unforeseen and unavoidable expenditure for which no provision was made in an approved budget.
2. Any such expenditure-
 - a) must be in accordance with any framework that may be prescribed;
 - b) may not exceed a prescribed percentage of the approved annual budget;
 - c) must be reported by the mayor to the municipal council at its next meeting; and

- d) must be appropriated in an adjustments budget.
3. If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and section 32 applies;

"written or verbal quotations" means quotations referred to in paragraph 12(1)(b) of this Policy;

"youth" has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy

- (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that
 - (a) gives effect to -
 - i. section 217 of the Constitution; and
 - ii. Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with -
 - i. the Regulations; and
 - ii. any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - i. Broad Based Black Economic Empowerment Act (B-BBEE Act);
 - ii. Corruption Act, 1998 – anti-corruption measures and practices;
 - iii. Competition Law and Regulations;
 - iv. Promotion of Administrative Justice Act, 2000;
 - v. National Archives of South Africa Act, 1996;
 - vi. National Small Business Act;
 - vii. Construction Industry Development Board Act, 38 of 2000.
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that and that is consistent with the supply chain management policy of the municipality.
- (3) This Policy applies when the municipality-
 - a. procures goods or services;
 - b. disposes goods no longer needed;
 - c. selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - d. selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including
 - a) water or other services from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - b) electricity from Eskom or another public entity, another municipality or a municipal entity.

- c) water services provided by a water service provide such as water boards or other state owned entity appointment by municipality.

3. Amendment of the supply chain management policy

- (1) The accounting officer must -
 - a) at least annually review the implementation of this Policy; and
 - b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council .
- (2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must -
 - a) ensure that such proposed amendments comply with the Regulations; and
 - b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

4. Delegation of supply chain management powers and duties

- (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer-
 - a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of -
 - i. Chapter 8 or 10 of the Act; and
 - ii. this Policy;
 - b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - c) to enforce reasonable cost effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- (3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. Sub delegations

(1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

(2) The power to make a final award -

- a) above R 10 million (VAT included) may not be sub delegated by the accounting officer;
- b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to -
 - i. the Director Financial Services;a bid adjudication committee comprises of:
 - i. Director Financial Services;
 - ii. Director Technical and Infrastructure Services
 - iii. Director Community Services
 - iv. Director Corporate Services

- (c) not exceeding R2 million (VAT included) may be sub delegated but only to -
 - i. the Director Financial Services;
 - ii. a Director -directly accountable to the Director Financial Services or aa bid adjudication committee comprises of:
 - i. Director Financial Services;
 - ii. Director Technical and Infrastructure Services
 - iii. Director Community Services
 - iv. Director Corporate Services

(3) An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including-

- a. the amount of the award;
- b. the name of the person to whom the award was made; and
- c. the reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted

- a) to the accounting officer, in the case of an award by -
 - i. the Director Financial Services ;
 - ii. a Director ; or
 - iii. a bid adjudication committee of which the Director Financial Services or a director is a member; or
- b) to the chief financial officer or the senior manager responsible for the relevant bid; in the case of an award by-
 - i. a manager referred to in subparagraph (2)(c)(iii); or
 - ii. a bid adjudication committee of which the Director Financial Services or a director is not a member.

(5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

(1) The council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the accounting officer must -

- i. within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy to the council of the municipality.
- ii. whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council, who must then submit the report to the accounting officer of the municipality for submission to the council

(3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

(4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. Supply chain management unit

(1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management systems

This Policy provides systems for -

- (ii) demand management;
- (iii) acquisition management;
- (iv) logistics management;
- (v) disposal management;
- (vi) risk management; and
- (vii) performance management.
- (viii) asset management

Part 1: Demand management

10. System of demand management

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan
- (2) The demand management system must –
 - (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) to undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
 - e) the municipality must compile a procurement plan containing all planned procurement for the financial year in respect of the procurement of goods, services and infrastructure projects which exceed R 200 000 (all applicable taxes included) per case as described in the Supply Chain Management Guide for Accounting Officers. The procurement plan must be finalized on the 1 July every year. The relevant information should preferably be furnished in the format contained in the Procurement Plan Template enclosed as Annexure A. Also refer to National Treasury MFMA Circular 62.

Part 2: Acquisition management

11. System of acquisition management

(1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure -

- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
- (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
- (c) that the threshold values for the different procurement processes are complied with;
- (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are as per National and Provincial prescripts (SCM Practice note 2, Explanatory notes: Revised quotation / bid forms)

(e) that the preference point system is applied in accordance with the Revised Preferential Procurement Policy Regulations of 20 January 2017, (Implementation Guide- Preferential Procurement Regulations, 2017 Pertaining To The Preferential Procurement Policy Framework Act, Act No. 5 Of 2000)

(f) that any Treasury guidelines on acquisition management are properly taken into account.

(g) that verification of bids in excess of R10 million is adhered to,
Prior to advertisement:
Verification by the Director Financial Services
The senior manager responsible for a vote must submit to the Director Financial Services:

- i. proof that budgetary provision exists for the procurement of the goods/services and / or infrastructure projects;
- ii. any ancillary budgetary implications related to the bid;
- iii. any multi-year budgetary implications;

Prior to the award of a bid

Contracts above the value of R 10 million (all applicable taxes included) may only be awarded to the preferred bidder after the Director Financial Services has verified in writing that budgetary provision exists for the acquisition of the goods, infrastructure projects and /or services and that it is consistent with the Integrated Development Plan.

(h) that publication of awards in respect of advertised competitive bids (above the threshold value of R 200 000) is adhered to

The following information on the successful bids must be placed on the municipal website:

- i. Contract number and description of goods, services or infrastructure projects
- ii. Names of the successful bidders and the B-BBEE level of contribution claimed;

iii. Brand names and dates for completion of contracts.

- (2) Tenders to be evaluated on functionality
- i. Clear indication must be given in bid documents if bids will be evaluated on functionality.
 - ii. Evaluation criteria must be objective.
 - iii. The bid document must specify the evaluation criteria for measuring functionality.
 - iv. The weight of each criterion, applicable values and the minimum qualifying score (for each bid on its own merit) must be indicated in the bid documents.
 - v. Minimum qualifying score for each tender may not be so low that it may jeopardise the quality of the of the required goods and or services and it may not be so high that it is unreasonably restrictive.
 - vi. A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender document is not acceptable tender.
 - vii. Points scored for for functionality must be rounded off to the nearest two decimal places.
 - viii. Bidders achieving the minimum qualifying score must be evaluated further in terms of points for price and the preference points system.
- (3) Pre –evaluation
- i. After closure of the bid pre-evaluation is done to ensure all bidders comply with the prescribed minimum norms and standards, no technical evaluation is done at this point.
 - ii. Bidders are then invited to prepare for a functionality presentation in line with the criteria set out in the bid document on a specific date and provided with a time slot.
- (4) Appointment of a functionality committee
- i. The functionality committee is an ad-hoc committee appointed per bid.
 - ii. It should consist out of a cross functional team
 - iii. To be included as well:
 - A SCM Practitioner;
 - The end-user;
 - Technical experts;
 - Members of the Bid Evaluation- and Adjudication committees;
 - Director Financial Services or a person with knowledge of the available budget from the Director Financial Services' office;
 - Any other official deemed to be relevant;
 - Provincial SCM official.
 - Each member will complete a score sheet per bidder.
 - The totals to be calculated by SCM, a average calculated and only the bidders who scored the minimum qualifying score will be evaluated further.
 - Prior to the functionality committee meeting the end-user and the technical experts can sit with all the appointed committee members and peruse each bidder's proposal and draw-up a list of questions for clarification. Each member can add his / her own questions and during the presentations clarify or verify the information presented with relevant questions.
 - Functionality evaluation forms part of the formal evaluation processes and is open for legal scrutiny and challenges - therefore it is a formal once off' process with

proper procedures and score sheets to be completed per committee member for each bidder, duly signed off by the relevant committee member.

- Score sheets form part of a bid and year-end audit by the Auditor-General.
- Not following proper processes may lead to expenditure been classified as irregular by the Auditor-General's office.

NOTE: There cannot be two (2) technical evaluation processes, only one done by a duly appointed functionality committee.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's chain management system, including -

- a. the kind of goods or services; and
- b. the name of the supplier.

12. Range of procurement processes

- (1) Goods and services may only be procured by way of-
 - a) petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
 - c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
 - d) a competitive bidding process for-
 - i. procurements above a transaction value of R200 000 (VAT included); and
 - ii. the procurement of long term contracts.
- (2) The accounting officer may, in writing-
 - a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - b) direct that-
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000 (all taxes included);
 - (iii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R 10 000 (all taxes included); or
 - (iv) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 (all taxes included).
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid -

- (a) has furnished that provider's –
- (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
 - (iv) Valid tax clearance certificate from the South African Revenue Services;
 - (v) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears for more than three [3] months; Bids/ quotations should only be awarded to suppliers who are not in arrears with their municipal rates and taxes. If the suppliers are not resident in this municipality, but offer their services from any other municipality, the same applies. It should be established if they are not in arrears in their own municipality.
 - (vi) requirements for construction and engineering related bids should be awarded according to CIDB regulations;
 - (vii) The CIDB Act requires that all projects need to be registered with the CIDB;
 - (viii) Before an award is done to a contractor, the contractor's CIDB grading must be confirmed with the CIDB website
 - (ix) The CIDB grading designation is as follows:

Grading designation	Less than or equal to
1	R 200 000
2	R 650 000
3	R 2 000 000
4	R 4 000 000
5	R 6 500 000
6	R 13 000 000
7	R 40 000 000
8	R 130 000 000
9	No Limit

- (b) has authorised the municipality to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
- i. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - ii. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or- stakeholder is in the service of the state, or has- been in the service of the state in the previous twelve months; or
 - iii. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

14. Lists of accredited prospective providers

- (1) The accounting officer must-
 - a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
 - b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;
 - c) specify the listing criteria for accredited prospective providers; and
 - d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) Utilization of web based national central supplier database, the CSD will therefore be fully effective from 1st July 2016

The transitional period for local government is from 1 April 2016 to 30 June 2016. The CSD will therefore be fully effective for municipalities and municipal entities from 1 July 2016.

15. Petty cash purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

- a) council determine the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
- b) council determine the maximum number of petty cash purchases or the maximum amounts per month for each manager;
- c) council determine any types of expenditure from petty cash purchases that are excluded, where this is considered necessary; and
- d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including –
 - i. the total amount of petty cash purchases for that month; and
 - ii. receipts and appropriate documents for each purchase.

16. Written or verbal quotations

The conditions for the procurement of goods or services through written or verbal quotations are as follows:

a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

b) where no suitable accredited service providers are available from the list, quotations may be obtained from other possible providers not on the list, provided that such service providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this policy.

c) quotations must be approved on a rotation basis.

d) to the extent feasible, providers must be requested to submit such quotations in writing

e) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;

f) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

g) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider;

h) The municipality will investigate and utilize various other options to advertise bids/quotations viz. community boards, the library, public buildings, police station, etc. This is to ensure that the municipality tried to obtain at least three quotations.

i) In cases where there are only a few suppliers for certain goods and, vehicle repairs, the municipality will then use these suppliers on a rotation basis, in order to give everybody a chance. This practice will only be utilized in exceptional cases. As soon as more suppliers become available, such goods / services will be provided via the database.

17. Formal written price quotations -

The conditions for the procurement of goods or services through formal written price quotations, are as follows:

a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;

b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and

- d) the accounting officer must record the names of the potential providers and their written quotations.

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

- a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality ;
The revised PPPFA prescripts are applicable, e.g. Point system and Status level verification certificates (score cards) must be applied in the adjudication process. Please refer to paragraph (19) for more detail.
- c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;
- e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who's offer is according to specifications, has the ability to deliver and is compliant with all the other requirements and scored the highest points.
- g) minimum requirements for proper record keeping must be complied with.

19. Competitive bids

- a) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11 (2) of this Policy.

- b) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million

The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes:

80/20

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

- P_s = Points scored for price of bid under consideration
 P_t = Rand value of bid under consideration
 P_{\min} = Rand value of lowest acceptable bid

B-BBEE Status Level of Contributor	Number of points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non compliant Contributor	0

90/10 preference point system for acquisition of goods or services for Rand value equal to or above R50 million

The following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value equal to or above a Rand value of R50 million, inclusive of all applicable taxes:

90/10

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

- P_s = Points scored for price of bid under consideration
 P_t = Rand value of bid under consideration
 P_{min} = Rand value of lowest acceptable bid

B-BBEE Status Level of Contributor	Number of points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non compliant Contributor	0

- i. The points scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.
- ii. A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE status.

20. Process for competitive bidding

The procedures for the following stages of a competitive bidding process are as follows:

- a) Compilation of bidding documentation as detailed in paragraph 21;
- b) Public invitation of bids as detailed in paragraph 22;
- c) Site meetings or briefing sessions as detailed in paragraph 22;
- d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- e) Evaluation of bids as detailed in paragraph 28;
- f) Award of contracts as detailed in paragraph 29;
- g) Administration of contracts
- h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- i) Proper recording keeping.

21. Bid documentation for competitive bids

The criteria to which bid documentation for a competitive bidding process must comply, must-

- a) take into account –
 - i. the general conditions of contract and any special conditions of contract, if specified;
 - ii. any Treasury guidelines on bid documentation; and

- iii. the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- d) if the value of the transaction is expected to exceed R 10 million (VAT included), require bidders to furnish-
 - i. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements-
 - (aa). for the past three years; or
 - (bb). since their establishment if established during the past three years;
 - ii. a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - iii. particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - iv. a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic; and
- e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- f) The Accounting Officer reserves the right to stipulate such a dispute to be settled utilizing a court of law preferably within the municipal boundaries or as close as possible to the municipal boundaries

22. Public invitation for competitive bids

- (1) The procedure for the invitation of competitive bids, is as follows:
 - a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - b) the information contained in a public advertisement, must include-
 - i. the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R 10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on

- which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
 - ii. a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - iii. date, time and venue of any proposed site meetings or briefing sessions;
 - (2) The accounting officer may determine a closure date for the submission of bids on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
 - (3) Bids submitted must be sealed.
 - (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

23. Procedure for handling, opening and recording of bids

The procedures for the handling, opening and recording of bids, are as follows:

- a) Bids-
 - i. must be opened only in public;
 - ii. must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - iii. received after the closing time should not be considered and returned unopened immediately.
- b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- d) The accounting officer must-
 - i. record in a register all bids received in time;
 - ii. make the register available for public inspection; and
 - iii. publish the entries in the register and the bid results on the website.

24. Negotiations with preferred bidder

- (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
 - a) does not allow any preferred bidder a second or unfair opportunity;
 - b) is not to the detriment of any other bidder; and
 - c) does not lead to a higher price than the bid as submitted.
- (2) The accounting officer may -
 - i. negotiate a market-related price with the bidder scoring highest points or cancel the tender;

- ii. if the bidder does not agree to a market-related price, negotiate a market-related price with the bidder scoring the second highest points or cancel the tender;
- iii. if the bidder scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the bidder scoring the third highest points or cancel the tender,
- iv. if a market-related price is not agreed as envisaged in the paragraph (2)(iii), the municipality must cancel the tender.

(2) Minutes of such negotiations must be kept for record purposes.

25. Two-stage bidding process

- (1) A two-stage bidding process is allowed for –
 - a) large complex projects;
 - b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage final technical proposals and priced bids should be invited.

26. Committee system for competitive bids

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
 - a) a bid specification committee;
 - b) a bid evaluation committee; and
 - c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - a) paragraph 27, 28 and 29 of this Policy; and
 - b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

27. Bid specification committees

(1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality

(2) Specifications -

- a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";
- f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

(3) Prequalification criteria for preferential procurement

The municipality may decide to apply pre-qualifying criteria to advance certain designated groups, the municipality when applying this must specify as a bid condition that only one or more of the following bidders may respond-

- a) a bidder having a stipulated minimum B-BBEE status level of contributor;
- b) an EME or QSE
- c) a bidder subcontracting a minimum of 30% to-
 - i. an EME or QSE which is at least 51% owned by black people;
 - ii. an EME or QSE which is at least 51% owned by black people who are youth;
 - iii. an EME or QSE which is at least 51% owned by black people with disabilities;
 - iv. an EME or QSE which is at least 51% owned by black people who are women;
 - v. an EME or QSE which is at least 51% owned by black people living in rural or undeveloped areas or townships;
 - vi. an EME or QSE which is at least 51% owned by black people who are military veterans;
 - vii. a cooperative which is at least 51% owned by black people
 - viii. an EME or QSE.
- d) A tender that fails to meet any pre-qualifying criteria stipulated in the bid documents will be considered unacceptable bid.

(3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

28. Bid evaluation committees

(1) A bid evaluation committee must-

- a) evaluate bids in accordance with –
 - i. the specifications for a specific procurement; and
 - ii. the points system set out in terms of paragraph 27(2)(l).
- b) evaluate each bidder's ability to execute the contract;
- c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

- a) officials from departments requiring the goods or services; and
- b) at least one supply chain management practitioner of the municipality.

(3) Evaluation of bids that scored equal points

In the event that two or more bids have scored equal total, the successful bid must-

- be the one that scored the highest points for B-BBEE.

If two or more bids have equal points, including equal preference points for B-BBEE, the successful bid must be-

- the one scoring the highest points for functionality, if functionality is part of the evaluation process.

In the event that two or more bids are equal in all respects, the award must be-

- decided by drawing lots

29. Bid adjudication committees

(1) A bid adjudication committee must –

- a) consider the report and recommendations of the bid evaluation committee; and
- b) either-
 - i. depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - ii. make another recommendation to the accounting officer how to proceed with the relevant procurement.

(2) A bid adjudication committee must consist of at least four senior managers of the municipality, which must include -

- a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
- b) at least one senior supply chain management practitioner who is an official of the municipality; and
- c) a technical expert in the relevant field who is an official, and who requests the goods/services must be co-opted any way. Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations for final approval.

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(5)

- a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid -
 - i. check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - ii. notify the accounting officer.
- b) The accounting officer may-
 - i. after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - ii. if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(7) The accounting officer must comply with section 114 of the Act within 10 working days

(8) For the purposes of continuity and not to delay meetings the Accounting Officer may also appoint any official to temporarily replace members that are absent from meetings due to illness, leave, etc. The Accounting Officer may also decide whether or not such an official will have the same powers as committee members

(9) Awarding of contracts

A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point system. Points scored must be rounded off to the nearest 2 decimal places.

In exceptional circumstances a contract may, on reasonable and justifiable grounds be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law.

30. Procurement of banking services

- (1) A contract for banking services-
 - a) must be procured through competitive bids;
 - b) must be consistent with section 7 or 85 of the Act; and
 - c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990):

31. Procurement of IT related goods or services

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if
 - a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

32. Procurement of goods and services under contracts secured by other organs of state

- (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
- a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - b) there is no reason to believe that such contract was not validly procured;
 - c) there are demonstrable discounts or benefits to do so; and
 - d) that other organ of state and the provider have consented to such procurement in writing.
- (2) Subparagraphs (1)(c) and (d) do not apply if-
- a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
 - b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

33. Procurement of goods necessitating special safety arrangements

- (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in- bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

34. Proudly SA Campaign

The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly - suppliers and businesses within the municipality or district;
- Secondly - suppliers and businesses within the relevant province;
- Thirdly - suppliers and businesses within the Republic.

35. Appointment of consultants

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if
- a) the value of the contract exceeds R200 000 (VAT included); or
 - b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- a) all consultancy services provided to an organ of state in the last five years; and
- b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

36. Deviation from, and ratification of minor breaches of, procurement processes

(1) The accounting officer may –

- a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - i. in an emergency;
 - ii. if such goods or services are produced or available from a single provider only;
 - iii. for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - iv. acquisition of animals for zoos and/or nature and game reserves; or
 - v. in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11 (2) of this policy.

37. Management of expansion or variation of orders against the original contract

(1). Contracts may be expanded or varied by not more than 20% for construction related goods, services and /or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the above mentioned thresholds must be reported to council. Any expansion or variation in excess of these thresholds must be dealt with in terms of the provisions of Section 116 (3) of the MFMA which will be regarded as an amendment of the contract.

(2). The contents of this paragraph are not applicable to transversal contracts, facilitated by the relevant treasuries on behalf of municipalities and specific term contracts. The latter refers to orders placed as and when commodities are required and at the time of awarding contracts, the required quantities were unknown.

38. Local Content

The Preferential Procurement Regulations, 2011 pertaining to the Preferential Procurement Policy Framework Act, Act No 5 OF 2000 which came into effect on 7 December 2011 make provision for the dti to designate sectors in line with national development and industrial policies for local production. To this end the dti has designated and determined the stipulated minimum thresholds for the following sectors:

Bus Sector	70 - 80 %
Pylons	100 %
Rolling Stock	55 - 80 %
Textiles	100%
Processed Vegetables	80 %
Set Top Boxes	30 %
Furniture Products	from 65 to 100%
Electrical and telecom cable products	90%

Note: Other designated sectors may be added by dti in future.

When inviting bids/quotations where local content is applicable, municipalities must indicate this in the bid advertisement. The MBD 6.2, SABS Specification SATS 1286:2011, and dti Guidance on the calculations of local content [available on dti's official website <http://www.thedti.gov.za>] should also be included in the bid documents/quotations.

The supplier has to proof that the product he offers does indeed comply with the stipulated thresholds. In order to do this there are three annexures which the supplier has to fill in and submit together with the bid document/quotation. These forms are also available on the dti Guidance on the calculations of Local content. It is advisable that municipalities attach the Guidance document to the bid documents/quotations in order to assist the suppliers to fill in the bid documents.

A two stage evaluation process may be followed

First stage

- calculate if the bidder adheres to the local content percentage requirement

Second stage:

- Only the bidders who comply with the local content percentage requirement will be evaluated further.

39. Unsolicited bids

(1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if-

- a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

- b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - c) the person who made the bid is the sole provider of the product or service; and
 - d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
- a) reasons as to why the bid should not be open to other competitors;
 - b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
- a) any comments submitted by the public; and
 - b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

40. Combating of abuse of supply chain management system

- (1) The accounting officer must-
- a) take all reasonable steps to prevent abuse of the supply chain management system;
 - b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - i. take appropriate steps against such official or other role player; or

- ii. report any alleged criminal conduct to the South African Police Service;
- c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- d) reject any bid from a bidder-
 - i. if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality or to any other municipality, are in arrears for more than three months; or
 - ii. who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (c) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
 - i. the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - ii. an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - i. has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - ii. has been convicted for fraud or corruption during the past five years;
 - iii. has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - iv. has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

(3) The accounting officer (who may delegate the task to the CFO) must, as part of complying with section 62(1)(d) of the MFMA set up and maintain a register of Unauthorised, Irregular, Fruitless and Wasteful Expenditures. The aim with the register is also to serve as a tool for recording all unauthorised, irregular, fruitless and wasteful expenditures and for tracking progress in dealing with the consequences flowing from such expenditures until all the issues that gave rise to the expenditures are properly resolved in accordance with the legal framework. Please also consult National Treasury MFMA Circular 68 dated 10 May 2013 in this regard.

Part 3: Logistics, Disposal, Risk and Performance Management

41. Logistics management

The accounting officer must establish and implement an effective system of logistics management, which must include –

- a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.
- h) the maintenance and administration of term contracts is co-managed with acquisition management for general goods / services.

42. Disposal management

(1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are to be determined by council.

(2) Assets may be disposed of by –

- i. transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- ii. transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- iii. selling the asset; or
- iv. destroying the asset.

(3) The accounting officer must ensure that –

- a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

- e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

43. Risk management

- (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are to be determined by council
- (2) Risk management must include –
 - a) the identification of risks on a case-by-case basis;
 - b) the allocation of risks to the party best suited to manage such risks;
 - c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

44. Performance management

The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

45. Prohibition on awards to persons whose tax matters are not in order

- (1) No award above R 15 000 (all taxes included), may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order
- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

46. Prohibition on awards to persons in the service of the state

Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy -

- a) who is in the service of the state;
- b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- c) a person who is an advisor or consultant contracted with the municipality.

47. Awards to close family members of persons in the service of the state

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- a) the name of that person;
- b) the capacity in which that person is in the service of the state; and
- c) the amount of the award.

48. Ethical standards

(1) A code of ethical standards as set out in subparagraph (2) is hereby established for officials and other role players in the supply chain management system of the municipality in order to promote –

- a) mutual trust and respect; and
- b) an environment where business can be conducted with integrity and in a fair and reasonable manner

Note:

It is recommended that the municipality or municipal entity adopt the 'National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management'. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation". This code of conduct must be adopted by council or board of directors to become binding.

(2) An official or other role player involved in the implementation of this Policy –

- a) must treat all providers and potential providers equitably;
- b) may not use his or her position for private gain or to improperly benefit another person;
- c) may not accept any reward, gift, favour, hospitality or other benefit directly" or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;

- d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality ;
 - f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - g) must be scrupulous in his or her use of property belonging to municipality ;
 - h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - i. any alleged fraud, corruption, favouritism or unfair conduct;
 - ii. any alleged contravention of paragraph 47(1) of this Policy; or
 - iii. any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) –
- a) must be recorded in a register which the accounting officer must keep for this purpose;
 - b) by the accounting officer must be made to the council of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) A breach of the code of ethics must be dealt with as follows –
- a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

49. Inducements, rewards, gifts and favours to municipalities, officials and other role players

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- a) any inducement or reward to the municipality for or in connection with the award-of a contract; or
 - b) any reward, gift, favour or hospitality to –
 - i. any official; or
 - ii. any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending

person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R350 in value.

50. Sponsorships

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is -

- a) a provider or prospective provider of goods or services; or
- b) a recipient or prospective recipient of goods disposed or to be disposed.

51. Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

52. Resolution of disputes, objections, complaints and queries

(1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes -

- a) to assist in the resolution of disputes between the municipality and other persons regarding
 - i. any decisions or actions taken in the implementation of the supply chain management system; or
 - ii. any matter arising from a contract awarded in the course of the supply chain management system; or
- b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must -

- a) strive to resolve promptly all disputes, objections, complaints or queries received;
and
- b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if -

- a) the dispute, objection, complaint or query is not resolved within 60 days;
or
- b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

53. Contracts providing for compensation based on turnover-

If a service provider acts on behalf of municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

54. Commencement

Approved by Council on 2017/05/30

Approved by Accounting Officer on 2017/05/29

This Policy takes effect on 2017/07/01

ANNEXURE I

GA-SEGONYANYA LOCAL MUNICIPALITY



REVIEWED TRAVEL AND SUBSISTENCE POLICY

1. Introduction

- 1.1 The current travel and subsistence procedures have been applied and followed for the past years and have become outdated as circumstances have changed and costs have increased with inflation.
- 1.2 Officials and councilors are required from time to time to travel away from the office in order to meet other role players, attend workshops and official functions. And often these councilors and officials are required to use their own transport and need to be reimbursed for the cost incurred.
- 1.3 An updated Travel and Subsistence Policy that take the above scenario into account has become necessary.

2. Purpose of the Policy

The purpose of this policy is to:

Ensure that all travel and subsistence costs incurred by the Municipality are done as efficiently and effectively as possible.

Ensure that councilors and officials are reimbursed fairly and consistently for the cost incurred while traveling to perform municipal duties.

3. Application

This policy applies to: -

- 3.1 all councilors of Ga-Segonyana Local Municipality; and
- 3.2 all officials Ga-Segonyana Local Municipality
- 3.3 relevant stakeholders of Ga-segonyana Local Municipality

Who are travelling on official business and as such are formal representatives of GaSegonyana municipality.

4. Legal Framework

In terms of Section 66 of the MFMA No.56 of 2003 the accounting officer of the municipality must, in format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, allowances and benefits, separately disclosing (inter alia) travel, subsistence and accommodation.

The following legislation will be applied.

- Department of Finance Tariff guidelines
- SALGA's Councilors Hand Book
- Department of Cooperative Governance and Traditional Affairs No R. 12225 – Remuneration of Public Office bearers (Act No. 20. of 1998)

5. Definitions and Abbreviations

- **HOD** – Head of Department
- **MM** – Municipal Manager
- **SARS** – South African Revenue Services

- **SALGA** – South African Local Government Association
- **BTO** – Budget and Treasury Office
- **Partner** – By partner the policy refers to somebody who is married in terms of civil or Traditional Marriage.

6. Subsistence and travel allowance

6.1 Privately Owned Vehicle and Subsistence allowance

- 6.1.1 A subsistence allowance does not cover any personal recreation such as alcoholic beverages, private telephone calls, visits to a cinema, theatre, nightclubs or sightseeing.
- 6.1.2 For privately owned vehicle claimant shall be paid at the rate per kilometre as determined by the National Department of Transport from time to time.
- 6.1.3 All officials of Ga-segonyana Municipality that qualifies for car allowance must use their private vehicles and claim for the kilometers travelled as per private tariffs for all official trips travelled outside Ga-segonyana boundaries. A log sheet should be kept for claiming kilometers travelled within the boundaries of the Ga-segonyana local Municipality.
- 6.1.3 Staff members and councilors residing outside Kuruman Town, will make prior arrangements with the relevant HOD or the Municipal Manager in order to utilize the municipal car on arrival from an official trip.
- 6.1.4 In a case where a private transport was used to transport an official to and from home, the kilos can be claimed, and in a case where a vehicle scheme transport was used, the kilos can be included in the log book. (Prior arrangements will be done with the relevant Head of Department or the Municipal Manager).
- 6.1.5 The total traveling distance shall be calculated from and to the Ga-Segonyana District Municipal offices in Kuruman, clause 6.3 and 6.4 will be considered in consultation with the Head of Department and the Municipal Manager.
- 6.1.6 All councillors and officials will only claim for kilometers travelled from the GA-SEGONYANA LOCAL premises.
- 6.1.7 In the event there is a need for officials and councilors to travel to the same meeting they should at least travel in a pair of two per vehicle.
- 6.1.8 Whenever two people travel in one car, an indemnity form designed for this purpose should be signed by all parties. The form should specify the names of the people, the fact that the employer will take the risks and the details of the meetings they will attend.
- 6.1.9 Should an accident happen while two people were travelling in one car, the case will be handled as an injury on duty, and all claims and procedures on the Compensation and injuries and diseases act no 130 of 1993 will be followed.

6.2 Public Transport

- 6.2.1 For public transport proof of payment must be furnished.

6.3 Accommodation and Subsistence Allowance

- 6.3.1 Overnight accommodation shall only be allowed in cases where the traveling time from Ga-Segonyana Municipal Offices to the venue is more than two hours after the official starting time (07:30) of the Municipality.
- 6.3.2 Overnight accommodation shall also be allowed in cases where traveling from the venue to Ga-Segonyana Municipal Office is after 18:00, and 16:00 in cities where traffic congestion is a challenge.
- 6.3.3 The following two options are available in cases where an overnight accommodation is required:
- 6.3.4 The actual cost of accommodation will be borne by the Municipality, subject to a maximum of **R1 000.00 per night (and R1500.00 for Mayor, Speaker and MM and their protocol drivers)** (including tourism levy) for the accommodation itself in respect of domestic travel. Where such accommodation is available, the applicable rate will be paid in advance by the Municipality. For cities where accommodation is more expensive, an amount of **R1500.00 and (R1 800 for Mayor, Speaker and Municipal Manager and their protocol drivers)** will be paid. The standard of accommodation should at least be 3 star.
- 6.3.5 **Subsistence allowance will be paid in terms of the prescribed SARS tariffs, as determined from time to time.**
- 6.3.6 If a Municipality representative stays with a relative or friend, no accommodation allowance may be claimed, but the representative may claim an overnight allowance of **R700** per day.
- 6.3.7 Where it is not necessary to overnight, no accommodation cost will be paid, and a subsistence allowance will be paid if a councilor or official was away for four hours and more on an official visit. The daily subsistence tariffs will be determined by SARS, from time to time.
- 6.3.8 Should a need arise for an official/Councillor in the municipality to visit a particular Department, a stakeholder, a municipality outside the Ga-Segonyana local municipality, or to perform duties outside as according to his weekly/monthly plan, a letter of motivation and or a weekly plan will be submitted to a supervisor. If a motivation letter or a weekly plan approved, the same documents will be used as proof for the purpose of claims and accommodation by the BTO.

6.4 Travel allowances for persons invited for interviews

- 6.4.1 No subsistence cost will be paid to a candidate invited for an interview, the tariffs of **Department of Transport will be used** if the candidate has to travel more than 50 km to attend the interview.

6.5 Incidental Expenses

The following expenses incurred must be paid for by the claimant and reclaimed back from the Municipality by supporting valid proof of expenditure:

6.6.1 Toll fees

6.6.2 Parking fees

6.6 Traveling to Foreign Countries

6.6.1 The cost of accommodation for international travel may not exceed **US \$ 400 per day**.

6.6.2 If a councilor or official is travelling to a country where a currency is lessor or equal to the rand, the claim will be paid according to the rand, as per the 6.4.5 in the S&T policy.

6.6.3 If a councilor or official is travelling to a country with a currency that is more than the rand, the claim will be paid in terms of the US dollar.

6.6.4 If a councilor or official is travelling to a country with a currency that is more than the US dollar, the claim will be paid in terms of the currency of that country.

7. Capacity Building and Workshops arranged by Municipality

7.1 All officials and Councilors traveling for capacity building or workshop purposes are entitled to accommodation and daily expenses in paragraph 6.4 and 6.7 respectively.

8. Traveling by flight

When traveling alone, councilors and staff members will be allowed to use the services of a flight, subject to the availability of funds.

8.1 If more than one person is traveling, a private car or a municipal car will be used.

8.2 Only the economy class can be used for both the local and international flights.

8.3 Flight travel will only be limited to the official duties of the Councilor or official. Travel for studies is specifically excluded under official duties. Officials and Councilors are to use road transport for such.

8.4 For international flights, payment will be done subject to a council resolution.

8.5 Prior arrangements to obtain a rental car will be made.

9. Councilors Traveling Allowance

The traveling allowance to Councilors shall be as follows:

9.1 A fixed allowance based on a percentage of the salary of the full-time Councilors concerned as determined in terms of the regulations, which percentage may not exceed 25%; or

9.2 An allowance in respect of kilometers traveled during the performance of official functions on behalf of the Municipality not exceeding the applicable tariffs prescribed by the Department of Transport of the use of privately-owned vehicle.

- 9.3 In addition, the other allowances referred to in subparagraph (9.1 and 9.2) a further allowance regarding kilometers traveled in respect of the performance of official functions on behalf of the Municipality outside the jurisdiction of the District not exceeding the applicable tariffs prescribed by the Department of Transport for use private vehicles.
- 9.4 A Councilor must elect one of the options in subparagraph 9.1 or 9.2 at the beginning of each financial year of the Municipality: Provided that a Councilor, other than a full time Mayor or full-time Mayor where applicable, may not receive any allowance provided for in subparagraph 9.1 and 9.2 where the Municipal Council makes a vehicle available to that Councillor.
- 9.5 In addition to the allowance provided for in this paragraph, a Councilor may utilize a Council owned vehicle when performing a ceremonial function as determined by the Municipal Council.

10 Officials Car Allowance

Car allowance for line Managers shall be a fixed amount of R12 000 per month and for all other workers, not similar to Line Managers, currently receiving car allowance shall be a fixed minimum amount of R7 000 to a maximum amount of R9 000 per month. This allowance will only be reviewed after every three years.

11 Repayment of claims

The claimant shall be required to pay back the money under the following circumstances:

- 11.1 Should the meeting or trip be cancelled the Budget and Treasury Office must be informed immediately.
- 11.2 If the meeting is cancelled before the trip is undertaken and claims were already done, the claimed money must be paid back in full to the **municipality**.
- 11.3 Should an official or a councilor travel unaware of the cancellation, the money will be recovered from her/him by the BTO after the notice has been given except in cases where is not your own fault.
- 11.4 All suspicions of fraudulent claims and wasteful expenses related to this policy must be investigated and appropriate sanctions be carried out.

11. Claims for Traditional leaders.

- 11.1. Traditional leaders who are sitting in the Ga-segonyana Local Municipality Council will only claim for council meetings attended.

12 Claims Procedures

12. The following procedures are to be followed in all the travel and subsistence claims:
- 12.1. The official travel and subsistence claim form of the municipality to be completed by the claimant.
- 12.2. The necessary supporting documentation must be attached to the claim form.
- 12.3. The claim form must be **co signed** by the Speaker in the case of Councilors, and the Municipal Manager/the relevant HOD. The Municipal Manager/his/her delegate will

sign official's claims. In the event of Exco members, the claims will be authorized by the Mayor or his delegated official. Such delegation should be in writing.

- 12.4. In the event of the physical absence of either the Speaker or the Mayor an electronic authorization may be obtained via email, sms or whatsapp text which must be attached to the claim form prior to any payment being made.
- 12.5. All travel and subsistence form to be finally approved by the Municipal Manager/, /Head of Department or **delegated officials**.
- 12.6. On return from the trip OFFICIALS only are required to report back to their respective Head of Departments within a week of return from the travel. Failure to submit this report will result in a misconduct and future travel by the official will only be paid in arrears on the return from the trip.
- 13.5 The Municipal Managers claim forms will be signed by the Mayor.
- 13.6 The completed and approved claim forms must then be submitted to the Budget and Treasury Office for processing.
- 13.7 The travel and subsistence claim forms shall be processed as follows by the Budget and Treasury Office.
- 13.8 All claims for payment must reach the Budget and Treasury Office before **13:00** of the day preceding the claim payment day or else the payment shall be delayed to the next claim payment day. **All claims and accommodation must be paid on the day before travelling.**
- 13.9 All payment (as much as possible) shall be done electronically into individual account.
- 13.10 It is the **sole** duty of individual claimant to ensure that the **compliant** and **completed** claim form reaches the Budget and Treasury office timeously.

14. Delegated Powers

The following powers are delegated in terms of this policy:

- 14.1. All the travel and subsistence claims forms to be finally approved by the Municipal Manager, Acting Municipal Manager, HOD or any other delegated official.
- 14.2. All the travel and subsistence claim forms of Councilors to be approved by the Speaker.
- 14.3. All the travel and subsistence claim forms of Exco Councilors to be approved by the Mayor or his delegate.
- 14.4. All the travel and subsistence claim forms of officials to be approved by the Municipal Manager or delegated official.
- 14.5. **In the absence of a Municipal Manager the delegated official will have signing powers. A manager from another Department may not sign for another Department.**

15. Status of the Policy

- 15.1 This policy shall be effective **after approval by council**.
- 15.2 All applicable legislation, bargaining council agreement and Salga guidelines override this policy.

- 15.3 It is the responsibility of the Municipal Manager to bring the conflict between this policy and applicable legislation to the attention of the council and propose changes to eliminate such conflict.

16. Review of the Policy

This policy will be reviewed as and when required at least once annually as per the Municipal Budget Reporting Regulations.

DRAFT REVIEWED

ANNEXURE J

GA-SEGONYANA LOCAL MUNICIPALITY



FUNDING AND RESERVES POLICY

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1. INTRODUCTION AND OBJECTIVE

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash – funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

2.3 STATEMENT OF INTENT

The municipality will not pass a budget which is not cash – funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

2.4 CASH MANAGEMENT

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

2.5 DEBT MANAGEMENT

Debt must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy.

2.6 FUNDING THE OPERATING BUDGET

2.6.1 INTRODUCTION

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight of the poor, and in line with national and provincial objectives, the municipality commits itself to subsidised services to the poor. This will necessitate cross subsidisation in tariffs to be calculated in the budget process.

2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

- a) The budget must be cash – funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must be excluded

from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure from grants, inclusive of capital expenditure and VAT as per directive given in MFMA circular 48.

- e) Projected revenue from services charges must be reflected as net (all billing less revenue foregone, which is free basic services, discounts and rebates).
- f) Projected revenue from property rates must include all rates to be levied, but rebates and discounts must be budgeted for as either revenue foregone or a grant, as per directive in MFMA Budget Circular 51, depending on the conditions of the exemption, rebate or reduction.

For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.

- g) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash flow budget.
- h) Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an operating surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget, in order to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".
- i) Depreciation must be fully budgeted for in the operating budget.

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.

- j) Contributions to provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

2.7 FUNDING THE CAPITAL BUDGET

2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non – existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of own contributions, grants and public contributions as well as external loans.

Own Contributions

The capital budget financed from own contributions must primarily be funded from the Capital Replacement Reserve.

Notwithstanding the above the capital budget or portions thereof may also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

Grants (Including Public Contributions)

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

It is therefore determined that the accounting officer must evaluate the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council.

It is furthermore determined that the depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer must put such accounting measures in place to comply with this requirement, to a reasonable extent.

External Loans

The municipality may only raise loans in accordance with its Debt Management Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

The municipality wants to ensure that the budget or adjustments budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget. These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position throughout the year is crucial. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- vat due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- in addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")

This indicator shows the level of risk should the municipality experience financial stress.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS

It is almost certain that the operating budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a "balanced" budget but excluding such depreciation charges, the depreciation charges may be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	Revenue of budget year	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	=Revenue increase/decrease	R XX	R XX	R XX
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper limit of macro Inflation target	%	%	%
F	=Growth in excess of inflation target	%	%	%
G	Less: Expected growth %	%	%	%

H	=Increase attributed to tariff Increase above macro inflation target	%	%	%
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In the event that the percentage in (h) above is greater than zero, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the rate currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

2.8.9 CAPITAL PAYMENTS AS A PERCENTAGE OF CAPITAL EXPENDITURE

This indicator provides information as to the timing for payments on capital projects and utilising allowed payment terms.

2.8.10 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's Borrowing Policy.

2.8.11 GRANTS REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE

The percentage should never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.12 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

An unacceptable high increase in either current- or non- current debtors' balances should be investigated and acted upon.

2.8.13 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the maintenance budget should be between 4% and 8% of the value of assets.

2.8.14 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

2.8.15 FINANCIAL PERFORMANCE BUDGET

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

A number of line-items influence the net result of the financial performance budget. It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

2.8.16 FINANCIAL POSITION BUDGET

This indicator provides an overall view of the projected financial position over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

2.8.17 CASH FLOW BUDGET

A positive cash flow is a good indicator of a balanced budget, as well as the ability of the municipality to meet its future commitments.

The cash flow budget, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a projected positive cash inflow lead to additional expenditure requests, without taking the requirements of those items into consideration.

3. SECTION B: RESERVES POLICY

3.1 INTRODUCTION

Fund accounting historically formed a huge part of municipal finance in the IMFO standards.

Since the municipality changed to General Recognised Accounting Practices (GRAP), fund accounting is no more allowed.

The municipality, however, recognises the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

3.2 LEGAL REQUIREMENTS

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards itself also do not provide for reserves.

However, the GRAP "Framework for the Preparation and Presentation of Financial Statements" states in paragraph 91 that such reserves may be created, but "Fund Accounting" is not allowed and any such reserves must be a "legal" reserve, i.e. created by law or Council Resolution.

3.3 TYPES OF RESERVES

Reserves can be classified into two main categories being "cash funded reserves" and "non – cash funded reserves".

3.3.1 CASH FUNDED RESERVES

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

(a) Capital Replacement Reserve (CRR)

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance– or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the annual financial statements.

(b) Employee benefits reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

(c) Non-current provisions reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

(d) Valuation reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation and the Accounting Officer is hereby delegated to determine this amount annually during the compilation of the annual financial statements.

(e) Other statutory reserves

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

3.3.2 NON – CASH FUNDED RESERVES

It might be necessary to create non – cash funded reserves for a variety of reasons, including GRAP requirements. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

The Accounting Officer is hereby delegated and may also in the discretion of the Accounting Officer, create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

3.4 ACCOUNTING FOR RESERVES

3.4.1 REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

3.4.2 OTHER RESERVES

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus.

It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

4. SECTION C: REVIEW OF THE POLICY

This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

Whenever the Minister of Finance or the National Treasury or the Auditor – General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A

RECONCILIATION OF CASH REQUIREMENTS

Cash flow from operating activities		R XX
Add : Depreciation from own funds		R XX
Add : Contribution to current provisions		R XX
Add : 20% of prior year non – current provisions balance		R XX
Add : 5% of prior year non – current employee benefits balance		R XX
Add : Contribution to Valuation reserve		R XX
Add : Unspent conditional grants		R XX
Add : Unspent public contributions		R XX
Add : Unspent borrowings		R XX
Add : VAT due to SARS		R XX
Add : Secured investments		R XX
Add : Cash portion of Statutory Reserves	R XX	
Add : Working Capital Requirements		R XX
= Minimum Cash Surplus Requirements for the year		R XX

ANNEXURE K

GA-SEGONYANYA LOCAL MUNICIPALITY



BORROWING POLICY

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1. INTRODUCTION

In terms of Chapter 6 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), (The "Act") the Municipality may incur long- and short-term Borrowing, subject to certain conditions.

The Municipality sometimes need additional bridging funding for over short-term periods and to finance long-term projects (capital projects).

This Borrowing Policy provides for the Municipality to obtain short- and long-term Borrowing and set out all conditions under which the Municipality will be entitled to obtain such Borrowing.

All employees of the Municipality should adhere to this policy.

2. POLICY FRAMEWORK

This policy addresses all relevant principles and processes to be followed when obtaining short- and long-term Borrowing, to ensure sufficient management of Borrowing. The policy includes the following:

- Objectives of the policy
- Due diligence
- Delegations
- Management and Internal Control Procedures
- Borrowing Management
- Types of Borrowing
- Securities for Borrowing
- Approval procedures
- Cost of Borrowing
- Competitive selection of bids
- Types of Borrowing and financing sources
- Commission and discounts
- Forbidden activities
- Reporting and monitoring of requirements
- Review of the policy

3. OBJECTIVES

The objectives of this policy are to ensure optimal performance with the lowest possible risk through managing the Borrowing, and to ensure accountability, responsibility and transparency throughout the process.

4. DUE DELIGENCE

Each official involved in the process of Borrowing must do so with such judgments and care, under prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in managing his or her own affairs and with his or her primary goal to protect the Municipality's cash resources, the Municipality's interests with its funders, and in general the Municipality's good name.

Speculation may not be undertaken in any of the processes.

5. DELEGATIONS

The management of all cash resources of the Municipality is the responsibility of the Municipal Manager. The Municipal manager will be responsible for:

- the proper implimentation of this policy;
- developing of a relevant system for delegation which will ensure administrative as well as operational effectiveness; and
- appropriate controles on balancing of the managment of cash resources

The Chief Financial Officer, as designated in writing by the Municipal Manager, should advise the Municipal Manager on the exercise of powers and duties with regard to this policy, and assist the Municipal Manager in the administration of the cash resources, bank accounts and Borrowing account.

The Municipal Manager may not delegate any powers or duties in the administration of the Municipality's cash resources to any political structure or councilor and no council member is allowed to interfere or attempt to interfere in the management of the Municipality's cash resources.

Any delegation by the Municipal Manager in terms of this policy:

- Must be in writing.
- Is subject to any restrictions and conditions as the Municipal Manager shall prescribe.
- May be either to a specific individual or to the holder of a specific position in the Municipality and may not be a committee of officials.
- Can not deprive the Municipal Manager of the responsibility concerning the exercise of delegated powers or the performance of the delegated duty.

The Municipal Manager may question any decision taken as a result of a delegation or sub-delegation in terms of this policy to confirm, amend or repeal, but no such amendment or repeal of an act may be done to break down any rights that would arise as a result of the decision.

For the implementation of this policy, any reference to "Municipal Manager" also means "any other person acting under a delegated power or function as exercising delegated by the Municipal Manager in terms of paragraph 5.

6. MANGEMENT AND INTERNAL CONTROL PROCEDURES

The Municipal Manager, assisted by the Chief Financial Officer must take all reasonable steps to ensure:

- That the Municipality have a managerial-, accounting- and information system to maintain all Borrowing-, accounts-, receipting-, withdrawals- and Borrowing transactions.
- That, in the case of Borrowing, amounts due been calculated on a monthly basis
- That the Municipality have a system of internal controls over bank- and Borrowing accounts, receipting-, withdrawal- and Borrowing transactions.

The Internal Audit department should advise the municipal manager and evaluate and report on compliance with the above, at least an annual basis.

7. BORROWING

7.1. Borrowing Management

The Municipal Manager is responsible for the administration of all Borrowing procedures and must take all reasonable steps to ensure that Borrowings are managed in compliance with all audit requirements and any legal requirements included as prescribed in the Law on Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

The Municipal Manager may delegate the duties, linked to investments, as per paragraph 5 of this policy.

7.2. Borrowing Ethics

All officials involved in the Borrowing management process must act with fidelity, honesty, integrity and in the best interest of the Municipality and must strive, within the sphere of influence of the officials, to prevent any impairment of the Borrowing of the Municipality and other municipalities' good name and solvency problems.

No officials involved in the Borrowing management process should use his or her position or privileges as, or confidential information obtained officials in the process for personal gain or unfair advantage to another person.

The Municipal Manager must report as soon as practicable to the Mayor as well as the National Treasury any alleged violation of the above and may also make recommendations whether the alleged offending party must be listed on the National Treasury's database of persons prohibited from doing any business with the public sector. Any such report by the Municipal Manager must complete details of

the alleged violation and a written response from the alleged offending party, as proof that the alleged offending party did receive the allegations in writing and had at least 7 (seven) working days to respond to the allegations.

Any sponsor, offered or granted to the Municipality must be immediately reported to the National Treasury.

7.3. Types of Borrowing

7.3.1.Short-term Borrowing

To ensure that the Municipality has sufficient cash to meet the objectives of local government, as contained in Article 152 of the Constitution of the Republic of South Africa (Act 108 of 1996), it is sometimes necessary to obtain short-term financing in order to finance cash shortages in a financial year to cover the bridging operation and / or temporary capital financing.

Short-term Borrowings may only be incurred if the Council is convinced that it will be refunded during the financial year and a report to the Council should indicate how and when it will be repaid, with specific reference to the conditions set in Article 45 of the Act on Local Government: Municipal Finance Management Act (Act No. 56 of 2003).

No Borrowing agreement for short-term Borrowings may be incurred for a period that expires after the end of the financial year in which they are incurred. The Municipal Manager must, as part of the budgeting, determine in time whether the Council will need short term Borrowing for the new financial year ahead and take such steps to ensure that the Council could consider a Borrowing agreement before the date on which the Council will require such financing.

By considering the cash flow of the Municipality it must be provide for emergency situations that additional cash may be needed and should be kept in mind to determine whether the Council should enter into short-term Borrowings.

Nothing prevents the Municipal Manager to, if it appears that during the financial year a cash shortage arises, obtain approval from the Council for the introduction of short-term Borrowings. However if it will not be repaid in the same financial year as a result of under-performance in terms of credit or over expenditure, the Council will not be able to approve such agreement.

The conditions set out in Chapter 6 of the Act on Local Government: Municipal Finance Management, 2003 (Act No. 56 of 2003) must at all times be complied with by the Municipal Manager.

7.3.2. Long-term Borrowing - Capital Asset

The Council has an obligation to acquire assets and to maintain it in order to ensure service delivery, however it is not always possible for the Council to finance these assets from its own cash reserves. It is for this purpose that the Council may incur long-term Borrowing.

No capital projects may be entered into before the financing sources have been considered, approved and are available. For the purposes of this, "available" means a legally enforceable document in the Municipality's possession that guarantees the funding. Short-term bridging finance for capital expenditure may be incurred in anticipation of the disbursement of the long-term Borrowing, provided that the long-term financing is "available" and the conditions for engaging in short-term Borrowings, as per par.7.3.1. above, are met.

The cost of long-term assets which may be incurred include capitalized interest for a reasonable time, the cost of securities, finance costs, advertising, legal, advisory, trustee, credit ratings and other costs of finance, professional services, where it directly applicable to the project and other amounts that the Minister of Finance may approve.

The terms of repayment of any Borrowing must be calculated according to the expected useful life of the assets financed with the Borrowing.

No long-term Borrowing may be incurred if it is not compatible with the Municipality's capital budget, excluded for refinancing.

7.3.3. Long-term Borrowing – Refinancing

The Municipality is, in terms of Section 46 (5) of the Act on Local Government: Municipal Finance Management Act, 2003, allowed refinancing of long-term Borrowing with the aim to save on the cost of Borrowing. The Municipal Manager must, for this purpose, at least annually and as part of the budget process evaluate and report to the Council about the cost of existing Borrowing, or if the refinancing is a benefit to the Municipality. As part of the evaluation, the Municipal Manager should consider if a once-off payment at the end of the loan period would not be more favorable to the Municipality if the repayments are invested in an investment fund with reasonable projected return on such investment.

Refinancing may only be for long-term Borrowing which has been incurred lawfully in the past and with the further condition that the loan period does not exceed the expected lifespan of the assets financed thereby.

7.4. Security for Borrowing

It is common practice that investors or financiers required security for granting loans. The Municipality will provide security for the inclusion of Borrowing, as set out in section 48 of the Act on Local Government: Municipal Finance Management Act, 2003, but the Council will consider each form of security, together with the Borrowing agreement.

7.5. Procedures for Borrowing approval and securities

The procedures for approval of Borrowing and Borrowing security as defined in Chapter 6 of the Act on Local Government: Municipal Finance Management Act, 2003. For completeness of this policy is shown below:

7.5.1. Short-term Borrowing

- "45 (2) A Municipality may incur short-term Borrowing only if –
- (a) a resolution of the municipal council, signed by the mayor, has approved the Borrowing agreement; and
 - (b) The accounting officer has signed the agreement or other document which creates or acknowledges the Borrowing."

7.5.2. Long-term Borrowing

- "46 (2) A Municipality may incur long-term Borrowing only if –
- (a) A resolution of the municipal council, signed by the mayor, has approved the Borrowing agreement; and
 - (b) The accounting officer has signed the agreement or other document which creates or acknowledges the Borrowing.
- (3) A Municipality may incur long-term Borrowing only if the accounting office of the Municipality –
- (a) has, in accordance with section 21A of the Municipal System Act-
 - (i) at least 21 days prior to the meeting of the council at which approval for the Borrowing is to be considered, made public an information statement setting out particulars of the proposed Borrowing, including the amount for the proposed Borrowing, the purposes for which the Borrowing is to be incurred and particulars of any security to be provided; and
 - (ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed Borrowing; and
 - (b) Has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together

with particulars of-

- (i) The essential repayment terms, including the anticipated Borrowing repayment schedule; and
- (ii) The anticipated total cost in connection with such Borrowing over the repayment period."

7.5.3. Security

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

- (a) must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services; and
- (b) if so, must indicate the manner in which the availability of the asset or right for the provision of that minimum level of basic municipal services will be protected.

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

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

7.6. Cost of Borrowing

The Municipality must guard that the cost of long-term Borrowing do not rise to such a level that it have a remarkable negative effect on taxes or other municipal charges such as maintenance. The maximum percentage of the operating budget for the repayment of Borrowing must be calculated in the Municipality's long-term budget with thorough consideration of the needs identified in the Integrated Development Plan, the cost of new or replacement of existing infrastructure and equipment and other administrative needs.

7.7. Competitive Bidding

The Municipal Manager should adhere to the process as per Supply Chain policy when considering the biddings received. For purposes of marking in terms of costs, the expected interest Borrowing over the full term of the proposed Borrowing agreement calculated and used as the basis for the 80/20 and 90/10 allocations.

7.8. Types of Borrowing and Financing sources

The types of Borrowing that may be incurred and the Borrowing financing of which may be incurred are as follows:

7.8.1. Types of Short-term Borrowing

- Bank overdraft
- Short Term Loans
- Marketable Bonds
- Non-Marketable Bonds
- Other Securities

7.8.2. Types of Long-term Borrowing

- Long-Term Loans
- Installment Credits
- Finance Leasing
- Marketable Bonds
- Non-Marketable Bonds
- Other Securities

7.8.3. Financing Sources

- Public
- Banks
- Development Bank of South Africa
- Infrastructure Finance Corporation
- Public Investment Commissioners
- Insurance Companies
- Municipal Pension Funds
- Other Public Pension Funds
- Bond Trusts
- Internal Funds
- Other Sources

7.9. Commission or Cost

No Commission is payable to an officer or board member, or spouse to, business partner or immediate relative of an officer or board member by an institution, investors or financiers, for any reference made by them.

Any commission, fee or other compensation paid to any person by an institution must certify to the Municipality by the institution through a certificate. Any quotation / tender to the Municipality given by an institution must be net of fees, commissions or rewards, but also need to include commission, rewards or costs, that will be paid in respect of the Borrowing.

7.10. Performance

The Municipal Manager must annually measure and report to the Council on the performance of its Borrowing in terms of the stipulated objectives of this policy.

7.11. Forbidden activities

- No Borrowing may be made otherwise than in the name of the Municipality.
- Money cannot be borrowed for the purpose of investments.
- No person, including officers and board members, may interfere or attempt to interfere in the management of fault attributed to the Municipal Manager or persons delegated by the Municipal Manager.
- No Borrowing may be made in any other currency than the Rand, and that is not linked, or is affected by any change in the value of the Rand against any foreign currency.
- No Borrowing shall be made for expenses not related to the functions and powers of the Municipality.

7.12. Reporting

The Municipal Manager must within 10 working days after the end of each quarter furnish the Mayor with a report setting out the detail of each Borrowing portfolje

The above report must be in the format provided by National Treasury for reporting and monitoring of Borrowing..

8. Review of the Policy

This Borrowing Policy is the only policy of the Municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

All proposed changes to this policy should be tabled by the Mayor as part of the annual review of policies and budget documentation.

Whenever the Minister of Finance or the National Treasury or the Auditor – General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council. Such submission must be accompanied with a full description of the reasons for the change to the policy.

ANNEXURE L

GA-SEGONYANA LOCAL MUNICIPALITY



CASH MANAGEMENT AND INVESTMENT POLICY

CASH MANAGEMENT AND INVESTMENT POLICY

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CASH MANAGEMENT AND INVESTMENT POLICY

1. INTRODUCTION

In terms of Section 13(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)"(The Act)", the municipality must establish an appropriate and effective cash management and investment policy with the implementation date being 1 July 2004. The policy must comply with any prescribed framework, which framework was issued by the Minister of Finance by means of Regulation R 308 of 1 April 2005 as gazetted in the Government Gazette No 27431 of 1 April 2005.

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

2. SCOPE

In order to ensure sound and sustainable management of the cash resources of the municipality this policy addresses all principles and processes involved in cash management and investments and includes:

- The objectives of the policy;
- Standard of care;
- Delegation of authority;
- Management and internal control procedures;
- Cash flow budgeting;
- Receipting and banking of cash;
- Payments;
- Short and long term debt and debt restructuring;
- Investment ethics, principles and practices;
- Reporting and monitoring requirements;
- Performance standards and measurement;
- Review of the policy.

3. OBJECTIVES

The objectives of the policy are to ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality and to ensure transparency, accountability and appropriate lines of responsibility in the process.

4. STANDARD OF CARE

Each functionary in the cash management and investment process must do so with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of his or her own affairs and with his or her primary regard being to the probable safety of his or her own capital, in the second instance to his or her liquidity needs and lastly to the probable income derived.

Speculation may not be undertaken in any of the processes.

CASH MANAGEMENT AND INVESTMENT POLICY

5. DELEGATION OF AUTHORITY

The management of all the cash resources of the municipality is the responsibility of the Municipal Manager who must, for the proper application of this policy, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the management of the cash resources.

The Chief Financial Officer, as designated thorough section 81 of the Municipal Finance Management Act 56 of 2003, must advise the Municipal Manager on the exercise of the powers and duties with regards to this policy and must assist the Municipal Manager in the administration of the cash resources, the bank accounts and the investment accounts. The Chief Financial Officer may not sub – delegate the duty to assist the Municipal Manager in the administration of the municipality's bank and investment accounts.

The delegation to withdraw money from the municipality's bank or investment accounts may only be given to the Chief Financial Officer or any other senior financial officer as determined, in writing, by the Municipal Manager and of which a copy, signed by the Municipal Manager, must be kept with the official set of delegations of the municipality.

The Municipal Manager may not delegate any power or duty in the administration of the municipality's cash resources to a political structure or councilor and no councilor is allowed to interfere or attempts to interfere in the management of the municipality's cash resources.

Any delegation by the Municipal Manager in terms of this policy:

- Must be in writing
- Is subject to any limitations and conditions as the Municipal Manager may impose
- May either be to a specific individual or to the holder of a specific post in the municipality and may not be to a committee of officials
- Does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

The Municipal Manager may confirm, vary or revoke any decisions taken in consequence of a delegation or sub – delegation in terms of this policy, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

For the application of this policy any referral to "Municipal Manager" also means "Any other person acting under a delegated power or performs a function delegated by the Municipal Manager" in terms of paragraph 5.

CASH MANAGEMENT AND INVESTMENT POLICY

6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

The Municipal Manager, assisted by the Chief Financial Officer, must take all reasonable steps to ensure:

- That the municipality has and maintains a management, accounting and information system that accounts for all bank and investment accounts, receipting, withdrawals, cash management and investment transactions
- That, in the case of investments, such investments are valued in accordance with standards of generally recognised accounting practices
- That, in the case of investments, revenue due is calculated on a monthly basis
- That the municipality has and maintains a system of internal control over its bank and investment accounts, receipting, withdrawals, cash management and investment transactions

The Internal Audit unit must advise the Municipal Manager and evaluate and report on compliance with the above, at least on an annual basis.

7. CASH MANAGEMENT

7.1. BANK ACCOUNT ADMINISTRATION

The Municipal Manager is responsible for the administration of the municipality's bank accounts including the opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.

The Municipal Manager may delegate the duties of the administration of the bank accounts as per paragraph 5 of this policy.

7.2. RECEIPTING MANAGEMENT

The Municipal Manager is responsible for the administration of all receipting procedures and must take all reasonable steps to ensure receipting is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 64 of the Act.

The Municipal Manager may delegate the duties of receipting as per paragraph 5 of this policy.

CASH MANAGEMENT AND INVESTMENT POLICY

7.3. EXPENDITURE MANAGEMENT

The Municipal Manager is responsible for the administration of all expenditure procedures and must take all reasonable steps to ensure expenditure is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 65 of the Act.

The Municipal Manager may delegate the duties of expenditure as per paragraph 5 of this policy.

- 7.3.1.** Payment of salaries will be remitted by EFT to all councilors and officials of the municipality on the date determined and agreed with labour unions as per the collective agreements, this will include all back payments that usually comes through as a result of gazettes for the determination of councilors upper limits and remuneration of senior management. Payment will only be affected once the MEC for Local Government in the province has agreed to such a concurrence in writing.
- 7.3.2.** Threshold for payments will be as made as per the below transactional delegations limits:
 - 7.3.2.1.** All payments above R200 000 must be authorized by the Chief Financial Officer. Any deviation from this will result in irregular expenditure and will be subjected to a financial misconduct by a person making the payment and the official giving such an instruction as per the financial misconduct regulations issued by the National Treasury. Payments above R200 000 may NOT be delegated to any official, exception applies to salaries and salary related third party payments.
 - 7.3.2.2.** All payments below R200 000 must be authorized by the Chief Financial Officer, however may be delegated to Unit Managers in the Budget and Treasury Office or any other official as may be delegated. Any deviation from this will result in irregular expenditure and will be subjected to a financial misconduct by a person making the payment and the official giving such an instruction as per the financial misconduct regulations issued by the National Treasury
- 7.3.3.** Payment of service providers and suppliers must only be made once all the Supply Chain Processes have been completed, i.e. all three quotations must be attached, an order generated, valid tax status verified through CSD, relevant MBD documents completed and submitted on file, SLA in place, a relevant SCM checklist fully completed and in place. Any payment made in contravention of the above due to whatever circumstances must be approved by the Chief Financial Officer. Any deviation from this will be regarded as irregular expenditure and MFMA Section 172 will apply and prosecution through the Financial Misconduct Board will ensue.

CASH MANAGEMENT AND INVESTMENT POLICY

7.4. WITHDRAWALS

The Municipal Manager is responsible for the administration of all withdrawals procedures and must take all reasonable steps to ensure withdrawals are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 11 of the Act.

The Municipal Manager may delegate the duties of withdrawals as per paragraph 5 of this policy.

Payments will be made twice weekly on Tuesdays and Thursdays or as may be determined from time to time by the Chief Financial Officer depending on availability of cash resources and practicality. Requests for payments must be submitted to the Budget and Treasury Office by 13:00 on the day before payment date. Requests received late will only be processed at the next payment date, i.e. If payments for Tuesday are received on Tuesdays, they will be deferred to Thursday and if payments meant for Thursday are received on Thursday, they will be deferred to the next Tuesday.

7.5. DEBT

In order to ensure adequate cash – flow the municipality may incur short-term debt for operational or capital expenditure – or long-term debt for only capital expenditure, provided that the Council approves all debt agreements, the Mayor must sign the resolutions approving the debt agreements and the Municipal Manager signed the debt agreements.

The municipality is, in terms of Section 46(5) of the Local Government: Municipal Finance Management Act, 2003, allowed refinancing its long – term debt for the purpose of saving on the cost of debt. The Municipal Manager must, for this purpose, at least annually and as part of the budget process evaluate and report to the Council on the cost of existing debt and whether re-financing such debt will be beneficial to the municipality. As part of the evaluation the Municipal Manager must determine the types of repayments and whether bullet payments at the end of the debt period and the reasonably determined nett cost thereof will not be more beneficial to the Council if the repayments are invested in sinking funds and the reasonable projected yield on the investments are being brought into account.

The Municipal Manager is responsible for the administration of all debt procedures and must take all reasonable steps to ensure debt is being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

The Municipal Manager may delegate the duties of debt management as per paragraph 5 of this policy.

CASH MANAGEMENT AND INVESTMENT POLICY

7.6. CASH FLOW BUDGET

In order to ensure that the municipality has sufficient cash available to comply with the municipality's commitments to its lenders, creditors, statutory payments and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year by revenue-source, broken down per month.

7.7. WORKING CAPITAL MANAGEMENT

The Municipal Manager must take all reasonable steps to ensure that the municipality obtains maximum performance on its assets and for this purpose the working capital of the municipality must as far as possible be managed to the maximum benefit of the municipality.

An acceptable level for the Working Capital Reserve is 2:1 or better and the Municipal Manager must take all reasonable steps to ensure that the level is being maintained. In calculating the level, outstanding debtors for a period longer than 90 days as well as any unutilised conditional grants and allocations must be deducted from the current assets and liabilities and inventories must be brought into account at the lower of cost and nett realisable value. The exercise to provide for a sufficient level of working capital must be done as part of the budget process in order to budget accordingly.

In order to achieve the objectives of Working Capital Management inventory levels for own use must be kept as low as possible, creditors must be paid within 30 days of date of receipt of invoice or statement, whichever is the latest or applicable but as late as possible but with due regards to possible discounts on offer and all steps, consistent with the Council's Credit Control and Debt Collection Policy, must be taken to recover moneys due to the municipality.

The Municipal Manager must, as part of the monthly reporting to the Mayor within 10 working days of the end of each month, report on:

- The combined nett balance of the bank and investment accounts of the municipality excluding any balances of unutilised conditional grants, trust moneys kept in accordance with trust deeds, Sinking Fund Investments made in accordance with any loan- or other agreements with investors/lenders, other conditional funds for which moneys were received in accordance with Section 12 of the Act, Debt Guarantee Reserve Funds and other cash- backed funds for which spending authority must be obtained from other persons or spheres of government.
- Whether the above nett balance is sufficient to make a payment of at least 2% of the operating budget of the municipality.
- Whether all commitments and accounts had and can be paid on time from the nett balance above and nett realisable accounts receivable.

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- Whether there is a nett outflow of cash not in accordance with the cash-flow budget.
- Whether all of the above might cause a financial problem on which the Mayor must act in accordance with the provisions of the Act.

The Mayor must, within 30 days of the end of each quarter, report to the municipal council on the above, and, in the case of identifying a financial problem, promptly inform the council and act in accordance with the provisions of the Act.

The Municipal Manager may delegate the duties of working capital management as per paragraph 5 of this policy.

8. INVESTMENTS

8.1. INVESTMENT MANAGEMENT

The Municipal Manager is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Section 13 of the Act.

The Municipal Manager may delegate the duties of investments as per paragraph 5 of this policy.

In order to ensure that the Municipal Manager or any person delegated in terms of paragraph 5 complies with this policy in terms of investments and to capacitate the municipality further, the Municipal Manager may contract an Investment Manager who is a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act (Act No. 55 of 1989) and Stock Exchanges Control Act (Act No. 1 of 1985). The Investment Manager must advise the Municipal Manager or delegated officials on investments and may manage investments on the municipality's behalf, subject to any conditions and controls the Municipal Manager may determine.

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8.2. INVESTMENT ETHICS

All functionaries in the investment management process must act with fidelity, honesty, integrity and in the best interest of the municipality and must seek, within the spheres of influence of the functionaries, to prevent any prejudice to the investments of the municipality.

No functionaries in the investment management process may use their position or privileges of, or confidential information obtained as, functionary in the process for personal gain or to improperly benefit another person.

No person contracted by the municipality for the purpose of investments or no person submitting quotes, bids or any other means of competitive submissions may, either directly or through a representative or intermediary promise, offer or grant any reward, gift, sponsorships, loan, bursary, favour or hospitality to –

- Any official, spouse or close family member of such official or spouse;
- Any councilor, spouse or close family member of such councilor or spouse.

The Municipal Manager must promptly report to the Mayor and National Treasury's any alleged contravention of the above and may make recommendations as to whether the alleged offending party should be listed on the National Treasury database of persons prohibited from doing business with the public sector. Any such report by the Municipal Manager must give full details of the alleged breach and a written response from the alleged offending party, as well as proof that the alleged offending party received the allegations in writing and were given at least 7 (seven) working days to respond, in writing, to the allegations.

Any sponsorship promised, offered or granted to the municipality must promptly be disclosed to the National Treasury.

8.3. INVESTMENT OBJECTIVES

8.3.1. SECURITY

The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement of this municipality that investments may only be made with institutions with a credit – worthy rating of A 1 and better. Any investments made must be liquidated immediately if an institution's credit – worthy rating falls below the level of A 1.

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8.3.2. LIQUIDITY

The cash – flow budget must be used as an instrument in determining liquidity needs. Other factors such as the payment runs for creditors, dates for salary and statutory payments and dates for debt repayments must also be brought into account to ensure cash requirements, and resultant investment periods, are being calculated to such an extent that maximum yield on surplus cash can be obtained.

8.3.3. YIELD

It is necessary to ensure optimal yield on the municipality's investments, but a higher yield should never increase the risk of preservation and safety of the principal amount invested or not meeting cash – flow requirements. Where an institution has a sudden increase above the average market increase in investment returns, the Municipal Manager must determine whether the institution is in liquidity or financial problems, and in such an instance liquidate the investments with such an institution as soon as possible.

8.4. TYPES OF INVESTMENT ACCOUNTS

The following cash – backed investment accounts should be established:

- General surplus cash
- Asset financing reserve fund
- Accumulated leave fund
- Trust funds where a trust- deed exist
- "Allocation " funds as described in Section 1 of the Local Government: Municipal Finance Management Act, 2003, but excludes the equitable share
- Sinking funds, if applicable
- Debt guarantee reserve fund, if applicable
- Post retirement benefits funds
- Self – insurance reserve
- Housing development funds

Where a Trust Deed prescribes how the trust money is to be invested, the prescriptions in the Trust Deed will prevail over this policy.

It is a general principle, the higher the investment the better the yield, and for this purpose the Municipal Manager should combine as much cash allocated to the above funds as possible, and invest it together. Yield should then be allocated according to the capital of the individual cash – backed funds, through the Statement of Financial Performance.

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8.5. APPROVED INVESTMENTS

Investments should be structured according to the best yield available and the liquidity needs of the municipality. This can include Call Deposits, Fixed Term Deposits and Endowment Policies for the purpose of Sinking Funds only. Sinking funds must be created for the purpose of bullet – payment loans and to provide for future commitments such as building enough cash to be able to cover post – retirement benefits in full.

8.6. QUALIFIED INSTITUTIONS

It is of utmost importance that the investments only be placed with credit – worthy institutions approved by with a credit – rating of A 1 and better.

The following investments are permitted:

- Securities issued by National Government
- Listed corporate bonds with an investment grade rating from a nationally or an internationally recognised credit rating agency
- Deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
- Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act 45 of 1984)
- Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984)
- Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
- Guaranteed endowment policies with the intention of establishing a sinking fund
- Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990)
- Municipal Bonds issued by the municipality
- Any other as might be approved by the Minister of Finance

8.7. INVESTMENT DIVERSIFICATION

Without limiting the Municipal Manager to any specific amount or percentage of investments, it is hereby established that investments made by the municipality should be diversified as much as possible between different institutions, maturity dates and types, but nothing prevents the Municipal Manager from investing more cash with an institution than by another institution with due regards to the standard of care and objectives set in this policy.

The Municipal Manager may delegate the duties of investment diversification as per paragraph 5 of this policy.

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8.8. COMPETITIVE SELECTION OF BIDS OR OFFERS

In establishing where investments must be made, at least 2 (two) written quotations must be obtained by the Municipal Manager from any of the institutions listed in paragraph 8.6 above. The Municipal Manager may not divulge interest rates to other institutions during the quotation process. If Investments Managers use treasury desks for the purpose of obtaining quotations, the quotations, with a written reason why a specific institution was chosen if the yield is lower than that of another institution, must be forwarded to the Municipal Manager, who must evaluate the reasons and issue such instructions as deemed necessary.

The Municipal Manager may delegate the duties of competitive selection of bids or offers as per paragraph 5 of this policy.

8.9. COMMISSIONS OR COSTS

No commission for investments made or referred is payable to an official or councilor, or spouse, business partner or close family member of an official or councilor by an institution or investment manager.

Any commissions, other rewards or costs paid to an investment manager by an institution must be declared to the municipality by the institution and Investment Manager by way of certificates. Any quotation given to the municipality by an institution or Investment Manager must be net of costs, rewards or commissions, but must also indicate the commissions, rewards or costs which will be paid in respect of the investments.

8.10. PERFORMANCE

The Municipal Manager must annually measure and report to the Council on the performance of it's:

- Investments in terms of the stipulated objectives of this policy
- Investment Managers in terms of the stipulated objectives of this policy

The measurement must be done by way of taking into consideration the performance of surrounding municipalities on its investments.

8.11. FORBIDDEN ACTIVITIES

- No investments may be made other than in the name of the municipality
- Money may not be borrowed for the purpose of investments
- No person, including officials and councilors, may interfere or attempts to interfere in the management of investments entrusted to the Municipal Manager or persons delegated by the Municipal Manager including with the Investment Managers.

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- No investments may be made other than be denominated in Rand and which is not indexed to, or affected by, any fluctuations in the value of the Rand against any foreign currency.

8.12. REPORTING

The Municipal Manager must, in addition to the reporting in paragraph 7.7 above, within 10 working days of the end of each month submit to the Mayor a report describing in detail the investment portfolio of the municipality as at the end of the month.

The report referred to above must contain at least a statement, prepared in compliance with generally accepted municipal accounting principles, as amended from time to time, that gives the

- Beginning market value of each investment for the month
- Additions and changes to the investment portfolio for the month
- Ending market value of each investment for the month
- Fully accrued interest/yield for the month including interest/yield capitalised or paid out

The Municipal Manager, in making investments, must remind the relevant institutions of the institutions' legal reporting responsibilities in terms of Section 13 (3) and 13 (4) of the Local Government: Municipal Finance Management Act, 2003 and must get a certificate from the institutions that the institutions will comply with the Act. A single certificate per institution for any current and future investments may be obtained and must be kept on the municipality's investment file.

The Municipal Manager may delegate the duties of reporting as per paragraph 5 of this policy.

9. REVIEW OF THE POLICY

This Cash Management and Investment Policy is the sole policy governing cash management and investments in the municipality. Any reviews to this policy must be approved by the Municipal Council.

The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.

Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

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ANNEXURE A: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the executive mayor, executive committee or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer. The chief financial officer shall at all times manage the investments in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No 56 of 2003.

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- all allocations to the municipality;
- all income received by the municipality on its investments;
- all income received by the municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank

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account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's chief financial officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget;
- defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or

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- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial officer to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account, which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the 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.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in

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that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

The following documents must accompany each tabled draft annual budget (inter alia):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- particulars of the municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connection with such budget (and documents).

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 45: SHORT-TERM DEBT

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council approves a credit

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facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

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SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

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ANNEXURE B: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. Payments

- 1.1 All payments shall be made through the municipality's bank account(s).
- 1.2 The chief financial officer shall make EFT withdrawals from this account, and shall, in consultation with the municipal manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the municipal manager decide on appropriate signatories.
- 1.3 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the chief financial officer.
- 1.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.
- 1.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.
- 1.6 Cash payments/wages of non-permanent employees shall be paid out by a security firm registered with the appropriate regulatory body/s and to whom services is acquired through the Supply Chain Management of the Municipality. A proper agreement shall be entered into to regulate the services provided.

2. Revenue and Cash Collection

- 2.1 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.
- 2.2 The chief financial officer shall ensure that all revenues are properly accounted for.

CASH MANAGEMENT AND INVESTMENT POLICY

2.3 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the chief financial officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the chief financial officer shall report the matter adequately and timeously to the accounting officer and council.

2.4 The chief financial officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.

3. Banking of Receipts

3.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.

3.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the chief financial officer.

3.3 Banking of receipts shall be handled by a security firm registered with the appropriate regulatory body/s and from whom services is acquired through the Supply Chain Management. A proper agreement shall be entered into to regulate the services provided.

4 Cash Management

4.1 Cash Collection

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis. The monies collected at Van Zylsrus must be banked at least once a month.

The respective responsibilities of the chief financial officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and the chief financial officer, and this code of practice is attached as Annexure II to this policy.

The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

4.2 Payments to Creditors

The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms

CASH MANAGEMENT AND INVESTMENT POLICY

favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and the chief financial officer shall approve any such departure before any payment is made. (Delegated by Accounting Officer to CFO.)

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. The chief financial officer shall approve any such early payment before any payment is made. (Delegated by Accounting Officer to CFO.)

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so. (Delegated by Accounting Officer to CFO.)

The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques. (Delegated by Accounting Officer to CFO.)

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing. (Delegated by Accounting Officer to CFO.)

ANNEXURE M



GA-SEGONYANA MUNICIPALITY



FINAL UNCLAIMED DEPOSIT POLICY



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1. DEFINITION

"Council" means a municipal Council established in section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

"Creditor" means a person to whom money is owed to by the municipality.

"Customer" means any person compromising:

resident of the municipality;

ratepayer of the municipality;

any civic organization involved in the municipality; and/or

any visitor or other people who make use of services or facilities provided by the municipality.

"Primary bank account" means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

"Register" means the official register kept to receipt all unclaimed deposits.

"Municipality" means the Ga-Segonyana Local Municipality established in terms of Section 155 of the Constitution.

2. INTRODUCTION

Unclaimed monies are a challenge faced by the municipality where monies are deposited into the municipal primary bank account or payable which cannot be identified nor are claimed by any creditor of the municipality. Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

- (i) Monies deposited into the municipal primary bank account without any
- (ii) reference or documentary proof.
- (iii) Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
- (iv) Creditors/consumers are unaware of their legal right to the monies.
- (v) Creditors/consumers direct deposits are untraceable
- (vi) Deposits paid for utilization of facilities not claimed by customer.

3. OBJECTIVE

The objectives of the policy are to:

- (i) To provide a framework on how to deal with unknown or unclaimed monies in the municipal bank account.
- (ii) To reduce the liability of the municipal bank account

4. LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, Act 56 of 2003.

5. IDENTIFICATION OF UNCLAIMED DEPOSITS

- (I) An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any reference or documentary proof on how the monies should be allocated and that remains unclaimed for a period of six (6) months.
- (II) Unclaimed monies are any amount of money legally paid by customer as security for municipal services for the use of facilities which are not claimed within a period of six (6) months.

6. REGISTER OF UNCLAIMED MONEY

- (i) After all processes are exhausted to identify the unallocated monies and the period as mentioned in paragraph 5 has expired all unclaimed monies will be receipted in a register kept by the municipality.
- (ii) The register will be maintained and updated regularly and be kept for a period of six(6) months
- (iii) After the unclaimed monies are deposited in the register any person can claim the monies from date the monies were deposited or become unclaimed subject to that documentary proof is provided by the cashier to claim the monies.
- (iv) The value of unclaimed monies and/or direct deposits for a period before or within six (6) months will be recognized as a liability in the financial statements of the municipality.
- (v) The value of unclaimed monies and/or direct deposits for a period before or within six (6) months will be recognized as Other Income for the municipality in the financial statements of the municipality.

7. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE

Should unclaimed monies not be claimed within a period of six (6) months the monies will be written off from the register and be receipted as Other Income in that Financial year

The following process must be followed before any monies are receipted as revenue:

- (i) The register will be advertised in the media in terms of section 21A of the Systems Act, Act 32 of 2000 that it will lie open for public inspection.
- (ii) Such register must lie open for a period of four (4) months in the municipal website.
- (iii) The register to be advertised on two (2) local papers, two(2) times in the period of four (4) months in which the unclaimed deposit related to. \the register will be made available for inspection of the main municipal buildings.
- (iv) The prescribed form must be made available for inspection of the main municipal buildings.
- (v) The prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor.
- (vi) After the four (4) months period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transfer to Other Income of the municipality.

8. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and the operating requirements of the municipality.

9. TITLE OF THE POLICY

This policy shall be called the Unclaimed Deposits Policy of the Ga-segonyana Local Municipality

ANNEXURE N



GA-SEGONYANAL LOCAL MUNICIPALITY

DRAFT DISTRIBUTION LOSSES POLICY V.1

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PART A: ELECTRICITY LOSSES

1. Scope

1.1. The scope of this policy is to identify and describe electrical losses that are experienced on a distribution system and to find ways to keep these losses to a minimum.

2. Objective

2.1. The objective of the municipality must be to minimize these losses that occur to a minimum, as these losses can have a huge financial impact as the municipality have to pay for electricity that cannot be billed to consumers

3. Types of Losses

The Municipality have two types of losses that can occur in the distribution of electricity.

3.1. Technical Losses

These losses occur due to heat dissipation when electricity flows through the system conductors which consists of either copper or aluminum. The municipality will work on an estimation of 10% technical losses.

3.2. Non-Technical Losses

3.2.1. These losses occur due to theft (illegal connections, meter tampering) and incorrect metering.

3.2.2. These losses will be calculated by assessing the outflow and inflow of electricity units measured in KWH and KVA.

4. Control and Monitoring

4.1. The municipality must have the intention to keep the losses of electricity below a certain percentage of the total electricity purchased from Eskom.

4.2. To keep the technical losses to a minimum a computer program monitors the control of the distribution system to keep an even flow of electricity through the system.

4.3.To keep the non-technical losses to a minimum the metering of electricity must be monitored sufficiently. The billing system must be used to detect possible cases of illegal connections.

4.4.If theft is detected the electricity supply to the premises will be disconnected and a maintenance and repair fee will be charges. An attempt will also be made to determine the units stolen and to recover the cost from the consumer.

5. Reporting

5.1.The total losses that a municipality may incur for electricity must be made public in the annual

financial statements of the municipality.

PART B: WATER LOSSES

1. Scope

- 1.1. Ga-Segonyana local municipality generates its water from bore holes, to distribute to community.
- 1.2 During the distribution of water, the municipality may occur some distribution losses.

2. Objective

- 2.1. The objective of the municipality must be to minimize these losses that occur to a minimum, i.e. at least below 10%.

3. Types of Losses

- 3.1. The most common losses the Municipality have face are"

- Unmetered water connections at residents (new developments).
- Open spaces and sport fields that is unmetered.
- Undetected underground water leaks.
- Pipe bursts.
- Unaccounted municipal own use of water.

3.2. Technical Losses

Water losses at the point of origin (boreholes) will be measured at 10% of the total water losses of the municipality.

3.3. Non-Technical Losses

These losses as described under types of losses will be calculated at KL generated at point of origin.

4. Control and Monitoring

- 4.1. The municipality must have the intention to keep the losses of water to below a certain percentage of the total water generation.

- 4.2. To keep the losses to a minimum the metering of water must be monitored sufficiently. The billing system must be used to detect possible cases of illegal connections.
- 4.3. If theft is detected the water supply to the premises will be disconnected and a fine will be given.

5. Reporting

- 5.1. The total losses that a municipality may incur for water must be made public in the annual financial statements of the municipality.

6. REVIEW&IMPLEMENTATION PROCESS

- 6.1. This policy will stay into effect from 1 July 2016;
- 6.2. This policy will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION: MANAGER: INCOME

APPROVAL BY COUNCIL:

ANNEXURE O

GA-SEGONYANA LOCAL MUNICIPALITY

INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY

ADOPTED ON:

VERSION CONTROL					
POLICY OWNER:		Ga-Segonyana Local Municipality Supply Chain Management Unit			
POLICY EFFECTIVE DATE:		01 JULY 2017			
Version	Date	Revision	Section	Page	Reason for change
1.		V2	All	All	New Policy(Annual Review)
2.					

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1. Scope

- 1.1. This is the Ga-Segonyana Local Municipality's Policy in accordance to the Standard for Infrastructure Procurement and Delivery Management (SIPDM) with the provisions of the regulatory frameworks for delivery management, procurement and supply chain management.
- 1.2. The scope includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:
 - a) the storage of goods and equipment following their delivery to the Ga-Segonyana Local Municipality which are stored and issued to contractors or to employees;
 - b) the disposal or letting of land;
 - c) the conclusion of any form of land availability agreement;
 - d) the leasing or rental of moveable assets; and
 - e) public private partnerships.

2. Terms, Definitions and Abbreviations

- 2.1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Municipal Finance Management Act, no 56 of 2003, has the same meaning as in the Act, and –

2.1.1. "Authorised Person"	the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order
2.1.2. "Accounting Officer"	in relation to a Municipality means the Municipal Manager as described in Section 60 of the Local Government: Municipal Finance Management Act, no 56 of 2003 as well as Section 82 of the Municipal Structures Act, no 117 of 1998.
2.1.3. "Conflict of Interest"	any situation in which: <ol style="list-style-type: none">a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, orc) incompatibility or contradictory interests exist between an employee and the organization which employs that employee
2.1.4. "Contract Manager"	person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view
2.1.5. "Family Member"	a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

2.1.6. "Framework Agreement"	an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged
2.1.7. "Gate"	a control point at the end of a process where a decision is required before proceeding to the next process or activity
2.1.8. "Gateway Review"	an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based
2.1.9. "Gratification"	an inducement to perform an improper act
2.1.10. "Infrastructure Delivery"	the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
2.1.11. "Infrastructure Procurement"	the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure
2.1.12. "Maintenance"	the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function
2.1.13. "Operation"	combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use
2.1.14. "Order"	an instruction to provide goods, services or any combination thereof under a framework agreement
2.1.15. "Organ of State"	an organ of state as defined in section 239 of the Constitution of the Republic of South Africa
2.1.16. "Procurement Document"	documentation used to initiate or conclude (or both) a contract or the issuing of an order
2.1.17. "Principal"	a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)
2.1.18. "Standard"	the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury
2.1.19. "Working Day"	any day of a week on which is not a Sunday, Saturday or public holiday

2.2. Abbreviations

For the purposes of this document, the following abbreviations apply:

2.2.1. CIDB:	Construction Industry Development Board
2.2.2. SARS:	South African Revenue Services
2.2.3. SCM	Supply Chain Management
2.2.4. SIPDM	Standard for Infrastructure Procurement and Delivery Management

3. General requirements

3.1. Delegations

3.1.1. The Ga-Segonyana Local Municipality Council hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on Accounting Officers in terms of Chapter 8 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) maximise administrative and operational efficiency in the implementation of this document;
- c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
- d) comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2. No departure shall be made from the provisions of this Policy without the approval of the Municipal Manager of the Ga-Segonyana Local Municipality.

3.1.3. The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this Policy, to the Council of the Ga-Segonyana Local Municipality;
- b) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the Council;
- c) within 10 days of the end of each quarter, submit a report on the implementation of the Policy to the Mayor; and
- d) make the reports public in accordance with Section 21A of the Municipal Systems Act of 2000.

3.2. Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1. Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management, unless this Policy prescribes otherwise.

3.3. Supervision of the infrastructure delivery management unit

3.3.1. The Infrastructure Delivery Management Unit shall be directly supervised by the Chief Financial Officer as delegated in terms of Section 82 of the MFMA.

3.4. Objections and complaints

- 3.4.1. Persons aggrieved by decisions or actions taken in the implementation of this Policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

3.5. Resolution of disputes, objections, complaints and queries

- 3.5.1. The Accounting Officer shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the municipal entity and other persons regarding:
- a) any decisions or actions taken in the implementation of the supply chain management system;
 - b) any matter arising from a contract awarded within the Ga-Segonyana Local Municipality Municipality's infrastructure delivery management system; or
 - c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- 3.5.2. The designated person shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.
- 3.5.3. The person appointed in terms of 3.5.1 shall:
- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.
- 3.5.4. A dispute, objection, complaint or query may be referred to the Provincial Treasury if:
- a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - b) no response is forthcoming within 60 days.
- 3.5.5. If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

4. Control framework for infrastructure delivery management

4.1. Assignment of responsibilities for approving or accepting end of stage deliverables

- 4.1.1. The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2. General

- 4.2.1. Prefeasibility and feasibility reports shall be required as end-of-stage deliverables for stages 3 and 4, respectively, where a major capital project is required for where the total project capital expenditure exceeds R50 million (including VAT), or where the expenditure per year for a minimum of three years exceeds R10 million per annum (including VAT).
- 4.2.2. Stages 3 and 4 may be omitted for the following:
- a) a building project with or without related site works; or
 - b) a process-based, somewhat repetitive or relatively standardised project where the risk of failing to achieve time, cost and quality objectives is relatively low.

- 4.2.3. Stages 3 to 9 may be omitted where the required work does not involve the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure.
- 4.2.4. Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable.
- 4.2.5. The infrastructure plan (stage 1), which is informed by demand management requirements as set out in 6.2, initiation reports (stage 0), decisions made during stages 3 and 4 and work in progress in stages 5 to 9, and the procurement strategy (stage 2) shall be reviewed and updated at least once a year.
- 4.2.6. The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. All subsequent stages shall only be proceeded with if the necessary budget is in place.
- 4.2.7. A stage shall only be complete when the deliverable has been approved or accepted by the person or persons designated in the institutional arrangements to do so.
- 4.2.8. Activities associated with stages 5 to 9 may be undertaken in parallel or series, provided that each stage is completed in sequence.
- 4.2.9. The level of detail contained in a deliverable associated with the end of each stage shall be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail shall, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.
- 4.2.10. The approvals or acceptances at each gate shall be retained for record purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.3. Gateway reviews

- 4.3.1. Gateway reviews for major capital projects above the threshold of R 50 million.
 - 4.3.1.1. The Municipal Manager shall appoint a gateway review team for major capital projects.
 - 4.3.1.2. A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review.
 - 4.3.1.3. Such a team shall be led by a person who has at least six years postgraduate experience in the planning of infrastructure projects and is registered either as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act.
 - 4.3.1.4. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.
 - 4.3.1.5. The Provincial Treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review.
 - 4.3.1.6. Such notification shall be accompanied by a brief outline of the proposed project or package, the names and qualifications of the reviewers and the timeframes for the review.
 - 4.3.1.7. The Provincial Treasury may nominate additional persons to serve on the review team.
 - 4.3.1.8. The gateway review team shall base its findings primarily on:
 - 4.3.1.8.1. the information contained in the end-of-stage deliverables;
 - 4.3.1.8.2. supplementary documentation, if any, provided by key staff obtained during an interview process; and

4.3.1.8.3. interviews with key staff members and stakeholders.

4.3.2. The gateway review team shall issue a report at the conclusion of a gateway review, which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

4.3.3. The relevant Provincial Treasury may at any stage call for a gateway review

Table 1: Stages, end-of-stage deliverables and responsibilities for approving or accepting end-of-stage deliverables in the control framework for the management of infrastructure delivery

No	Name of Stage	End-of-Stage Deliverable	Person assigned the responsibility for approving or accepting end-of-stage deliverables
0	Project initiation	An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope	Technical Manager/ Project Management Unit manager The Head of Planning and Development accepts the initiation report
1	Infrastructure planning	An infrastructure plan which identifies and prioritises projects and packages against a forecasted budget over a period of at least five years	The Municipal Manager recommend and the Council approves
2	Strategic resourcing	A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO approves
3	Pre-feasibility	A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO accepts
	Preparation and briefing	A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO accepts
4	Feasibility	A feasibility report which presents sufficient information to determine whether or not the project should be implemented	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO accepts

Commented [N1]: Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions in their organogram

No	Name of Stage	End-of-Stage Deliverable	Person assigned the responsibility for approving or accepting end-of-stage deliverables
	Concept and viability	A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO accepts
5	Design development	A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages	The Head of Planning and Development / Project Management Unit Manager / Professional Service Provider recommend and Technical Manager / CFO accept
6	Design documentation	6A Production information Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction	The Head of Planning and Development / Project Management Unit Manager / Professional Service Provider recommend and Technical Manager / CFO accept
		6B Manufacture, fabrication and construction information Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place	The Head of Planning and Development / Project Management Unit Manager / Professional Service Provider recommend and Technical Manager / CFO accept
7	Works	Completed works which are capable of being occupied or used	Project Management Unit Manager / Professional Service Provider recommend and Technical Manager / CFO accept
8	Handover	Works which have been taken over by the user or owner complete with record information	Project Management Unit Manager / Professional Service Provider recommend and Technical Manager / CFO / End User accept
9	Package completion	Works with notified defects corrected, final account settled and the close out report issued	Project Management Unit Manager / Professional Service Provider recommend and Technical Manager

Commented [N1]: Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions in their organogram

No	Name of Stage	End-of-Stage Deliverable	Person assigned the responsibility for approving or accepting end-of-stage deliverables
			/ CFO accept

Commented [N1]: Note to Municipality:
The positions indicated is only recommended and Municipality must change in accordance to positions in their organogram

5. Control framework for infrastructure procurement

- 5.1. The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold of R200 000 shall be as stated in Table 2.
- 5.2. The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure, of R200 000, shall be as follows:
- The Procurement Documentation (Procurement Documentation Committee) or the Manager; SCM shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
 - The Municipal Manager or delegated Head of Department may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.
- 5.3. The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6. Infrastructure delivery management requirements

6.1. Institutional arrangements

6.1.1. Committee system for procurement

6.1.1.1. General

6.1.1.1.1. A committee system comprising the

(Infrastructure procurement) Documentation Committee (The same officials in the Goods and Services Bid Specification Committee plus technical representation),

(Infrastructure procurement) Evaluation Committee (The same officials in the Goods and Services Bid Evaluation Committee plus technical representation) and

(Infrastructure procurement) Adjudication Committee (The same officials in the Goods and Services Bid Adjudication Committee)

shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements projected to cost in excess of R200 000.

6.1.1.1.2. The indicated committees for infrastructure procurement to consider all the relevant aspects of the SIPDM

6.1.1.1.3. The 7 day period for quotation advertisement shall be applicable to projects with the value of R30 000 up to R 200 000.

6.1.1.1.4. The Accounting Officer may consider applying the requirements of the committee system to a lower threshold.

- 6.1.1.1.5. The Evaluation Committee, shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.
- 6.1.1.1.6. The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.
- 6.1.1.1.7. No person who is a political officer bearer, a public office bearer including any Councillor of a municipality, a political advisor or a person appointed in terms of Section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a Documentation Committee, Evaluation or Adjudication Committee.
- 6.1.1.1.8. Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.
- 6.1.1.1.9. Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2. Procurement Documentation Committee

- 6.1.1.2.1. The Municipal Manager shall appoint in writing:
 - (a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance to clause 4.2.2.1 of the standard; and
 - (b) the members of the procurement documentation committee
- 6.1.1.2.2. The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report.
- 6.1.1.2.3. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:
 - (a) professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
 - (b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or
 - (c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.
- 6.1.1.2.4. The Procurement Documentation Committee shall comprise out of at least the SCM manager / CFO, Technical Manager, Built Discipline registered person)
- 6.1.1.2.5. The chairperson shall be an employee of the Ga-Segonyana Local Municipality with requisite skills.
- 6.1.1.2.6. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.
- 6.1.1.2.7. No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO accepts
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	The Head of Planning and Development / Project Management Unit Manager / Technical Manager recommend and CFO approves
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Procurement Documentation Committee
		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Procurement Documentation Committee
4	Evaluate tender offers	4.2 PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	Evaluation Committee
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the Bid Evaluation Committee and refer back to Bid Evaluation Committee for reconsideration or make recommendation for award	Adjudication Committee
5	Award contract	5.3	Award contract	Formally accept the tender offer in writing and	Municipal Manger

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
		PG7		issue the contractor with a signed copy of the contract	
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	CFO / Supply Chain
		6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
6	Administer contracts and confirm compliance requirements	6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage	Approve amount of time and cost overruns up to the threshold	Municipal Manager
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for at award of an inflation, or the time for completion contract or the issuing of an order by more than 20% and 30%, respectively.	Approve amount of time and cost overruns above the threshold	Municipal Manager
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

		Key action	Person assigned responsibility to perform key action
FG1	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	Recommended by the Technical Manager and confirmed by the CFO
FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Documentation Committee chairperson approve
FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	CFO
FG4	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	CFO

6.1.1.3. Evaluation Committee

6.1.1.3.1. The Municipal Manager shall appoint in writing:

- a) the persons to prepare the evaluation and, where applicable, the quality evaluations; and
- b) the members of the Evaluation Committee.

6.1.1.3.2. The Evaluation Committee shall comprise not less than three people. The chairperson shall be a senior manager/ director of the Ga-Segonyana Local Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3. The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

- c) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;

Commented [J2]: The municipality without professionals to make use of consultants (it is for the draft report and not to evaluate)

- d) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;
- e) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;
- f) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

6.1.1.3.4. The Evaluation Committee shall review the technical evaluation reports and due diligence and as a minimum verify the following in respect of the submitted tenderers:

- a) the capability and capacity of a tenderer to perform the contract;
- b) the tenderer's tax and municipal rates and taxes compliance status;
- c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;
- d) the Compulsory Declaration has been completed; and
- e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.5. No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the Procurement Documentation Committee or a family member or associate of such a member, may be considered by the Bid Evaluation Committee.

6.1.1.3.6. The chairperson of the Bid Evaluation Committee shall promptly notify the Municipal Manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4. Adjudication Committee / BID ADJUDICATION

6.1.1.4.1. The Adjudication Committee must consist of at least four senior managers of the municipality which must include –

- a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
- b) at least one senior supply chain management practitioner who is an official of the municipality; and
- c) a technical expert in the relevant field who is an official, if such an expert exists.

6.1.1.4.2. The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

6.1.1.4.3. No member of the Evaluation Committee may serve on the Adjudication Committee. A member of an Evaluation Committee may, however, participate in the deliberations of a Adjudication Committee as a technical advisor or a subject matter expert.

6.1.1.4.4. The Adjudication Committee shall:

- a) consider the report and recommendations of the Bid Evaluation Committee and:
 - 1) verify that the procurement process which was followed complies with the provisions of this document;
 - 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
 - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and

Commented [j3]: Depending on the capacity of the municipality – can use four senior "officials"

- 4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
 - 5) refer the report back to the Bid Evaluation Committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation;
 - 6) or alternatively make a recommendation to the Municipal Manager to award if the value exceeds R10 million.
- 6.1.1.4.5. The Adjudication Committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action, which should be taken.
- 6.1.1.4.6. The Adjudication Committee shall consider the merits of an unsolicited offer and make a recommendation to the Municipal Manager.
- 6.1.1.4.7. The Adjudication Committee shall report to the Municipal Manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the Bid Evaluation Committee, giving reasons for making such a recommendation.
- 6.1.1.4.8. The Adjudication Committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:
- a) made a misrepresentation or submitted false documents in competing for the contract or order; or
 - b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.
- 6.1.1.4.9. The Adjudication Committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper Conduct in relation to such system. The National Treasury and the Provincial Treasury shall be informed where such tenderers are disregarded.
- 6.1.2. Actions of an authorised person relating to the award of a contract or an order
- 6.1.2.1. Award of a contract**
- 6.1.2.1.1. The Municipal Manager shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the Adjudication Committee and either:
- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
 - b) decide not to proceed or to start afresh with the process.
- 6.1.2.1.2. The Municipal Manager shall immediately notify the Adjudication Committee if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working days, notify in writing the Auditor-General, the National Treasury and the Provincial Treasury, and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.
- 6.1.2.2. Issuing of an order**
- 6.1.2.2.1. The Municipal Manager shall, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the Evaluation Committee as relevant, and either:
- a) authorise the issuing of an order; or
 - b) decide not to proceed or to start afresh with the process.

6.1.2.2.2. The person responsible for authorising an order shall, prior to authorising the issuing of an order:

- a) confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
- b) consider the recommendations of the evaluation report where competition amongst framework contracts takes place or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either

6.1.3. Conduct of those engaged in infrastructure delivery

6.1.3.1. General requirements

6.1.3.1.1. All personnel and agents of the Ga-Segonyana Local Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2. All personnel and agents engaged in Ga-Segonyana Local Municipality Municipality's infrastructure delivery management system shall:

- a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- e) ensure that resources are administered responsibly;
- f) fair and impartial in the performance of their functions;
- g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- h) not abuse the power vested in them;
- i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- j) assist the Ga-Segonyana Local Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;
- k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- l) not make false or misleading entries in reports or accounting systems; and keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.
- m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise

6.1.3.1.3. An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2. Conflicts of interest

6.1.3.2.1. The employees and agents of the Ga-Segonyana Local Municipality who are connected in any way to procurement and delivery management activities which are subject to this Policy, shall:

- a) disclose in writing to the employee of the Ga-Segonyana Local Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and
- b) not participate in any activities that might lead to the disclosure of the Ga-Segonyana Local Municipality proprietary information.

6.1.3.2.2. The employees and agents of the Ga-Segonyana Local Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3. Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in the Ga-Segonyana Local Municipality's interest to do so, submit a tender for work associated with such documents provided that:

- a) the Ga-Segonyana Local Municipality states in the tender data that such an agent is a potential tenderer;
- b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and
- c) the Procurement Documentation Committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3. Evaluation of submissions received from respondents and tenderers

6.1.3.3.1. The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to the Ga-Segonyana Local Municipality.

6.1.3.3.2. The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of the Ga-Segonyana Local Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3. the Ga-Segonyana Local Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4. Non-disclosure agreements

6.1.3.4.1. Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect the Ga-Segonyana Local Municipality's confidential information and interests.

6.1.3.5. Gratifications, hospitality and gifts

6.1.3.5.1. The employees and agents of the Ga-Segonyana Local Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a

commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2. The employees and agents of the Ga-Segonyana Local Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3. The employees and agents of the Ga-Segonyana Local Municipality shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4. All employees and agents of the Ga-Segonyana Local Municipality may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;
- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc.
- c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;
- d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature.

6.1.3.5.5. Gifts listed in a) to d) or gifts in kind which have an intrinsic value greater than R350 may not be accepted.

6.1.3.5.6. Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.7. Employees and agents of the Ga-Segonyana Local Municipality shall without delay report to the Municipal Manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6. Reporting of breaches

6.1.3.6.1. Employees and agents of the Ga-Segonyana Local Municipality shall promptly report to the Municipal Manager any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4. Measures to prevent abuse of the infrastructure delivery system

6.1.4.1. The Municipal Manager shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this Policy against an employee or an agent, a contractor or other role player and, where justified:

- a) take steps against an employee or role player and inform the National Treasury and the Provincial Treasury of those steps;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with the Construction Industry Development Board or any other relevant statutory Council where a breach of such Council's code of conduct or rules of conduct are considered to have been breached; cancel a contract if:

- 1) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or
- 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5. Awards to persons in the service of the state

6.1.5.1. Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

- a) a member of any municipal Council, any provincial legislature, or the National Assembly or the National Council of Provinces;
- b) a member of the board of directors of any municipal entity;
- c) an official of any municipality or municipal entity;
- d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- e) an executive member of the accounting authority of any national or provincial public entity; or
- f) an employee of Parliament or a provincial legislature.

6.1.5.2. The notes to the annual financial statements of the Ga-Segonyana Local Municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6. Collusive tendering

6.1.6.1. Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

- a) is not associated, linked or involved with any other tendering entity submitting tender offers; or
- b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7. Placing of contractors under restrictions

6.1.7.1. If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

- a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;
- b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;
- c) had their contract terminated for reasons within their control without reasonable cause;
- d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;
- e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards the Ga-Segonyana Local Municipality; or

- f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the satisfaction of the Ga-Segonyana Local Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

6.1.7.2. The Manager SCM shall prepare a report on the matter and make a recommendation to the Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with the Ga-Segonyana Local Municipality.

6.1.7.3. The Municipal Manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to [name of municipality or municipal entity for a period of time.

6.1.7.4. The Manager SCM shall:

6.1.7.4.1. record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of the Ga-Segonyana Local Municipality who are engaged in procurement processes; and

6.1.7.4.2. notify the National Treasury and the Provincial Treasury and, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8. Complaints

6.1.8.1. All complaints regarding the Ga-Segonyana Local Municipality's infrastructure delivery management system shall be addressed to the Municipal Manager. Such complaints shall be in writing.

6.1.8.2. The Chief Financial Officer shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the Municipal Manager who will decide on what action to take.

6.2. Acquisition management

6.2.1. Unsolicited proposal

6.2.1.1. The Ga-Segonyana Local Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the Ga-Segonyana Local Municipality;
- d) the offer is in writing and clearly sets out the proposed cost;
- e) the person who made the offer is the sole provider of the goods or service; and
- f) The Municipal Manager finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2. The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the Adjudication Committee if:

- a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential

- benefits for the Ga-Segonyana Local Municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;
- b) the Ga-Segonyana Local Municipality' has obtained comments and recommendations on the offer from the National Treasury and the Provincial Treasury;
- c) the Adjudication Committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received and any comments and recommendations received from the National Treasury and the Provincial Treasury; and
- d) the provisions of 6.2.1.3 are complied with.

6.2.1.3. The Municipal Manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the Provincial Treasury and Auditor-General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2. Tax and rates compliance

6.2.2.1. SARS tax clearance

6.2.2.1.1. No contract may be awarded or order issued unless a tenderer or contractor is registered on the Central Supplier Database (CSD) and in possession of an original valid Tax Clearance Certificate issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.1.2. In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

6.2.2.1.3. No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of the Ga-Segonyana Local Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to SC Manager / Official or Accountant.

6.2.2.1.4. that it intends challenging its tax compliance status with SARS,

- b) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be withheld, before the authorising of any payment due to such contractor;
- c) before authorising a further payment due to a non-compliant contractor who has failed to
- d) remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;
- e) no payments may be released for any amounts due in terms of the contract due to a non-compliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.2. Municipal rates and taxes

6.2.2.2.1. No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

6.2.2.2.2. No award may be considered to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are outstanding for more than 30 days, if the value of the award will exceed R 10 million.

6.2.3. Declarations of interest

6.2.3.1. Tenderers and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

- a) are an employee of the Ga-Segonyana Local Municipality or in the employ of the state; or
- b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4. Invitations to submit expressions of interest or tender offers

6.2.4.1. All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Ga-Segonyana Local Municipality Municipality's website and on the National Treasury eTender Publication Portal.

6.2.4.2. Advertisements relating to construction works, which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000, shall also be advertised, on the CIDB website.

6.2.4.3. Where deemed appropriate by the Chairperson of the Procurement Documentation Committee or the Manager: SCM, an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person.

6.2.4.4. Such advertisements shall be advertised for a period of at least 14 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the Municipal Manager.

6.2.4.5. The Manager SCM or delegated official shall place all Advertisements.

6.2.4.6. Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Procurement documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5. Publication of submissions received and the award of contracts

6.2.5.1. The Manager: SCM or delegated official shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender, where the estimated value of the contract exceeds R200 000 (including VAT) on the municipality's website.

6.2.5.2. The following information must be published:

6.2.5.2.1. the names of all tenderers that made submissions to that advertisement, and

6.2.5.2.2. if practical or applicable, the total of the prices and the preferences claimed.

6.2.5.3. Such information shall remain on the website for at least 30 days.

6.2.5.4. The Manager SCM or delegated official shall publish within 7 working days of the award of a contract the following on the Ga-Segonyana Local Municipality Municipality's website:

- a) the contract number;
- b) contract title;
- c) brief description of the goods, services or works;
- d) the total of the prices, if practical;
- e) the names of successful tenderers and their B-BBEE status level of contribution;
- f) duration of the contract; and
- g) brand names, if applicable.

6.2.5.5. The Manager SCM or delegated official shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury e-Tender Publication Portal regarding the successful and unsuccessful tenders.

6.2.5.6. The Manager SCM or delegated official shall, within 7 working days of the award, submit details pertaining to the award of contracts relating to construction works, which are subject to the Construction Industry Development Regulations, issued in terms of the Construction Industry Development Act of 2000, in addition to the requirements of 6.2.5.3, place a notification on the CIDB website..

6.2.6. Disposal committee

6.2.6.1. The Municipal Manager shall appoint in writing, should a disposal need arise, the members of the disposal committee to decide on how best to undertake disposals.

6.2.6.2. The disposal panel shall comprise not less than three people.

6.2.6.3. The chairperson shall be an employee of the Ga-Segonyana Local Municipality

6.2.6.4. The disposal committee shall make recommendations to the Municipal Manager who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, and decide not to proceed or to start afresh with the process.

6.2.6.4.1. A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.

6.2.6.4.2. Disposals shall be proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:

- a) transfer to another organ of state, business unit or a charitable organisation at market-related value or free of charge;
- b) recycling or re-use of component materials; or
- c) disposal by means of dumping at an authorised dump site, burning or demolition.

6.2.6.4.3. The reasons for adopting a disposal strategy shall be recorded prior to proceeding with such disposal.

6.2.7. Reporting of infrastructure delivery management information

6.2.7.1. The Manager: SCM or delegated official shall submit any reports required in terms of the standard to the National Treasury or the Provincial Treasury.

7. Infrastructure procurement

7.1. Usage of procurement procedures

- a) The Ga-Segonyana Local Municipality shall apply any relevant procurement procedures provided for in the standard

7.2. Procurement documents

7.2.1. The standard forms of contract as stipulated in table 10 of the Standard of Infrastructure Procurement and Delivery Management may be used.

7.2.2. The Ga-Segonyana Local Municipality has pre-approved templates for (Agreements and contract data) of procurement, documents shall be utilised to obviate the need for legal review prior to the awarding of a contract.

- 7.2.3. All modifications to the standard templates shall be approved by Municipal Manager prior to being issued for tender purposes.
- 7.2.4. Disputes arising from the performance of a contract shall be finally settled in a South African court of law.
- 7.2.5. The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:
 - a) consultancy services; and
 - b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.

7.3. Developmental Procurement

- 7.3.1. The primary beneficiaries will be included in the Preferential Procurement Policy and will include at least the following:
 - 7.3.1.1. Local emerging contractors / service providers and suppliers from previously disadvantaged individuals/communities who will be assisted with targeted contract opportunities to propel them to new heights.
 - 7.3.1.2. Contractors must be registered with the CIDB to qualify for participation.
 - 7.3.1.3. Specific goals as per the Ga-Segonyana Local Municipality municipality's internal guideline/ policy will be applicable.

7.4. Payment of contractors

The Ga-Segonyana Local Municipality shall settle all undisputed accounts within 30 days of invoice or statement as provided for in the contract.

7.5. Approval to utilise specific procurement procedures

- 7.5.1. Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:
 - a) The Municipal Manager shall authorise the use of the negotiated procedure above the thresholds provided in the standard.
 - b) The Municipal Manager shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and
 - c) the Procurement Documentation Committee or Manager: SCM shall authorise the proposal procedure using the two-envelope system, the proposal procedure using the two-stage system or the competitive negotiations procedure.
- 7.5.2. The person authorised to pursue a negotiated procedure in an emergency is Chief Financial Officer

7.6. Receipt and safeguarding of submissions

- 7.6.1. A dedicated and clearly marked tender box shall be made available to receive all submissions made.
- 7.6.2. The tender box shall be fitted with two locks and the keys kept separately by two SCM Practitioners.
- 7.6.3. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7. Opening of submissions

7.7.1. Submissions shall be opened by an opening panel comprising two people nominated by the Manager: SCM who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

7.7.2. The opening panel shall open the tender box at the stipulated closing time and:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) return submissions unopened and suitably annotated where:
 - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
 - 2) submissions were submitted by a method other than the stated method,
 - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and
 - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions.
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

7.7.3. Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.7.4. Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.7.5. Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.8. Use of another organ of state's framework agreement

7.8.1. The Ga-Segonyana Local Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so.

7.8.2. The Municipal Manager shall make the necessary application to that organ of state to do so.

7.9. Insurances

7.9.1. Contractors shall be required to take out all insurances required in terms of the contract.

7.9.2. The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by the Municipal Manager.

- 7.9.3. Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5million electrical, mechanical and engineering: R3 million architectural: R5 million other R3 million

- 7.9.4. The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by the CFO
- 7.9.5. SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.
- 7.9.6. Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the in relation to the nature of the service that they provide.
- 7.9.7. The Ga-Segonyana Local Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.
- 7.9.8. Where payment is to be made in multiple currencies, either the contractor or the Ga-Segonyana Local Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

7.10. Written reasons for actions taken

- 7.10.1. Written reasons for actions taken shall be provided by a Project Manager
- 7.10.2. The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, as to why a tenderer was not considered for the award of a contract or not awarded a contract shall be framed around the clauses in:

- :
- a) SANS 10845-3, Construction procurement - Part 3: Standard conditions of tender, and, giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or
 - b) SANS 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest;

7.10.3. Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers.

7.11. Request for access to information

7.11.1. Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the "requestor" should be referred to the Ga-Segonyana Local Municipality Municipality's Information Manual which establishes the procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of the Ga-Segonyana Local Municipality Municipality's.

7.11.2. Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use.

7.11.3. Access to a bill of quantities and rates should be provided in terms of the Act.

8. SHORT TITLE

8.1. This policy is called the INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT POLICY of the Ga-Segonyana Local Municipality Local Municipality.

ANNEXURE P

GA-SEGONYANYA LOCAL MUNICIPALITY



COST CONTAINMENT POLICY

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1. **DEFINITIONS**

"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 the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

"cost containment" the measures implemented to curtail spending in terms of this policy.

"municipality" Ga-Segonyana Local Municipality

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Ga-Segonyana Local Municipality.

3. **OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;

3.2 To implement cost containment measures.

4. **SCOPE OF THE POLICY**

This policy will apply to all:

4.1 Councilors'; and

4.2 Municipal employees.

5. **LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

5.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016;

5.2 Municipal Cost Containment Regulations, 2018; and

5.3 Travelling and subsistence policy.

6. **POLICY PRINCIPLES**

6.1 This policy will apply to the procurement of the following goods and/or services:

- (i) Use of consultants
- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

7. **USE OF CONSULTANTS**

7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 When consultants are appointed the following should be included in the Service Level Agreements:

- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
- (ii) Consultants must be appointed on an output-specific, specifying deliverables and the associated remuneration;
- (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
- (iv) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.

7.4 Consultancy reduction plans should be developed.

7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.

- 7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

(a) **VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater. Consideration must also be made with regard to the Upper Limit Gazette of Political Office Bearers as determined by the Minister of Cooperative Governance and Traditional Affairs from time to time.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the Senior Manager responsible for fleet management and technical services must in consultation with the Chief Financial Officer provide the council with information relating to the following criteria that must be considered:
- a Status of current vehicles
 - b Affordability
 - c Extent of service delivery
 - d Terrain for effective usage of vehicle
 - e Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

9. **TRAVEL & SUBSISTENCE**

- 9.1 An accounting officer:
- (i) May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and

- (ii) For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for accounting officers, and persons reporting directly to accounting officers.
- 9.2 Notwithstanding 9.1, an accounting officer may approve the purchase business class tickets for officials with disabilities.
- 9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 9.4 Officials of the municipality must:
 - (i) Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
 - (ii) Make use of a shuttle service if the cost of such a service provider is lower than:
 - the cost of hiring a vehicle;
 - the cost of kilometers claimable by the employee; and
 - the cost of parking.
 - (iii) not hire vehicles from a category higher than Group B; and
 - (iv) 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.
- 9.5 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. **DOMESTIC ACCOMMODATION**

- 10.1 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 by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

11. **CREDIT CARDS**

- 11.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.

- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. **SPONSORSHIPS, EVENTS & CATERING**

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
- (i) Hosting of meetings;
 - (ii) Conferences;
 - (iii) Workshops;
 - (iv) Courses;
 - (v) Forums;
 - (vi) Recruitment interviews; and
 - (vii) Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000,00) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:
- staff year-end functions
 - staff wellness functions
 - attendance of sporting events by municipal officials
- 12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.

- 12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

13. COMMUNICATION

13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.

13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.

13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.

13.5 Allowances for officials for private calls is limited to R50,00 per official.

13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS & STUDY TOURS

14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

14.2 The benchmark costs may not exceed an amount determined by National Treasury.

14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:

- (i) The official's role and responsibilities and the anticipated benefits of the conference or event;

- (ii) Whether the conference or event will address the relevant concerns of the municipality;
- (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
- (iv) Availability of funds to meet expenses related to the conference or event.

14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:

- (i) Conference or event registration expenses; and
- (ii) Any other expense incurred in relation to the conference or event.

14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.

14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.

14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.

14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

15. **OTHER RELATED EXPENDITURE ITEMS**

15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.

15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

16. **ENFORCEMENT PROCEDURES**

16.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

17. **DISCLOSURES OF COST CONTAINMENT MEASURES**

17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.

17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, 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.

17.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. **IMPLEMENTATION & REVIEW PROCESS**

18.1 This policy will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury.

19. **CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES**

19.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.

19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.

19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.

19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:

- Findings and recommendations; and/or
- Whether disciplinary steps should be taken against the alleged transgressor.

19.5 The accounting officer must table the report with recommendations to the municipal council.

19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. **SHORT TITLE**

20.1 This policy shall be called the Cost Containment Policy of the Ga-Segonyana Local Municipality.

ANNEXURE Q

GA-SEGONYANA LOCAL MUNICIPALITY

BULK SERVICES CONTRIBUTION POLICY: WATER, SANITATION AND ELECTRICITY





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1. DEFINITIONS

- 1.1 **"Average monthly demand"** means the average estimated or measured demand by any user or consumer in respect of any Service during any continuous period of 12 months or such other period as may be determined by the Municipality;
- 1.2 **"Bulk infrastructure"** means the public infrastructure by means of which water, sewerage and electricity are generated, collected, stored, purified, conveyed and disposed of, as the case may be, and which connects to the reticulation system which in turn distributes services to or from end users;
- 1.3 **"Bulk services contribution"** means a monetary contribution levied by the municipality and recovered from developers as a connection fee in respect of a development;
- 1.4 **"Cost of capital"** means the cost of capital expressed as an effective annual interest rate at which the Bulk Infrastructure is financed by any Financier;
- 1.5 **"Demand model"** means a model utilised by the Municipality to project over a specified period of time the demand (peak and monthly average) needed for specific services to be provided to accommodate development.
- 1.6 **"Development"** means any new or extended building, office complex, office park, retail centre or other commercial development, factory or industrial development or park, mine, township, subdivision, division, consolidation, rezoning, consent use or enhanced use rights of whatever nature granted on land by the municipality;
- 1.7 **"Gross lettable area" or "GLA"** means that portion of a development, which can be occupied for its intended use;
- 1.8 **"Individual residential dwelling"** for purposes of sanitation services, means any individually metered residential dwelling where its sewage is



water-borne and which is further classified in terms of the following categories:

- 1.8.1 Low capacity unit: featuring 1 toilet per unit or erf;
 - 1.8.2 Medium capacity unit: featuring 2 toilets per unit or erf;
 - 1.8.3 High capacity unit: featuring 3 or more toilets per unit or erf.
- 1.9 **"Peak demand"** means the highest estimated or measured demand by any user during any continuous period of 24 months or such shorter period as may be determined by the municipality;
- 1.10 **"Unit contribution"** means a bulk service contribution, expressed as a monetary amount payable in respect of a defined component of a development (such as a residential unit or a unit of usable space);
- 1.11 **"Present value" or "PV"** means the value of an amount of money which is to be spent over an extended period expressed at its current value, after taking into account the projected change in the value of money;

2. OBJECTIVE OF THE POLICY

- 2.1. The municipality recovers the cost to it of bulk infrastructure by providing for a portion thereof in the tariffs for the service in question as well as by means of bulk service contributions.
- 2.2. This policy provides a framework for the determination of bulk service contributions on an equitable basis thereby allowing tariffs to be set at a more affordable level and shortening the period of recovery of the capital cost of bulk infrastructure, thus reducing long-term debt, improving the municipality's balance sheet and its credit rating and further enabling the municipality to develop a capital reserve for new and replacement bulk infrastructure.



- 2.3. The municipality is entitled to levy bulk infrastructure contributions as a condition of approval of a development, in terms of section 42, Land Use Planning Ordinance (Cape) 15/1985.
- 2.4. It is accepted that existing property owners already contributed to some extent to the capital cost of bulk infrastructure at the time of their respective developments in the past and additional contributions will be applicable only on extension of existing structures or for increased use rights.
- 2.5. The municipality will levy bulk service contributions when it approves a new development, specific extensions to existing building structures or grants increased use rights for an existing development to account for the projected impact the development or alterations thereto will have on the municipality's bulk infrastructure, accordingly enabling it to fulfil its constitutional mandate to provide sustainable municipal services.

3. JUST ADMINISTRATIVE ACTION

- 3.1. The Constitution entitles everyone to administrative action which is lawful, reasonable and procedurally fair and to be given reasons for any such action which affects them.
- 3.2. The Promotion of Administrative Justice Act 3/2000 is the legislation required by the Constitution to give effect to the right to just administrative action and to promote an efficient administration and good governance and to create a culture of accountability, openness and transparency in public administration or in the exercise of a public power or the performance of a public function.
- 3.3. This policy incorporates the above principles by providing parameters and procedures to guide the municipality and its officers in implementing it, and thereby exercising a public power through a series of administrative actions. In so doing, this policy seeks to provide certainty on the part of those affected by it with regard to how the municipality will act in the



circumstances covered by the policy and uniformity of action on the part of its officers.

- 3.4. The municipality commits itself and its officers to act fairly and justly in an open and transparent manner in implementing this policy.

4. METHODOLOGY

- 4.1. In the case of water and sanitation infrastructure systems, the municipality must plan to provide bulk infrastructure capable of delivering the peak demand thereon (in the case of water) or peak flow therein (in the case of sewerage) over a defined planning period.
- 4.2. The municipality has developed a demand model for these two services, assessing the period 2010 to 2030 and has projected the increased peak demand and flow, respectively, for that period, resulting from developments, enabling it to reflect this increase as a percentage of system capacity.
- 4.3. Bulk services contributions in the form of connection fees are calculated to recover a similar percentage of the current bulk infrastructure budget.
- 4.4. In order to ensure an equitable spread of contributions, the connection fees for residential water users will be determined by reference to connection and meter size, which define low, medium and high capacity users.

The demand model enables the expected total peak demand for each category to be determined and accordingly a proportionate connection fee to be set, thus allowing developers to contribute according to the impact each category of user in their developments will have on bulk infrastructure (and in turn to recover appropriately from end-users).

- 4.5. In similar fashion, in terms of the demand model, the expected peak flow of sewerage can be calculated for each category (this being directly proportional to water use), which are accordingly defined by reference to water connection and meter size.



4.6. For both the water and sewerage services, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered are calculated on the basis of a fee per set unit of gross lettable area and the policy provides for the calculation, where necessary, of a connection fee based on actual peak demand, in the case of potentially extraordinarily high capacity users.

4.7. With regard to electricity, again the demand model enables the increase in peak demand resulting from developments to be determined over the planning period and said increase to be reflected as a proportion of current capital spend. Contributions are calculated to recover the amount arrived at.

In order to ensure an equitable spread of contributions, individual contributions are calculated by reference to connection size (given that smaller capacity connections have a significantly lower expected maximum demand than medium and high capacity connection users).

4.8. As with water and sewerage, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered, is based on a fee per set unit of gross lettable area.

In the case of potentially extraordinarily high peak demand users, the policy provides for an individually calculated connection fee to be calculated based on actual peak demand.

5. WATER SERVICE

5.1. The municipality's demand model reveals that peak water consumption will increase from 12.5MI per day in 2010 to 28.1MI per day in 2030. This equates to $\pm 46\%$ of the bulk system capacity.

5.2. Applying the methodology in paragraph 4, an amount equivalent to 46% of the current expenditure for bulk water infrastructure must be recovered



from connection fees, being an amount of R183 million (per Feasibility Study dated November 2010).

It is recognised that only $\pm 25\%$ of the increase in demand will be due to construction of new dwellings whilst the balance will be due to upgrade of service levels. This forecast a recovery of $\pm R46$ million from new developments.

- 5.3. Connection fees on existing dwellings/structures will be applicable to extension of existing structures or for increased use rights.
- 5.4. The following unit connection fees are accordingly determined with effect from the 2011/2012 financial year, for typical, individually metered residential units, to be paid by a developer per unit in a development:

Capacity	Connection Size	Meter Size	Fee (Rand)
Intermediate LOS (e.g. yard connection)	20mm	15mm	R1 950
Low	20mm	15mm	R4 200
Medium	25mm	20mm	R8 200
High	40mm	32mm	R15 750
High	50mm	40mm	R15 750

- 5.5. For typical commercial, industrial and non-individually metered residential developments, a fee of R7 500, per 100m² of bulk, or 100m² GLA, whichever is most appropriate, is set.
- 5.6. In respect of exiting dwellings, a 30% discount will be applicable if the applicant pays the connection fee upfront.
- 5.7. Notwithstanding the above, if the municipality receives an application for approval of a development which, because of its size or the water intensive nature of the activities to be conducted therein, is likely to achieve a peak demand in excess of the expected levels in the demand model, the municipality is entitled as a condition of approval to require the developer to



pay a bulk contribution calculated on the basis of the expected peak demand for that development over the planning period.

In this regard, the Municipal Manager shall consider any reports commissioned by him, consult with the developer and determine a contribution.

The provisions of section 62, Local Government: Municipal Systems Act 32/2000 shall apply with regard to any such determination.

- 5.8. The Council will annually consider a report from the Municipal Manager on actual recoveries from connection fees against expected fees as reflected in the demand model as well as the calculated impact of any approved developments and adjust the connection fees in accordance with the methodology in 3 above to ensure adequate recovery over the study period or any adjustment thereof from time to time.

6. SANITATION SERVICE

- 6.1. The municipality's demand model predicts an increase in peak flow between 2010 and 2030 from 8 MI per day to 22.9 MI per day. This increase represents 66% of the 2030 capacity and will need capital input of R 137 million. (November 2010 feasibility study)
- 6.2. It is recognised that approximately 40% of the increase in demand will be due to construction of new dwellings and an amount of ±R55 million should be recovered from these developments.
- 6.3. Expected peak sewage flow per residential type is directly proportional to peak water consumption.

Accordingly, a more equitable division of unit contributions is achieved by categorising residential types by reference to the size of the water supply connections to a unit, rather than the standardised size of sewerage connection.



- 6.4. The following unit connection fees are determined for implementation from the 2011/2012 financial year, for typical residential units, individually metered for water and business/commercial developments (to be paid by a developer per unit in a development):

Capacity	Typical number of toilets	Water connection size	Connection Fee(R)
Low	1	20 mm	R5 400
Medium	2	25 mm	R8 840
High	3 or more	40 & 50 mm	R12840

- 6.5. For typical commercial, industrial and non-individually metered residential developments, a fee of R9 920 per 100m² of bulk, or 100m² GLA, whichever is most appropriate, is set.
- 6.6. The provisions of paragraph 5.6 and 5.8 shall mutatis mutandis apply in respect of the sewerage service.
- 6.7. The provisions of paragraph 5.7 shall mutatis mutandis apply in respect of the capital contribution to bulk sewerage infrastructure by a developer in relation to a development referred to therein.

7. ELECTRICITY SUPPLY

- 7.1. The municipality's demand model for electricity predicts an increase in demand from 2010 to 2030 from 310 Mwh/d to 645 Mwh/d and this increase represents 52% of the 2030 capacity. (November 2010 feasibility study)
- 7.2. The capital need for this amount to R124.3 million and it is recognised that approximately 70% (R87 million) of this is due to construction of new dwellings whilst the balance is contributing to upgrade of service levels.
- 7.3. The contribution will be based on the capacity utilised which is also determined by the connection size which is the most accurate predictor of expected maximum demand. K



- 7.4. The following connection fees are determined for typical residential units, individually metered, for electricity, for the financial year 2011/2012, to be paid by a developer for each unit in a development:

Capacity	Size of connection (Amps)	Connection fee (R)
LOS	10	R4 000
Low	20	R8 000
Medium	40	R16 000
High	60 (single & 3 phase)	R24 000

- 7.5. For typical commercial, industrial and non-individually metered residential developments a fee of R16 000 per 100 m² of bulk or 100 m² of GLA, whichever is the most appropriate, is set.
- 7.6. The provisions of paragraph 5.6 and 5.8 shall mutatis mutandis apply in respect of the electricity service.
- 7.7. The provisions of paragraph 5.7 shall mutatis mutandis apply in respect of a development as referred to therein.

8. OTHER MATTERS

- 8.1. The Municipal Manager shall be entitled to negotiate a discount to a maximum of 30% on Bulk service contributions payable on developments in a category or area determined by the Council from time to time, to facilitate development.
- 8.2. Bulk service contributions calculated and levied in terms of this Policy will be payable upon any of the following events:
- 8.2.1. Approval of the township by the Municipality in the case of a new development. The Bulk service contributions will be quantified in terms of the services agreement between the Municipality and the relevant Developer(s) and must be paid before the township register can be opened at the deeds office;



- 8.2.2. Approval of a rezoning application in terms of an existing development: The Bulk service contributions will be quantified in the relevant motivation to the Council and must be paid before any building plans are approved;
- 8.2.3. Submission of an application for the amendment of building plans in respect of an individual residential dwelling or another building and where the proposed modification(s), changes or extension as the case may be, will lead to an increase in demand for services: Payment in full of the additional Bulk service contributions is required prior to final approval of the plans.

9. CONTRIBUTIONS RING-FENCED

- 9.1. Contributions received by the municipality pursuant to this policy must be separately identified and recorded in the financial records of the municipality (with in its Capital Replacement Reserve) and only utilised for the purposes of supporting capital projects relating to the upgrade, maintenance or extension of a capital infrastructure of the service in question.

10. MUNICIPAL MANAGER IS THE RESPONSIBLE AND ACCOUNTABLE OFFICER

- 10.1. The Municipal Manager is responsible and accountable for the implementation of this policy and shall report annually to the Council on the applicability of the fees set herein and the extent to which the policy is achieving its objectives.
- 10.2. The Municipal Manager is hereby delegated all the necessary power and authority to fulfil the obligation interms of this policy, with authority to supper delegate to the appropriate level.



Ga-Segonyana

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QUALITY CERTIFICATE

I MARTIN TSATSIMPE, Municipal Manager of GA-SEGONYANA LOCAL MUNICIPALITY, hereby certify that the Draft Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Draft Budget and supporting documents are consistent with the integrated Development plan of the municipality.

Print Name MARTIN TSATSIMPE

Municipal manager of GA-SEGONYANA LOCAL MUNICIPALITY

NC 452

Signature

Date: 30 March 2021



